

## Local Unit Alignment, Reorganization, and Consolidation Commission

# Literature Review and Analysis Related to Municipal Government Consolidation

Marc Holzer, Ph.D.  
Principal Investigator

John Fry  
Project Director

Etienne Charbonneau  
Deputy Project Director

Norma Riccucci, Ph.D.  
Supervising Faculty

Etienne Charbonneau  
Alex Henderson  
Sunjoo Kwak  
Alicia Schatteman  
Senior Research Associates

Eileen Burnash  
Librarian



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# **TABLE OF CONTENTS**

## **Literature Review and Analysis Related to Municipal Government Consolidation**

<b>EXECUTIVE SUMMARY</b>	<b>1</b>
<b>PURPOSE OF THE REPORT</b>	<b>5</b>
<b>REVIEW AND SYNTHESIS OF THE LITERATURE</b>	<b>7</b>
<b>COMMENTS ON THE LITERATURE</b>	<b>21</b>
<b>CONCLUSIONS</b>	<b>22</b>
<b>APPENDIX A – ANNOTATED BIBLIOGRAPHY</b>	<b>24</b>
<b>APPENDIX B – METHODOLOGY</b>	<b>46</b>
<b>APPENDIX C – RFP QUESTIONS</b>	<b>50</b>
<b>APPENDIX D – BIBLIOGRAPHIC DATABASES</b>	<b>51</b>

## EXECUTIVE SUMMARY

The Local Unit Alignment, Reorganization, and Consolidation Commission (LUARCC) contracted with the School of Public Affairs and Administration (SPAA) at Rutgers University, Newark campus in October of 2008 to conduct a review of the literature on *municipal government consolidation*. Consolidation of municipal government has been studied broadly and is a major area of interest for the state in its attempts to control the costs of local government.

Overall, the literature indicates that there is no compelling evidence for consolidation, except as warranted on a case-by-case basis. However, the interest in consolidation has often triggered a review of other mechanisms to provide government services efficiently and effectively. Focused solely on consolidations, the literature provides the following major findings

- Most consolidation attempts have not resulted in consolidation.
- The results in those that have resulted in consolidation are not consistently beneficial in terms of long-term financial and political considerations.
- The financial costs of consolidation include costs of the transition, of salary and service harmonization, and of additional facilities, equipment, and infrastructure (both physical and administrative) resulting from the merger.
- The financial benefits of consolidation typically result from a reduction in work force or a reduction in facilities or equipment, and include costs avoided.
- Politics is a major obstacle to consolidation, but it should be perceived in the broadest terms to include the interests of elected officials, employees, and the public, who values local control.
- Like any potential restructuring, the costs and benefits of consolidation will be specific to the conditions and issues of the governments that are included. The costs and benefits should be assessed with recognition of the results that can be achieved realistically.

## **Questions from the Scope of Work (RFP) on Municipal Government Consolidation**

Purpose of the Literature Review:

To address the question of whether municipal consolidation results in a more cost-efficient government. Whether or not, based on current reported experience, the formation of larger political jurisdictions through municipal consolidation results in greater cost-efficiency of service delivery? The review may include examples of city-county consolidations.

*For the consolidations that have been completed, the results are mixed. However, the literature views some as successful in reducing costs or providing other benefits. The literature for the recent restructuring in the United States, however, seems to favor consolidation of functions to a regional or county level, as opposed to a complete merger of municipalities.*

**Whether, if cost is not a factor, are there other benefits gained through consolidation and if so, what are they?**

*Consolidation of specific functions has provided benefits, such as regional or centralized land use planning or economic development. Equity of service delivery and broadening a tax base to provide funding to restore deteriorating infrastructure are seen as benefits by some, but can have grave political consequences and have been the source of dissatisfaction with the consequences of a merger. Service improvement and improved responsiveness, for example, were the result of a consolidation of fire districts.*

**Whether there are specific instances where consolidation may be beneficial and other situations in which it is not justified from the standpoint of efficiency, equity or other criteria? If so, describe the circumstances under which consolidation may or may not be appropriate.**

*The most significant lesson from the literature is that consolidation is beneficial in some situations but not in others; there are no general parameters given to make this determination. Rather, a case-by-case analysis is necessary, evaluating the goals of the consolidation against the realistic possibility of how those goals would be furthered by a merger. As a corollary to this, whether equity and the redistribution of wealth or resources are beneficial is a political policy determination. The literature does indicate that consolidation is more successful if implemented voluntarily, rather than mandated.*

**Whether there are identified or identifiable diseconomies associated with municipal consolidation?**

*Sources of diseconomy include harmonization of salaries and services, the need to provide better information and management systems in a larger entity, the need to*

*create a new or enhanced management structure to preserve allocative efficiency, and the increased specialization of employees and equipment.*

### **What are the lessons learned based on consolidations that were implemented?**

*It is important to be realistic about the transitional costs, both financial and organizational, in evaluating a potential consolidation. Uniformity, in the guise of equity of services or of salaries and benefits, can counter any potential cost savings. It is prudent to reduce annual operating costs, through a reduction in the workforce or the facilities and equipment, in order to offset the transitional costs of consolidation. Reductions in employees, however, can increase workloads and cause poor response to citizens' requests. Political representation is an issue that must be resolved in a merged government. Considerations of the use of the broadened tax base are a political decision.*

### **Are there cost savings associated with consolidations?**

*The results are mixed. Some of the answer may lie in controlling the diseconomies associated with consolidation, but some diseconomies may be inherent in an increasing scale of operations. The literature suggests detailed evaluation of the facts and circumstances of each case.*

### **Are there hidden or other costs associated with consolidation that led to a failure to consolidate?**

*Although transitional costs, including the need for additional facilities and equipment, are significant, the literature most commonly assessed them for completed consolidations. The literature usually indicates reasons other than financial for a failure to consolidate.*

### **Are there other obstacles to consolidation which were commonly identified in multiple situations?**

*The literature noted that the need for structural changes to accomplish consolidation is a disincentive. If these changes, which are usually legal and organizational, are undertaken, the desired gains in efficiency will require a relatively long timeframe to achieve. Political concerns of elected officials and parties in power have scuttled consolidations. The loss of local control of the level of services and their delivery is a concern of the public, as well as elected and appointed officials. This includes the differences in perceived needs for services and regulation in different types of areas, such as urban and rural. Differing tax bases and tax rates present obstacles or opportunities, depending on the policy goals of the consolidation. Fear of job loss and increased workload are issues for unions and employees. Combining different unions, or union and non-union municipalities, presents an obstacle. Ironically, successful regionalization and prior inter-governmental cooperation provide alternative paths to achieving*

*greater efficiency and, therefore, reduce the perceived need to take on the more drastic changes required by consolidation.*

**Are there any legislative impediments which were identified in the literature that were viewed as obstacles?**

*The literature addressed legislative impediments, but they are specific to states and countries. The Canadian literature indicated that the lack of relevant laws in the United States prevents mandatory consolidation from being imposed by states, but considered this a good thing. There were other specific references to laws allowing consolidation, which added restrictions that made consolidation less attractive. Some labor laws required amendment for specific consolidations to occur.*

**Are there any thresholds beyond which consolidation became less cost-efficient?**

*The consolidation literature did not specifically address thresholds. Some of the literature that found cost savings resulting from consolidation also found the amount of the savings decreased with increasing size of the merged municipality, but no thresholds were stated.*

## PURPOSE OF THE REPORT

To meet its overall goals as expressed in the legislation signed into law on March 15, 2007, the Local Unit Alignment, Reorganization, and Consolidation Commission (LUARCC) commissioned a literature review to address the question of whether municipal consolidation results in a more cost-efficient government. The enabling legislation for the establishment of LUARCC states:

Consolidating local units, structurally and administratively streamlining county and municipal government, and transferring services to the most appropriate level of government for delivery would help to alleviate the property tax crisis by reducing the administrative costs of local government and making the delivery of local services more efficient due to economies of scale.

In the RFP it issued, LUARCC stressed several questions to be addressed. The Commission also expressed concern that the review of the literature should take into consideration the diversity of local governments and local government conditions in the State of New Jersey. The primary question was whether the formation of larger political jurisdictions through municipal consolidation results in greater cost-efficiency of service delivery. Aside from cost considerations, the Commission also asked whether there were other benefits to consolidation examined in the literature and under what circumstances any of these benefits may or may not be appropriate. SPAA was asked to seek evidence in the literature of any diseconomies associated with consolidation.

These questions guided SPAA's search of the literature to uncover evidence of cost efficiencies or lessons learned from consolidations which were implemented, or of obstacles, legislative impediments, or other costs that were encountered in attempts to consolidate. The annotated bibliography that is included in this report is the result of that research. SPAA has synthesized the information in the articles and other documents that are listed in the bibliography and arrived at the conclusions presented in this report.

There is a commonly held belief that efficiency will be improved by reducing the number of units of government and combining them into larger units. Alan Karcher's book New Jersey's Multiple Municipal Madness, (1998) is his treatise on the concept that there are too many municipalities in New Jersey. Karcher reviews reasons new governments were created, finding that some were for the benefit of a small group of people or for other reasons, which would not be perceived now as benefitting the state as a whole. He concludes that the current fragmentation is not appropriate and discusses both voluntary and mandatory consolidation as approaches to resolving the current inefficient situation.

A study of Post-War Japan accepts the premise of consolidation. The author states that it is widely accepted that "amalgamation will increase the efficiency of local government ..." (Mabuchi, 2001). However, the author maintains that responsiveness to local

residents is also an offsetting issue in consolidation. “... it is also generally believed that there is a negative effect on democracy.” Throughout the literature, there is tension between the basic belief in efficiency of larger governments and concerns about the unforeseen consequences of consolidation.

The experience in Iowa is emphasized throughout the literature review that follows. Iowa faces a similar situation to New Jersey, with well over 3,000 local governments in a less densely populated state (Greenblatt, 2006). Iowa has 36 local governments for every 100,000 people. With a stagnant tax base and few options, Iowa’s governor proposed replacing all the local governments with 15 regional governments. Although the proposed consolidation was not well received in a state that is proud of its local police forces and fire districts, the municipalities of Iowa are working together now to a much greater extent. So far, there have not been tremendous cost savings from this increased cooperation. As Greenblatt states with regard to Iowa: “For local officials, saving a lot of money right away isn't as great a concern as doing things more efficiently when they can, whether that means streamlining internally or reaching out to new partners.”



# REVIEW AND SYNTHESIS OF THE LITERATURE

## A Case for Consolidation?

Although there is some support for reducing the number of governments and, consequently, increasing the size of the remaining governments, there is a considerable body of literature that does not support consolidation. Most of the interest in consolidation has been focused on reducing the number of small municipalities. A 1987 report by The Advisory Commission on Intergovernmental Relations (ACIR) entitled, "The Organization of Local Public Economies," reviewed the studies of several researchers. The report concluded that per capita costs generally fall with increasing size for municipalities with populations up to 25,000, remain fairly constant for those up to 250,000, but then rise significantly. This pattern is represented by an inverted U-shaped curve relating municipal size and efficiency. Katsuyama's review (2003) of the work of those studying consolidation efforts concludes that the vast majority of services show no economies of scale beyond a population of approximately 20,000.

Norway has been reducing the number of municipalities substantially since 1952, when the initial thrust was to form municipalities of at least 2,000 inhabitants. The evidence of an empirical analysis of these consolidations showed that consolidation did reduce per capita expenditures (Hanes, 2001). However, there were two important caveats. The first was that the results were not significant when the researcher controlled for selection bias. The second is that the cost savings from consolidation declined with municipal size of the consolidated municipality.

As a body, these findings do suggest success in merging the smallest municipalities. However, a tense debate rages between states and localities over just what local government should look like (Fox and Gurley, 2006). Municipalities across the country have pushed back, and the debate ensues in New Jersey, New York, and Ohio. There is significant debate about whether consolidation is the best way to help people. Much of the debate is about cost savings. Many studies have found that larger municipalities are not generally the most efficient for specific service types.

A comprehensive review by Bish of fifty years of evidence about the relationship between the structure and performance of local governments in metropolitan areas leads the author to conclude that consolidation eliminates the very characteristics of local government that are critical to the most successful and least costly government systems (Bish, 2001). He urges: "policymakers need to change their way of thinking about urban governance, from the obsolete and discredited idealization of large hierarchical organizations to a research-based understanding of the conditions under which cities can function successfully...."

Byrnes and Dollery (2002) find it clear that the research on economies of scale in local government does not support the proposition that substantial efficiency gains would flow from the formation of larger local governments. Efficiency and economy may not be the strongest arguments for consolidation (Ho, 2004). It is difficult to prove or to promise

future tax savings. Voters are not easily swayed by promised savings, perhaps because they fear cuts in service as a logical extension of tax savings. There are other alternatives to achieving cost efficiency in services.

Sancton (1996), who has studied municipal consolidation in Canada, proclaimed that “The days of large-scale centrally imposed municipal reorganization are clearly over.” He was stunned that the policy-makers were unaware of the academic literature about the impact of scale on local government costs that showed precious little evidence to support a consolidationist position. His study cited the statistical work in Great Britain, which was largely ignored by the Royal Commission on Local Government when they recommended large, single-tier units of local government for England. He also observed that the United States had come around, noting that the Advisory Commission on Intergovernmental Affairs, although it was previously a staunch advocate of metropolitan consolidation (as indicated at the beginning of this review), had reversed its position by 1987 and was supporting fragmentation.

Fox and Gurley (2006) provide a comprehensive review of whether consolidation works, but conclude: “...no single policy advice can be given on whether consolidation is a good idea, with the facts and circumstances of each case determining whether consolidation or not (sic) is beneficial.” Governments should not assume consolidation will solve problems, because benefits and costs are specific to each situation. Consolidations may, but do not inevitably, save money.

Other studies support this notion of the importance of the specific circumstances, if only because of their absolute disagreement with one another. Jordan sees consolidation as the solution to the problem of governance following the consolidation of smaller units into the Greater Amman Municipality (Malkawi, 2003). However, Malkawi feels the practice of consolidation preceded the perception of the problem of the multiplicity of administrative units, and, therefore, was not implemented as a solution to the problem. Ostrom has a similar concern. “We find in the described studies a consistent pattern of evidence that contradicts the assumptions made by proponents of consolidation; we cannot support their belief that consolidation affords “the” solution to “the” urban problem.” (Ostrom, 1976)

Both Fox and Ostrom see size economies as being service-specific. As was detailed in the literature review of *Optimal Municipal Size and Efficiency*, infrastructure intensive services show benefits of size, which makes an indirect case for consolidation of smaller units or some other measures that would reap the same benefits. Fox and Gurley observe that bureaucrats have been noted for being efficient at the things they want to do, and inefficient at those they do not. In these instances, alternative delivery mechanisms could be identified in hopes of obtaining the same benefits that are expected from consolidation, but without the efficiency losses which occur because of the unwanted implementation of consolidation. Economies of scale are not the only criteria on which to determine the benefits of consolidation. The authors mention that land area, population density and geographical attributes may affect the benefits of consolidation.

In Western Germany, mergers that occurred in the '60's and '70's show significant economic impacts, such as a 20 percent lower level of debt (Blume and Blume, 2007). The authors find that the financial situation of city regions where the core and the hinterland are separate administrative districts is worse (in terms of public debt as a ratio to tax income) than in single district regions. Further, in evaluating economic impacts on the governments, mergers are superior to a "strategy that relies solely on soft or hard functional cooperation."

On the negative side of the ledger, there are several concerns that must be considered to understand the impact of consolidation. Consolidation, by its nature, reduces government competition without necessarily reducing overall government size (Fox and Gurley, 2006). To be cost effective, consolidation must be accompanied by the elimination of redundant workers, at least in the long term. The authors also note transition costs can be quite high in specific instances, particularly if infrastructure modifications or enhancements are required or capital-funded facilities are added. This emphasizes the point that consolidation only reduces costs if expenditures of the combined governments are lowered.

The transitional costs for a Canadian consolidation creating the City of Abbotsford were about \$1.5 million. Annual projected savings were \$1 million (Vojnovic, 1998). Campbell and Selden analyzed the transitional costs for a consolidation between the City of Athens and Clarke County, Georgia that was completed in 1991 (Campbell and Selden, 2000). The estimates of the 1991 costs were:

- \$470,353 for one-time operating and capital costs necessary only because of the unification
- Nearly \$5 million to implement the recommendations of consultants who conducted classification and compensation studies
- More than \$2 million for annual personnel costs due to the harmonization of the pay and fringe benefit packages

A World Bank report that analyzes different models of government structure confirms the concern with a loss of competitiveness that results from consolidation. The report elaborates that there is less incentive to be responsive to local needs (Slack, 2007). The author references Boyne's 1992 empirical review of consolidated versus fragmented governments in the United States. One source of the cost difference is that compensation levels rise to the highest levels in the pre-consolidated governments. An additional factor mentioned by Slack is that service levels also rise to the highest expectation of the most serviced community. Gregory C. Fehrenbach, a consultant for the New Jersey League of Municipalities, noted that when towns merge, residents are often unwilling to give up services. He used an example of two towns, one with twice-a-week trash collection and the other with weekly collection. Because the residents of the town that had trash picked up twice a week did not want to give that up, both towns ended up having twice-weekly service. "You can't just make the assumption that larger is better," Mr. Fehrenbach said (Peters, 2007).

Transitions to achieve a consolidated government can take two to three years to work out and require a melding of different service cultures of the organizations (Rosenfield and Reese, 2004). This is not a trivial matter, nor should it be assumed that the most effective service culture will emerge. The bottom line is also affected by compensation packages, which will rise to the highest level among the pre-consolidation governments, and by an increase in equipment and technology necessitated by a larger workforce.

Consolidations are often weighed without being realistic about how the merged government will operate. It is logical to assume scale efficiencies, for the services in which they are operative, will increase after consolidation, because they are based on economies derived from increased size. On the other hand, allocative efficiencies, which are derived from managing the use of resources, cannot be assumed to increase with size. In fact, Fox and Gurley reflect on the practical realities of such a drastic change as consolidation: "The involved people, local and national bureaucrats, local and national politicians, and service deliverers, may thwart or enable the consolidation, depending on the design. They will to a very real degree determine whether it works or fails."

Some of the literature has looked at other benefits of consolidation. Although these are often financial in nature, they are not of the same ilk as direct cost savings for increasingly efficient operations of government. The Toronto consolidation, establishing a single-tier government from what had previously evolved into a two-tier government, is a well-known and completed consolidation which has been the source for several of the articles found in the literature search. Although the literature does not make the case that the Toronto consolidation created cost savings, one of the changes that occurred because of the consolidation was the ability to make citywide planning decisions that would never have made it through six units of government (Grant, 2007). In essence, the benefits of regional planning have accrued without the difficulties of implementing and achieving a regional outlook among distinct governments.

In a similar manner, long term economic growth and vitality is easier to achieve in a single government structure, rather than across several individual governments in a region (Ho, 2004). The approved consolidation of the City of Louisville with Jefferson County is a good example to support the author's point that consolidation will be encouraged only if there are perceived concerns about an area's economic future. As the Brookings Institution (2002) concludes:

... an agenda of transformation to a changing community-one with a resilient economy and high quality of life that are increasingly imperiled by economic change, persistent racial divides, decentralization, and the relatively low education levels of its people. This agenda charts how a renewed Louisville can build on its assets, strengthen families, fix the basics, influence metropolitan growth, and sustain its neighborhoods in order to make itself a top-rank "competitive city." In doing so, it takes a deliberately broad view of "competitiveness."

An analysis of a fire district merger in Ada County, Idaho found the potential to increase service levels with no increase in costs (Curry, 1999). This proposed merger of four fire districts would allow an increase in staffing and the ability to make the chief officer responsibilities more specialized. Standardized training for paid and volunteer members and an enlarged prevention department would also be possible without increased costs.

## **Obstacles to Consolidation**

Sancton (2001a) examines the arguments of public-choice theorists against consolidation. The main argument is that maintaining many municipalities in the same area increases the level of competition between the municipalities and allows each municipality to determine its own service and tax package to attract particular residents and businesses. Public-choice theorists have addressed the issue of whether competition between municipalities is detrimental to planning and development in a regional area. They argue that regional planning is unnecessary, noting the development of infrastructure in the U.S. succeeded without a plan. They counter the argument promoting redistribution of wealth in a merged urban area by stating that such redistribution is the province of central, not municipal, governments, so it should not be a reason for consolidation.

Different needs for services do present one of the difficulties in consolidating communities, particularly if they are greatly different, like urban and rural areas. These areas often have different service requirements and, consequently, different service costs and tax bases (Sancton, 1996, 2001a). If the merged community resolves the issue by providing service equity throughout the entire area, costs may rise, because it is not usually acceptable to reduce service to the lowest pre-consolidation levels. There is a related issue in terms of the higher amounts of regulation that typically have evolved in urban areas. A merged rural area may not welcome the increased government intervention which could conflict with notions of self-sufficiency.

Service delivery subtleties affect how much area to include in a consolidated metropolitan area. The type of service is important. Functions like regional planning are best in a broad area that might include heavily developed and sparsely developed areas that need to be considered in relationship to each other for planning purposes. However, that same combination of heavily and sparsely developed areas has a very different impact on functions such as garbage collection. The policies and procedures that make sense in a densely populated area may produce inefficiencies in a sparsely populated area.

One study looked specifically at legislative impediments to consolidation in its review of fourteen detailed case studies about city-county consolidations in the United States from 1967-1999 (Leland and Thurmaier, 2004). Most of these attempts were unsuccessful or took several tries before they were completed. Most of the successful ones reduced the total number of elected officials in order to show cost savings. The successful cases needed a vote of the state legislature to pass special legislation supporting a consolidation process. Some cases required a constitutional amendment. But legislation can be too restricting and create further obstacles. In North Carolina, for example, the law which authorized consolidations stated that the larger government entity must be abolished.

An important distinction arises in assessing the feasibility of consolidation. Although there is some connection between the two, the financial efficiency of a consolidation is indeed different from the political feasibility of accomplishing it. *Optimal Consolidation of Municipalities: An Analysis of Alternative Designs* (Carey et al, 1996) presents an econometric model for estimating the cost savings of a potential consolidation. The model is applied to municipalities in Allegheny County, Pennsylvania. The authors conclude: "... citizens are much less likely to accept a consolidation plan that greatly disturbs the existing tax and service levels."

The popular press brings this thought home. "Consolidation has very little to do with saving money," Carl A. Bergmanson, mayor of Glen Ridge, New Jersey, said at a group discussion on consolidation. Mr. Bergmanson's point was that large city governments were often far more inefficient than the governments of small municipalities like his (Peters, 2007).

The tension between financial and political considerations is demonstrated in Sorensen's study (2006). The author first remarks on considerations of cost: "Cost efficiency can be improved by unifications, and central government has therefore designed a framework to stimulate voluntary mergers. Efficiency gains are larger among authorities with a small population base." However, in the same article, Sorensen also recognizes the difficulty of achieving consolidations in some of the same governments which may have the most to gain financially:

Local politicians and top administrators in small municipalities remain more reluctant to merge than leaders in more populous municipalities. Elimination of revenue disparities would certainly further consolidations, but local leaders (and probably citizens) are prepared to pay a price (in terms of diseconomies of scale) to persist as independent polities.

Sorensen's (2006) study in Norway describes political transaction costs as obstacles to consolidation. The central government has promised to maintain grant levels in local governments, which are generous, to compensate for diseconomies of scale. However, the promises may not be credible. Property rights have been nullified after consolidation, prompting municipalities with high revenues to oppose merger with poorer neighbors. Expected changes in party representation in a consolidated government lead to opposition to consolidation. More senior politicians, particularly those from small governments, oppose consolidation.

Political representation in the consolidated government is an obstacle and may become a problem after consolidation. The issues vary depending on the types of communities that will be combined, their respective populations, and the electoral process in place, or that will be put in place. In Vermont, the population in the Town of Essex outnumbers that of the Village of Essex Junction. In a 2006 article in the National Civic Review, Santucci argues for a proportional representation scheme to achieve equity. This unusual approach attempts to ameliorate the problems with more conventional voting systems, which the

author reviews in coming to his voting system recommendation for the merged towns. Each potential consolidation situation may present different problems that require a solution specific to the needs of the communities involved.

In Ottawa, Canada, the representation of the rural areas is an issue. Much like in the Vermont consolidation, representation by population would result in no effective representation for the rural areas, but a different mechanism would be in conflict with democratic principles (Sancton, 2003). Eventually, Headingley, the most rural community, was allowed to secede from the Ottawa consolidation.

Sancton (2000) also mentions different or non-existent unions as an obstacle to consolidation. In the province of Ontario, legislative amendments were needed to allow the formerly non-unionized Pittsburgh Township employees to enter the Kingston union with accumulated seniority rights. Although the changes were legally enacted, the unions were not pleased with the solution.

The Monroe County Council of Governments (COG) was formed in 2000 as a voluntary association of municipalities in Monroe County, New York. In 2003, COG and the RUMP Group, an organization of local business leaders, combined their efforts to look at further opportunities for cooperation or consolidation to counter the fiscal stress affecting local government (Judson and Carpenter, 2003). The conclusion in Monroe County was that the timeline on achieving cost savings through consolidation was far too long, because of the structural and legal changes that would be required by a physical merger. Since the GRIP-NAPA report of over thirty years ago, recommending a two-tier government and establishing an initial central agency to encourage collaboration in Monroe County, cooperation and innovation have occurred incrementally throughout the county.

For Monroe, the success of functional cooperation in the past represents an obstacle to consolidation. COG is a regional association that maintains a focus on promoting efficiency for municipalities throughout the county. This same phenomenon is seen in British Columbia (Sancton, 2005). A successful implementation of a two-tiered government utilizing regional districts has staved off the consolidation movement so popular in Canada in the latter part of the 21<sup>st</sup> century.

## **Lessons Learned**

The lessons from consolidations that were completed add to the lessons from obstacles that derailed or stalled consolidations. McKay (2004) found that efforts to achieve efficiency in a newly consolidated government could take a back seat to concerns of achieving equity and uniformity throughout the consolidated area. The other concerns McKay raises from this case study are general questions about change management, such as clarity of goals, roles, and deadlines and good communication.

In a study of five Canadian consolidations, greater needs for service delivery and governance in rural areas echo the concern with increased costs generated by the equity

issue (Vojnovic, 2001). This study also detected the harmonization of salaries as a cost containment issue resulting from consolidation. The overall results in salary costs were mixed for the five mergers because some mergers resulted in a reduction of employees and one, Abbotsford, set reasonable expectations for salaries before the consolidation occurred. Abbotsford also established a political forum of residents of the former districts that approved all initiatives. This mechanism might have provided the courage to keep costs in check.

However, in an earlier study (Vojnovic, 1998), the author noted that Abbotsford had also reduced staff in the consolidation, which helped it to reduce administrative costs. The staff members were affected by relocation, new work standards, and an increased level of required teamwork within the larger municipality. The employees also faced a significant increase in workload, which resulted in delays in processing inquiries, complaints and applications.

In four of the five mergers in the 2001 study, increased specialization occurred after the merger in two distinct areas. Employee specialization resulted from a greater volume of work that was repetitive. Equipment specialization, such as that resulting from the need for better accounting and information systems, followed from increasing the complexity of managing a larger organization.

Vojnovic found that there has been little evidence of cost savings in the consolidation of larger municipalities. He attributes this lack of success to diseconomies of scale, higher wages resulting from specialization, and greater transition costs, such as those required to restructure a larger bundle of services.

Over a ten-year period, Sancton has written frequently on consolidation, with a focus on the Canadian attempts to find a better method to govern and deliver services to its citizens. Different structures have been implemented throughout the last fifty years. Some of the variety in the nature of the attempts is due to the fact that Canada has vested more powers in its provinces to mandate restructuring, without approval of the municipalities, than the United States has permitted in its states.

Sancton (2001b) blames this central power for some of the difficulties that have resulted, comparing provinces that mandated consolidation with one that allowed it to occur as the municipalities desired. The Greater Vancouver Regional District (GVRD) was formed with the consent of its member municipalities. The consolidations that occurred in Toronto and Montreal, which have been beset with more severe problems, were mandated and did not achieve agreement of the consolidated municipalities. Vojnovic (1998) agrees that voluntary consolidations are more successful and that centrally imposed timeframes also act as an impediment to success.

Sancton states that the GVRD model is more similar to what is practical in the U.S., where states cannot mandate consolidation (without legislative or constitutional changes). The mobilization of forces in Vancouver to promote a regional solution created support for the solution that was eventually implemented. The provincial mandates in Ontario



and Quebec did not need this support. Therefore, they did not obtain it, nor did they have it when it was needed.

Although this report focuses on consolidation, the Canadian experience is not just a crucible for consolidation. It offers lessons about consolidation as a remedy to other structures of governance, even though the subsequent consolidations largely have not succeeded for other reasons. Sancton's 2005 article provides a history of the actions and reactions in Canadian governance. The main thrust of the 1950's and 1960's was to form two-tier governments. A metropolitan layer of government is established for functions that benefit from a metropolitan level solution, such as land use planning and infrastructure maintenance and development. Local municipalities continue to provide services such as zoning and recreational programs. (Note that two-tier governments are discussed further in *Optimal Service Delivery Arrangements and Efficiency*.)

The formation of two-tier governments occurred in four provinces. Ontario, Quebec, and Manitoba have subsequently abolished these two-tier governments to resolve unforeseen problems. On the other hand, British Columbia established a network of regional governments in the 1960's, which still exists, and that provided metropolitan level solutions, but British Columbia never recognized them as a separate layer of government. They replaced many special purpose bodies (special districts) that had been formed previously by multiple municipalities. The new regional districts encouraged inter-municipal cooperation and allowed municipalities to opt out of regional services (or cooperate with other municipalities, even outside the region). The board of directors of each regional district consists of members of municipal councils. The directors have numbers of votes proportional to the population they represent in the region. Sancton likes the solution:

Although it is impossible to determine objectively an ideal institutional model for metropolitan governance, it is hard to imagine a mechanism that could better combine local self-government through established municipalities with the existence of an institution at the metropolitan level that can both provide a degree of consensual metropolitan leadership (the strategic plan) and a framework within which municipalities can voluntarily cooperate with each other.

A two-tier government has inherent conflicts between the two governing tiers. In addition to Canada -- London, Rotterdam, Copenhagen, and Barcelona have shown this form to be unstable (Sancton, 2001a). In Toronto, Ontario by the 1970's, the two-tier government showed sources of conflict in that the suburbs did not want to support rebuilding deteriorating central city infrastructure and in that the upper-tier was spending an increasing share of total municipal revenues. A move to have the upper-tier council directly elected was successful in 1988, but it led to increasing conflict between the two levels of government. In 1996 Toronto decided to merge into one government for the City of Toronto for the stated purpose of saving money. Sancton (2005) sees this move as removing all ability of the rural and peripheral areas to self-govern. Other parts of this

report show there is considerable doubt about whether the goal of saving money was realized by the Toronto consolidation.

Manitoba's effort to create the Corporation of Greater Winnipeg resulted in the abolition of the Corporation within ten years, despite the attempt of the initial effort to avoid the political conflicts of a two-tier government. The directly elected members of the Corporation sat on 13 community committees that advised the main council on local matters. These committees were advised by residents' advisory groups that were chosen at open community meetings. The interest in these advice and consulting functions waned, increasing suburban political strength led to conflicts over funding central city infrastructure, and, generally, tensions between the two levels led to the demise of the Corporation.

Quebec reacted to its two-tiered problems in 2000 by merging the communities in Montreal and Quebec City. In Montreal, the Mayor wanted to promote social equity by using the stronger suburban tax base. The opposition Liberal Party won the election in 2003 by pledging to provide a legislative mechanism for de-mergers, which they did. Despite a confusing set of rules that required public approval, fifteen de-mergers were approved in Montreal and one in Quebec.

An analysis of the 2004 Quebec referenda on the de-mergers of municipalities determined citizen preferences regarding consolidation and fragmentation (Tanguay and Wihry, 2008). The authors observe that the referenda on consolidations, which had been imposed from above, approved many consolidations which had not taken place but were justified on economic grounds. Thus, voters may well be expected to favor a merger if they expect a reduction in the tax-price of local services.

The Quebec legislature also created the concept of metropolitan communities (Sancton, 2005), which are similar to the regional districts that have been successful in British Columbia. They have responsibility for functions such as regional planning, waste disposal, regional infrastructure, and regional parks. The success of British Columbia's regional districts is attributed to a number of factors, in addition to the steadfast refusal to treat them as another level of government. The regional districts have demonstrated flexibility in providing a hybrid of services, both upper- and lower-tier, based on the requirements of the municipalities. When required, the districts have also acted as administrative agencies for projects or services undertaken jointly by their member municipalities, further demonstrating their ability to accommodate specific local needs (Vojnovic, 1998). The results of creating the metropolitan communities in Quebec are not yet known. Over the last fifty years, Quebec City has been a two-tier government, a consolidated government, and now a government with a regional district.

### **Specific Attempts**

The literature describes both successes and failures. The term "success" is often used to mean completed and "failure" to indicate abandoned. Of those attempts at consolidation that were completed, there are opposing camps about whether the consolidation was

actually a success in achieving the goals it intended or in delivering other benefits that were not anticipated. Both the economic and political feasibility need to be considered when evaluating a proposed consolidation.

Overall, Benton and Gamble (1984) underscore mixed results in the literature:

An article a few years ago declared that “metropolitan reorganization via consolidation is not a dead issue, but it is certainly not very healthy”(Marando, 1979:426). The author of that article builds a strong case for his conclusion by citing numerous instances of rejection by voters, court cases that require concurrent majorities for affected areas, and more significantly, a lack of evidence that consolidation produces economies in government (Marando, 1979:419-21). However, the more general literature pertinent to governmental reorganization and the issue of "economies of scale" in government is divided to the point that there is no definite answer to the question of scale. On the one hand, part of the literature reports diseconomies of scale (Bish and Ostrom, 1973; Gabler, 1969; Hirsch, 1959; Schmandt and Stephens, 1960). On the other hand, some studies have shown mixed results, with economies of scale for some categories of expenditures, diseconomies for other categories, and no relationship for the rest (Alesc and Dougharty, 1971; Hirsch, 1968; Morgan and Pelissero, 1980).

A 2004 study showed that since 1990, only five city-county consolidations have succeeded: Athens/Clarke County, Georgia in 1990; Lafayette Parish/City of Lafayette, Louisiana in 1992; Augusta/Richmond County, GA in 1995; Wyandotte County/Kansas City, Kansas in 1997; Louisville/Jefferson County, Kentucky in 1999. (Ho, 2004) As mentioned above, Case Studies of City-County Consolidation (Leland and Thurmaier, 2004) contains a total of fourteen case studies of city-county attempts beginning in 1967, most of which were not completed.

The consolidation of Athens with Clarke County, Georgia provides some lessons for the would-be consolidator (Campbell and Selden, 2000). The authors detail additional costs of \$7.5 million, which were presented earlier in this report. Despite these high costs, the authors conclude that consolidation can be efficient and result in cost savings in some departments. They emphasize that the amount of money saved in a merger will depend on the design of the new government, as reflected both in its charter and the policy and management decisions of its elected and appointed officials. A comment in this study, which bears consideration because of its political ramifications, is that the unification charter determined that water rates would be equalized by increasing the rate paid by city users and decreasing the rate paid by county users.

Table 1 below examines total expenditures between 1990 and 1997, which included the two years preceding and six years following unification. The comparison of the general fund total operating expenditures for Athens-Clarke County(in real dollars) with the expenditures of three unconsolidated city-county governments in Georgia over the same

**Table I**

**Comparison of Total General Fund Operating Expenditures\***  
Percentage Change Since 1990 in Real Dollars\*\*

<b>City/County</b>	<b>Short-Term (1990-92)</b>	<b>Long-Term (1990-97)</b>
Albany-Dougherty Co.	43.08	58.34
Gainesville-Hall County	15.52	40.43
Warner Robbins-Houston Co.	8.87	33.41
<b>Athens-Clarke County</b>	<b>6.74</b>	<b>20.97</b>

\* General fund expenditures related to education, library, hospital, garbage collection, and garbage disposal were excluded from the analysis since they do not appear in Athens-Clarke County's General Fund expenditures.

\*\* Expenditures were adjusted for inflation using 1989 as the base year.

eight-year period shows that in Athens-Clarke County they increased at a rate noticeably lower than in the three comparison groups in both the short and long term.

Although the table shows only the percentage change (of increase) for total expenditures, the article also examined the sub-categories which are not shown in the table. In the sub-categories, there were some declines in costs in the five years after unification in Clarke County. General government expenditures (including internal support units) declined by nearly 10 percent, the only major function to experience a decrease in expenditures. Finance expenditures decreased both in the short and long term, although one of the non-consolidated comparison groups also decreased.

A consolidation of Jacksonville with Duval County led to a long-term impact of a 1.6 percent tax increase from 1969 to 1981 (Benton and Gamble, 1984). Over the same period of time, the comparison area (Tampa-Hillsborough County) reported a 1.8 percent increase. (Prior to consolidation the tax rate was declining in both Jacksonville/Duval County and the control area, but the long term impact over six years eventually showed an increase in costs in both areas resulting in the 1.6 and 1.8 percent increases in the tax rate over the total period.) Consolidation certainly did not prove to be an instrument which reduced the amount of revenue derived from the citizenry in the long run. In fact, these findings are opposite to the main hypothesis that consolidation will reduce costs and, therefore, taxes. Consolidation had an insignificant impact on property tax revenue in both the short and long run. Public safety expenditures increased as a result of this consolidation, as was suggested by Ostrom's work in the 1970's. Prior to consolidation the rate of change for public safety expenditures had been a decline of 0.1 percent,

similar to the decline in the Tampa/Hillsborough County area. After consolidation, the merged Jacksonville entity showed an annual increase of 3.3 percent.

A newspaper article cited much better projected results for citizens in another Florida community (Sharockman, 2004). A study showed that West Oldsmar homeowners would save \$100 or more a year, and Oldsmar would see more than \$100,000 in additional revenues annually if the city incorporated the 142-acre enclave into its boundaries. The savings to homeowners would come in the form of lower property taxes, as well as reductions in taxes, fees or surcharges that residents now pay for garbage collection, water, and sewer service.

In the county of Westchester, Pelham Manor and the village of Pelham decided not to merge. Pelham Manor was smaller but had a more valuable property base. So even if there were some savings in consolidation, Pelham Manor's taxes might have gone up. Residents of Pelham Manor would, in effect, have picked up more of the costs for the newly merged community than their neighbors. They would have contributed more with less say in how taxes were spent. (Fessenden, 2006)

An article from the *Toronto Gazette* has considerable detail about the problems that followed the Toronto consolidation (Sewell, 2000):

The provincial government first estimated that the Toronto amalgamation would save up to \$250 million. What the province seemed to forget was that 73 per cent of the \$5 billion spent annually by municipal governments in Toronto was spent at metro level on services that had been centralized or amalgamated years ago: police, transit and social services. The only savings possible would come from the \$1.5 billion spent by the local governments on things such as libraries, parks and recreation, planning, public health, garbage collection, water and sewage and fire services.

Attempts to cut salary costs were foiled by lean staffing prior to consolidation and an increase in fire salaries to the highest of the pre-consolidation levels. Although some cuts were realized (\$134 million), they were offset by increases in the first two years (\$154 million), by the high costs of necessary studies, buying new technology, and equipping centralized facilities.

Sewell sees the reduction in executive staff that occurred after the consolidation as stripping the government's ability to provide powerful executive level advice for changing times. The reduction of departments from 52 to 6 and of divisions from 206 to 37 was accompanied by the reduction of area managers by a third, from 1,837 to 1,204, and of executive management positions by two-thirds, from 381 to 154.

With 850 of the most senior staff removed from the workforce, local government suffered a loss in corporate memory and expertise. This loss of senior talent reduced the productivity of the workforce and the ability of the city to plan for its future.

The article continues by reporting that cuts made to litter services have had an impact on the public in this traditionally clean city. Recreation programs, once free as a matter of social policy, now have user fees attached, leading to a decline in participation and fewer programs being offered in the downtown area. Public transit fees were increased. Response has slowed for tree maintenance, building permits, and variance hearings. Finally, the author contends the creation of one large council has led to inaccessibility to local decision-makers and the shift of power into the backrooms of the mayor's office.

A more recent article on Toronto (Grant, 2007) sees the same problems as were evident at the time of consolidation. However, it also sees the benefits of a central government for regional planning.

Although the Brookings Institution study of the approved Louisville/Jefferson County merger did not evaluate the impact because the merger was not completed at the time of the study, the details of the agreement are interesting because they allowed for considerable flexibility and power to be exercised by the merged Metro Mayor and Council (Brookings Institution, 2002):

Small incorporated cities will not be affected by the merger either. All of their existing powers are preserved. All fire departments and other service districts will also continue to operate as separate entities with all their current powers. The merger referendum does not specifically require the merger of the police or any other government departments. Decisions on consolidating these departments will be made by the Metro Mayor and the Metro Council after the new year.

The consolidation of the Halifax Regional Municipality was implemented to save money and reduce the competition between municipalities for economic development (Sancton, 2005). The new municipality implemented three different tax rates -- urban, suburban, and rural -- corresponding to different levels of service. The author states that there is no evidence that money has been saved. The effect of the consolidation specifically on police services in Halifax was studied (McDavid, 2002). The study concluded that consolidation led to overall cost increases, lower service levels, and no effect on the crime rate.

The 1999 Halifax Regional Municipality Citizen Survey asked citizens about the consolidation (Poel, 2000). Citizens did not have a favorable assessment of the HRM amalgamation decision or the performance of their Council, did not see the geographical, social and economic diversity of the HRM region as a strength, and did not think municipal services had improved.

## COMMENTS ON THE LITERATURE

One of LUARCC's main concerns was the development of criteria to determine where consolidations would be most effective. Because the literature does not agree on a "one size fits all" solution and because the estimation of potential cost savings or changes is complex, specific criteria cannot be used to identify consolidation candidates.

The literature makes a clear distinction between the rational financial basis for consolidation and the political or cultural environment that will allow consolidation to occur, much less make it pay off. There are not enough credible examples from which to draw consistent lessons. What we do know is that there has been significant resistance to consolidation.

There are no clear answers about whether consolidation works. Among those consolidations which were realized (i.e., completed), the impact is very mixed. Even the evidence as to whether small municipalities should consolidate is not uniformly consistent in the literature.

The largest portion of the data that is available on consolidation is from the initiatives of other countries. They have undertaken more consolidations than have been attempted in the United States. However, the fact that the political situation and the cultural conditions are often so different is a major concern for attempting to arrive at recommendations that apply to New Jersey.

## CONCLUSIONS

If the question is “Do we consolidate and where?”, the literature review shows there is not adequate information to say “yes” or “no,” and there are certainly not concrete criteria to follow through on a “yes” answer. The literature indicates that governments have achieved only a small portion of the attempted consolidations, and the results of those achieved are mixed.

- Cost Savings Are Not Assured

The literature does not consistently support the general belief that increasing the size of municipalities will lead to cost savings. The overall U-Shaped curve relationship between population size and costs per capita masks the details of size relationships that vary with the nature of the service being delivered.

- Implementation of Consolidation Is Costly and Time Consuming

Transitional costs can be substantial if the consolidated government requires new facilities or infrastructure. It will normally take years to complete a consolidation. It is a complex task to achieve, as opposed to simply assuming a better organizational culture and better procedures in the merged government.

- Savings Only Result from Reductions in Resources

There is a tendency to create a wage and benefit structure that rises to the highest wage levels of the pre-merged governments. The merger must be evaluated as to how positions, equipment, or facilities can be reduced, if not immediately, then in the long run, so that these savings will balance the costs of the transition. The on-going costs resulting from higher uniform service levels and wage and benefit structures among merged municipalities are another major consideration.

- Most Consolidation Attempts Fail

Governments have not achieved the majority of recent voluntary attempts at consolidation. Of those that have been achieved, the results, measured in terms of costs savings or improved quality or responsiveness of service delivery, are mixed.

- Politics Is an Obstacle

The literature most often cites political considerations, running the gamut from multiple concerns of the public to concerns of political parties about



shifts in the balance of power, as the most significant obstacles to consolidation

Evaluations of potential mergers must be specific to the needs and situations of the communities involved. The mere attempt to consolidate often focuses an evaluation on ways other than consolidation to achieve increased efficiencies, even when the merger of governments does not result. This “unintended consequence” has led to better arrangements for service delivery in many situations.

## APPENDIX A -- ANNOTATED BIBLIOGRAPHY

### Literature Review and Analysis Related to Municipal Government Consolidation

Advisory Commission on Intergovernmental Relations (1987). *The Organization of Local Public Economies*: 1 - 56.

This commission report reviews the optimal structure of local government. The report declares that a multiplicity of general and special purpose governments contributes to democratic values and a coherent local public economy. The report distinguishes between the provision (that is, the determination of what) and the production (that is, the determination of how) of public goods and services.

Alesch, D. J., and L. A. Dougharty (1971). *Economies of Scale in State and Local Government*.

This report is not available in the Articles Folder for the LUARCC project. It was referenced by another author as showing mixed results for economies of scale

Benton, J. E., and Darwin Gamble (1984). "City/County Consolidation and Economies of Scale: Evidence from a Time-Series Analysis in Jacksonville, Florida." *Social Science Quarterly* **65**(1): 190 - 198.

Although much of the reform literature and consolidation rhetoric suggests that consolidation is likely to save money or reduce taxes, the actual relationship between city/county consolidation and "efficiency" is an empirical question. The results of this case study show that city/county consolidation produced no measurable impact on the taxing and spending policies of one city that has consolidated - Jacksonville, Florida.

Bish, R. (2001). *Local Government Amalgamations: Discredited Nineteen-Century Ideas Alive in the Twenty-First*. *Communiqué*, C. D. Howe Institute.

The twenty-first century will be one of rapid change and great need for institutional adaptability. Yet, in the critical area of the relationships among citizens, the civil community, and local governance, some provincial governments are imposing an intellectual fashion of the nineteenth century in the form of an almost religious faith in monolithic organizations and central control. This *Commentary* undertakes a comprehensive review of 50 years of evidence on the relationship between the structure and performance of local governments in metropolitan areas.

Bish, R. L., and Vincent Ostrom (1973). Understanding Urban Government: Metropolitan Reform Reconsidered. Washington, D.C., American Enterprise Institute.

This book provides an introduction to "public choice" analysis of urban problems. The authors argue that a critical rethinking of the problem of urban government is vitally needed and long overdue. As a means to this new perspective, they offer the public choice approach, which takes as its starting point the diversity of individual preferences and the diverse nature of public goods and services. Bish and Ostrom analyze a number of studies that compare the traditional alternative of metropolitan consolidation with the public choice alternative of a dynamic mix of multi-level public and private services. This book is not available in the Articles Folder for LUARCC. It was referenced by another source.

Blume, L., and Tillmann Blume (2007). "The Economic Effects of Local Authority Mergers: Empirical Evidence for German City Regions." Annals of Regional Science(41): 689-713.

Cooperation of neighboring local authorities in the provision of regional public goods can be efficiency enhancing due to economies of scale, a better realization of fiscal equivalence or dynamic efficiency gains. While the need for such cooperation between local authorities is undisputed, there are different positions concerning the form the cooperation should take. Some argue that local authority mergers are the most efficient and democratic strategy. Others argue that functional cooperation is more appropriate and that mergers reduce the welfare enhancing effects of competition between local authorities.

Boyne, G. A. (1992). "Local Government Structure And Performance: Lessons From America?" Public Administration **70**(Autumn): 333-357.

The debate in the UK on the reform of local government structure is poorly informed by empirical evidence. This article bridges part of the empirical gap by drawing upon analyses of structural effects in the USA. Two main dimensions of structure are outlined: fragmentation and concentration, both of which can vary vertically and horizontally. Fourteen structural hypotheses are identified and categorized as technical, competitive and political effects.

Brookings Institution Center on Urban and Metropolitan Policy (2002). Beyond Merger: A Competitive Vision for the Regional City of Louisville, The Brookings Institution: 1-11.

In November 2000, voters in the City of Louisville and Jefferson County approved a referendum to unify their two governments, effective January 2003. This report investigates the functions that are unaffected by the merger as well as evaluating departments whose fate has been left to the determination of the Metro Mayor and Council. Building on a superb body of local data collection and analysis, the document seeks to present the

new Regional City of Louisville with its first complete look at itself as it embarks on merger, in order to help it define a new vision of competitiveness. To that end, the report endeavors to provide a new map of the critical demographic, land use and economic trends altering the new city, and then follow up with an agenda of potential policy choices that will help the region shape the trends to its benefit.

Byrnes, J., and Brian Dollery (2002). "Do Economies of Scale Exist in Australian Local Government? A Review of the Research Evidence." Urban Policy and Research **20**(4): 391-414.

The 1990s witnessed a major era of structural reform in Australian local government. Amalgamation programmes in all six states resulted in a substantial decrease in the number of local authorities in Australia. The chief rationale underlying local government mergers lay apparently in the belief that larger municipalities would exhibit greater economic efficiencies. Despite its widespread acceptance amongst policy elites, this argument did not derive from a solid empirical base. This article seeks to evaluate available research evidence on the controversial question of economies of scale in Australian local government.

Campbell, R., and Sally Coleman Selden (2000). Does City-County Consolidation Save Money? The Unification of Athens-Clarke County Suggest it Might. Public Policy Research Series: 1-2.

The article discusses a city-county merger in Georgia. Two of the four successful consolidations in the United States since 1990 have occurred in Georgia: Athens-Clarke County (1991) and Augusta-Richmond County (1998). The authors studied the finances of the Unified Government of Athens-Clarke County which began operating in FY1992. They examined expenditures between 1990 and 1997 in order to examine both the short and long-term financial impacts of consolidation.

Carey, M., Ashok Srinivasan, and Robert Strauss (1996). "Optimal Consolidation of Municipalities: An Analysis of Alternative Designs." Socio-Economic Science **30**(2): 103-119.

The authors present a model for estimating the cost of providing local government services, and then introduce the notion of the "optimal" size of a municipality. In this paper, they present an analytic framework for the geographic aggregation of municipalities into larger and more populous municipal districts in order to reduce the costs of providing public services. The model allows the authors to determine the optimal number of districts for a fixed population size in a given geographic area, and to arrive at the extent of cost savings possible in the absence of additional considerations.

Claps, M. (2008b). Mergers are the Ultimate Government Consolidation: Lessons Learned from Queensland. Gartner Industry Research, Gartner, Inc.

Information Technology (IT) that runs day-to-day operations in municipalities usually has different IT structures, sometimes even different operating system platforms (e.g. Novell vs. Microsoft). This is a crucial factor to consider when planning mergers of local governments. Chief Information Officers or equivalents in municipalities need to consider some of the lessons learned from the state-mandated municipal mergers in the Queensland area of Australia.

Curry, M. (1999). An Analysis of a Proposed Four Fire District Merger in Ada County. (An applied research project submitted to the National Fire Academy as part of the Executive Fire Officer Program): 1-44.

This research project was an application of the first phase of the four phases Change Management Model, found in the Executive Management of Change course taught at the National Fire Academy. In Ada County, Idaho, various fire district chiefs had been discussing the possibilities of a fire district merger for some time; however the problem was that no formal analysis had taken place. The purpose of this research project was to do a formal analysis of this four fire district merger. Historical, descriptive and evaluative research methods were used to determine (a) what were the organizational conditions, including mission statements, standards, operational procedures or other values that would be impacted, (b) what were the potential destabilizing forces that may exist, (c) what would be the impact of organizational conditions or destabilizing forces, and (d) what the organizational change requirements necessary to make the merger successful would be.

Deller, S. C., Carl H. Nelson, and Norman Walzer (1992). "Measuring Managerial Efficiency in Rural Government." Public Productivity & Management Review **15**(3 (Spring)): 355-370.

Structural limitation and narrow managerial capacity have consistently hampered both an effective and efficient decision-making process in small rural governments. Due to small size and relative isolation, rural governments are inherently limited in developing either effective policy or efficient delivery systems. These structural barriers have prevented many rural public officials from developing the capacity, resources, and expertise needed for managing increasingly complex problems. This article provides a brief review of the performance measurement literature and suggests an alternative approach to assessing the efficiency of producing local public services. The proposed method seeks to incorporate microeconomic theory into the measurement process. The case of producing low-volume rural road services in the Midwest is examined to illustrate the method. The data used to study managerial efficiency in the production of rural road services were gathered from a mail survey of Illinois, Minnesota and Wisconsin township road officials

and the 1982 Census of government. The sample contains 435 independent observations of Midwestern townships.

Deller, S. C., and John M. Halstead (1994). "Efficiency in the Production of Rural Road Services: The Case of New England Towns." Local Economics **70**(20): 247-59

An analysis of size and managerial efficiency of northern New England towns in the production of rural road services is reported. A stochastic cost frontier was used as the normative efficiency reference set. Empirical results provide evidence of economies of size in the production of road service in New England and evidence that size inefficiencies are present. Results also suggest that managerial inefficiencies, or input use inefficiencies, are present and costs may be 40 percent higher than necessary. At issue is the effectiveness of current institutional arrangements: small town governments may best match local demand with services, but at high cost.

Department of Infrastructure, Transportation,, Regional Development and Local Government, (2004). 2003-2004 Report on the Operation of the Local Government (Financial Assistance) Act 1995

This report of the Australian government examines various structural reforms. Typically, economic approaches to local government performance improvements take one of two forms. In the 'conventional' view, large, hierarchical, multipurpose organizations are seen as the best way to organize local public services. This approach argues that in a 'consolidated' structure, all services are provided by a single unit that covers a wide geographical area. Economic arguments usually advanced in support of this view include economies of scale, economies of scope, administration and compliance costs (Dollery & Crase 2004). The 'public choice' perspective that has gained prominence in the last 40 years provides a sharply contrasting view. Proponents argue that efficiency and responsiveness are enhanced by local government structures that are based on markets and competition rather than on structural and administrative consolidation.

Dollery, B., and Joel Byrnes (2005). "Alternative to Amalgamation in Australian Local Government: The Case of Walkerville." UNE Working Paper Series in Economics **2005-4**: 1-25.

Structural reform chiefly through council amalgamation has long been the most favored means of enhancing municipal efficiency by Australian state government policy makers. However, the disappointing results of most amalgamation programs have led to a growing skepticism in the local government community and a search for alternative methods of improving council efficiency. Not only have scholars designed generic models suitable for Australian conditions, but individual councils and group of

councils around the country have also developed several de facto alternatives to amalgamation. An embryonic body of research has now begun to examine the efficacy of these alternative organizational arrangements. The present paper seeks to augment this nascent literature evaluating the outcomes achieved by Walkerville; an Adelaide suburban council that escaped the South Australian merger program completed in 1998.

Dollery, B., and Andrew Johnson (2005). "Enhancing Efficiency in Australian Local Government: An Evaluation of Alternative Models of Municipal Governance." Urban Policy and Research **23**(13): 73-85.

Broad consensus exists in Australian policy circles on the need to enhance the efficiency of local government. However, the question of the most appropriate model for local governance remains controversial. Quite apart from larger amalgamated municipalities, a range of promising alternative options can be identified that may be able to effectively combine more efficient service delivery with vibrant local democracy.

Duncombe, W., Jerry Miner, and John Ruggiero (1995). "Potential Cost Savings from School District Consolidation: A Case Study of New York." Economics of Education Review. **14**(3): 265.

This article presents the results of a detailed study of potential cost savings from consolidation of New York school districts. It extends past research on consolidation by developing a theoretical framework which distinguishes several dimensions of economies of scale and defines an empirical cost function for schooling. While findings apply directly to New York, the method developed here has general relevance to state education policy by helping to target candidate school districts for consolidation, and, where consolidation is not feasible, adjusting state aid formulae to reflect more accurately the cost impacts of scale.

El-Khoury, T. (2005). Consolidating Fire Agencies A Big Cost Saver, Report Says. St. Petersburg Times

This newspaper article presents some cost savings estimates from a study by MGT of America evaluating the consolidation of county and city fire departments in Pinellas County, Florida. This report was presented to the County's Charter Review Commission. MGT recommended that the county form a single fire district.

Ellickson, B. (1971). "Jurisdictional Fragmentation and Residential Choice." American Economic Review **61**(2): 224-229.

It is almost axiomatic that local governmental institutions, if they are to cope successfully with the problems of urbanization, require extensive reform. For many services, greater decentralization seems in order. For others, such as transportation planning, effective metropolitan government would be desirable. However, proposals which fail to recognize the impact

of institutional change on redistribution, as well as on allocative efficiency, risk irrelevance. Successful reform requires a greater understanding of the nature of local government in an urban environment. The model presented in this paper, though an extreme simplification of reality, is offered as a step toward providing that understanding.

Estrada, S. M. (1999a). Audit Finds Finances in Good Shape. St. Petersburg Times.

This newspaper article reports on the presentation of the annual audit in North Redington Beach, Florida. The audit showed \$100,000 in savings for eliminating the police department, but it appeared eliminating the fire department did not represent a cost savings, since the cost of using the Indian Rocks Fire District is about the same. In the next year, this cost will be removed from the town budget and will be billed directly to the resident through the county tax bill.

Feiock, R., C., Jered B. Carr, and Linda S. Johnson (2006). "Structuring the Debate on Consolidation: A Response to Leland and Thurmaier." Public Administration Review 66(2): 274-278.

In their essay "When Efficiency Is Unbelievable: Normative Lessons from 30 Years of City-County Consolidations," published in the July/August 2005 issue of PAR, Leland and Thurmaier make an important contribution to understanding how city-county consolidation occurs. They revise the widely accepted Rosenbaum and Kammerer model of consolidation and posit that "strong arguments" based on economic development, especially in the absence of organized opposition, led to victory for consolidation advocates. In this response, the authors argue that efforts to identify a set of arguments or charter provisions that will lead to successful consolidation are misguided. The real story in consolidation campaigns is how participants use heretical arguments in an effort to turn their opponents into political losers. What makes arguments strong or weak is not their substantive policy focus, but how they are structured.

Fessenden, F. (2006). Two Villages, Together but Apart. The New York Times. New York.

This newspaper article demonstrates the difficulties of consolidation in the real experience of Pelham Manor and the Village of Pelham in New York. A village trustee cited fear of loss of services as the reason for failure to consolidate and the Mayor suggested an additional factor was the unequal property valuation in the two towns, which would lead to potential tax increases for some residents even if total costs went down.



Fox, W., and Tami Gurley (2006). Will Consolidation Improve Sub-National Governments?, World Bank.

Local government size varies dramatically around the world. In Sudan, Côte d'Ivoire and the United Kingdom municipalities average more than 125,000 people. Those in many European countries have less than 10,000 people. Countries often consider consolidation of local governments as a means to lower service delivery costs, improve service quality, enhance accountability, improve equity or expand participation in government. The paper reviews a number of theoretical arguments and empirical findings concerning the size of sub-national governments. Countries should not presume that amalgamation will solve the problems because benefits and costs are situation specific. Success depends on many factors including getting incentives right for the various players and managing the transition properly. The effects on costs must be examined in terms of all changes occurring with consolidation, including geographic size.

Gabler, L. R. (1969). "Economies and Diseconomies of Scale in Urban Public Service." Journal of Land Economics 45(4): 425-434.

Previous studies have yielded somewhat different conclusions as to the effect of population size on city per capita expenditures. The analysis in this article was motivated not only by the differing conclusions, but also by the increased concern expressed by policy-makers with the effects of population growth and redistribution on urban areas in general and cities in particular. This article attempts to assess the effects of three population factors -- size, density, and rate of change -- on the provision of certain public services.

Goodman, J. (2008). Attempted Merger. Governing Magazine.

The author goes into detail about calls for municipal mergers from many states including New Jersey, New York, Ohio. "The result is a tense debate between states and localities over just what local government should look like." The article notes the fragmentation of government in several different states. The article is weak on substance when it comes to outlining actual consolidation. Its strength is that it outlines some of the issues as seen by practitioners in government, and in doing so, gives an introduction to the obstacles to consolidation.

Gordon, N., and Brian Knight (2008). "The Effects of School District Consolidation on Educational Cost and Quality." Public Finance Review 36(4): 408-430.

This study examines the effects of both whole-grade sharing and administrative consolidations of local school districts in Iowa in the 1990s, the majority of which were induced by state fiscal incentives. The study finds no effects of either sharing or consolidation on the pupil-teacher ratio, enrollments, or dropout rates. Although the study lacks detailed

quality data on student outcomes, the findings suggest an absence of efficiency gains from either whole-grade sharing or consolidation.

Grant, K. (2007). How Toronto has fared as one big city; 10 Years Old Jan. 1; Despite growing pains, there have been successes. National Post. Toronto: 1. This news article looks at the successes and issues that have appeared since the consolidation of six cities into Metro Toronto ten years prior. Although the expected cost savings did not materialize, other benefits in terms of the ability to make decisions and accomplish change did occur. The author notes that much consolidation of services had already occurred prior to the final merger.

Greenblatt, A. (2006). Little Mergers on the Prairie. Governing Magazine. This article examines how Iowa has addressed the concern that it has more government than it now needs. Iowa has 3,000 cities and towns, 99 counties as well as special districts. The Governor proposed to replace all local governments with 15 regional governments. With a stagnant tax base, Iowa has few options. The Governor's proposal was met with resistance, but, on a positive note, Iowa municipalities are working more together. "For local officials, saving a lot of money right away isn't as great a concern as doing things more efficiently when they can, whether that means streamlining internally or reaching out to new partners."

Hanes, N. (2001). Amalgamation Impact on Local Public Expenditures in Sweden. 6th Nordic Conference on Local Public Finance. Helsinki. Two extensive municipal reforms have substantially reduced the number of municipalities in Sweden. The main objective of the first municipal reform in 1952 was to form municipalities with no less than 2 000 inhabitants in order to increase administration efficiency and to exploit economies of scale in the provision of local public services. This paper studies whether the growth in local public expenditures differed between the newly formed municipalities and the ones that were not affected by the reform. The empirical analysis is based on data for the years 1951, 1953 and 1959.

Hirsch, W. (1959). "Expenditure Implications of Metropolitan Growth and Consolidation." The Review of Economics and Statistics **41**(3): 232-241. Metropolitan areas are growing fast and so are their problems. To make this growth smoother and fiscal problems less burdensome, the consolidation of metropolitan area governments is widely advocated on the premise that it will reduce per capita expenditures of local government services. It is argued that, just as there are economies of scale in manufacturing, average municipal costs and expenditures likewise decline as the size of the local government unit increases. This paper will attempt to develop a theoretical framework for analyzing the question "What are the likely expenditure effects of metropolitan growth and consolidation?"

The deductive answers will then be tested by an empirical analysis of 149 government units in the St. Louis metropolitan area and some Massachusetts cities.

Hirsch, W. Z. (1968). The Supply of Urban Public Services. Issues in Urban Economics. H. S. Perloff, and Lowdon Wingo, Jr. Baltimore, John Hopkins University Press: 477-525.

This book is not available in the Articles Folder of the LUARCC project. The chapter was referenced by another author as showing mixed results about economies of scale.

Ho, A. (2004). Lessons from Past Consolidation Efforts, The Center for Urban Policy and the Environment.

This Powerpoint presentation reviews consolidation attempts since 1805 in the United States, with particular attention to those attempted since 1990. It examines the efficiency argument for consolidation and evaluates other benefits that may accrue from consolidation.

Judson, T., and B. Carpenter (2003, July). "Cooperate, Collaborate, Consolidate: Options for Local Government in Monroe County."

Local governments in Monroe County are caught in the convergence of several trends that are producing current and projected multi-million dollar budget deficits in the two largest governments - the city and the county - and have strained town, village and school district budgets as well. These trends are (1) the rising cost of government at all levels; (2) a stagnating local economy; and (3) high local taxes. The primary objective of this report was "To inform and update the public about opportunities to make government more effective and efficient through cooperation, collaboration, and/or consolidation."

Karcher, A. (1998). New Jersey's Multiple Municipal Madness, Rutgers Press.

This book provides a history of how New Jersey developed into a state with 566 towns. It elaborates on the various reasons for secession over the years. The author admits that the reasons are sometimes hard to document because they happened so long ago, but the treatise of the book is that many of these justifications are no longer appropriate today. Karcher examines reasons for changing the current situation and proposes solutions based on his knowledge and experience as a state legislator. This book is not available as full-text in the articles file for the LUARCC project.

Katsuyama, B. (2003). "Is Municipal Consolidation the Answer?". Retrieved November 10, 2008, from <http://www.mrsc.org/Publications/mrnews/mrnews0603.aspx>.

This article reviews the literature on size and evaluates the effectiveness of consolidations. The article begins by stating that fragmentation is

usually assumed to be inefficient, but remarks that there is a growing body of evidence indicating that this conventional wisdom may not always be true. It compares the arguments for and against consolidation and reviews some of the research and case studies. The article suggests alternatives to consolidation that may provide alternative paths to efficiency.

King, R. (2004). Costs, quality core issues of fire debate. St. Petersburg Times  
This news article discusses the debate in Spring Hill, Florida over the consolidation of the fire and rescue service into the operation of Hernando County. The costs will go up for those with less valuable properties, but down for those who own more valuable properties, because the county rate is a flat fee, not a rate based on the property valuation. The debate also centers around the differences in the operations of the the county and the Spring Hill services.

Koven, S. G., and Don F. Hadwiger (1992). "Consolidation of Rural Service Delivery." Public Productivity & Management Review **15**(3 (Spring)): 315-328.  
The efficiency of rural counties in Iowa varying in size is evaluated and potential structural changes are reviewed with those findings considered. In particular, the decline of both population and revenue in counties in rural Iowa is seen as pushing the need for a structural change such as consolidation. The article also discusses obstacles to consolidation that are associated with a rural environment.

Krimmel, J. T. (1997). "The Northern York County Police Consolidation Experience: An Analysis of the Consolidation of Police Services in Eight Pennsylvania Rural Communities." Policing: An International Journal of Police Strategies and Management **20**(3): 497.  
The study employs a quasi-experimental design to assess the operational costs and benefits of a consolidated department. It uses a comparison group consisting of eight police departments in a contiguous county in rural Pennsylvania to compare the outcome variables. Northern York County Police Department, the experimental group, consolidated in 1972.

Leland, S., and Kurt Thurmaier, Ed. (2004). Case Studies of City-County Consolidation. Armonk, NY, M.E. Sharpe Inc.  
The book has 14 detailed case studies about city-county consolidations in the United States from 1967-1999. Most were unsuccessful or it took several tries. The book focuses on "what factors affect the outcome of an effort to consolidate two local governments?" The full-text of this book is not available for the LUARCC project.

Leland, S., and Kurt Thurmaier (2005). "When Efficiency is unbelievable: Normative Lessons from 30 years of City-County Consolidation." Public Administration Review **65**(4): 475-489.

The authors use a new model of city-county consolidation to analyze 12 local government consolidation attempts during the last three decades. Using a rigorously designed comparative case study, they identify the critical variables that explain why some consolidations succeed and others fail. Arguments for consolidation typically fail when they focus on the increased equity to be gained from the redistribution of revenues from the suburbs to central cities. Traditional arguments that are based on increased efficiency are also unsuccessful. Instead, the essential element of a successful consolidation is a group of civic elites who define the economic development vision for the community, determine that the existing political structure is incapable of supporting and implementing that vision, and convince the voters that city-county consolidation is the key to economic development

Leland, S., and Kurt Thurmaier (2006). "Frame the Consolidation Debate with a Sound Argument: A Reply to a Response." Public Administration Review **66**(2): 279-280.

The most persuasive argument in favor of city-county consolidation has been -- and remains -- economic development through the formation of a strong and attractive regional community identity. Empirical evidence consistently demonstrates that appeals to voters based on reducing inner-city/suburban socioeconomic inequity and enhancing administrative efficiency are a recipe for failed consolidation campaigns.

Mabuchi, M. (2001). "Municipal Amalgamation in Japan." Retrieved November 24, 2008, from [http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2005/07/26/000090341\\_20050726131910/Rendered/PDF/330380JP0wbi37175.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2005/07/26/000090341_20050726131910/Rendered/PDF/330380JP0wbi37175.pdf).

This paper describes the causes and consequences of post-war municipal amalgamations in Japan. It shows that recent amalgamations have been inspired in part by the desire to ensure that municipalities thus formed had sufficient capacity to deliver important public services in such areas as education, sanitation and welfare. It notes that there may be cost-efficiency gains associated with amalgamation in that the costs of delivering public services in Japan appear to be lower for larger municipalities (up to a point). Furthermore, case studies of some prefectures show that voter turnout in elections is not significantly affected by amalgamations.

Malkawi, F. K. (2003). "Amalgamation is a Solution in Jordan." Retrieved October 13, 2008, from <http://64.233.169.104/search?q=cache:2GQDv68911oJ:www.worldbank.org/wbi/mdf/mdf4/papers/malkawi.pdf+Amalgamation+is+a+Solution+in+Jordan&hl=en&ct=clnk&cd=1&gl=us>.

This paper is about the current thinking in metropolitan governance in Jordan. In 1985, a number municipalities and village councils around Amman City were amalgamated to form what is known today as the Greater Amman Municipality. Since its inception, creating a metropolitan authority in Greater Amman was presented as a solution to a technical problem, the multiplicity of administrative units. Although one cannot connect the assumed success of this new municipality to this process of amalgamation, it is often described as such. Accordingly, amalgamation is presented in Jordan as a solution to the problem of governance in metropolitan areas. Greater Amman became a model for good governance. Steps toward implementing this model around other major cities were taken recently. This paper presents the rhetoric that produced such conclusions and argues that the idea of a unified metropolitan authority is rather a "practice" that preceded the existence of the problem.

Marando, V. L. (1979). "City-County Consolidation: Reform, Regionalism, Referenda and Requiem " The Western Political Quarterly **32**(4): 409-421.

The article does not discuss cost efficiency in consolidation. It focuses discussion and analysis upon five aspects related to consolidation: (1) the relationship between reform as a process and adoption of consolidation; (2) the regional patterns of consolidation attempts and adoption; (3) certain political and administrative characteristics of charters which are associated with reform; (4) the relationship between referenda and adoption; and (5) future reform options including the role of state government on issues of metropolitan reorganization.

Maxwell Capstone Group (2005). Intergovernmental Cooperation Project: Onondaga County, Onondaga County, State of New York, Division of Management and Budget.

Onondaga County in New York State investigated: 1) the experiences of municipalities around the country in their successful attempts at inter-governmental consolidation and cooperation, 2) data on expenditure and dedicated personnel by municipality in Onondaga County, 3) assessment of applicability of efforts in other parts of the country to Onondaga County, and 4) functional areas in the 36 municipal governments in the county that may lend themselves to cooperation and/or consolidation. This article summarizes what has been happening in Onondaga County, New York with regards to many types of municipal reform efforts including shared services and consolidation.

McDavid, J. C. (2002). "The Impacts of Amalgamation on Police Services in the Halifax Regional Municipality." Canadian Public Administration **45**(4): 538-565.

The Nova Scotia government amalgamated the Town of Bedford, the cities of Dartmouth and Halifax and Halifax County to create the Halifax Regional Municipality. The Halifax amalgamation is one in a series of such mergers that have happened recently in Ontario, Quebec and the Atlantic Provinces. This study compares the costs, resources, service levels, crime rates, workloads and citizen perceptions of police services before and after amalgamation. Claims about the efficiency and cost-effectiveness of amalgamations have tended to rest on evidence that is generally inadequate to assess the actual consequences of this kind of organizational change. The current study suggests that when predictions are tested, there is a considerable gap between the rhetoric and what actually happens when police departments are amalgamated in an urban setting.

McKay, R. B. (2004). "Reforming Municipal Services after Amalgamation: The Challenge of Efficiency." International Journal of Public Sector Management **17**(1): 24-47.

The differing perspectives of decision makers in newly-amalgamated municipalities may hinder the reduction of costs or introduction of efficient organizational change. The author discusses the need to address and accept differences, a process that may be essential, at least initially, to achieving efficiencies. Additionally, the author discusses the amalgamation process and the nature of the change process itself. During amalgamation the pursuit of uniformity of services in combination with a weak and/or chaotic change process (lack of committee structure, poor information, vague deadlines, shifting relationships and assertion of power) may undermine efforts to obtain efficiencies.

Morgan, D. R., and John P. Pelissero (1980). "Urban Policy: Does Political Structure Matter?" American Political Science Review **74**(4): 999-1006.

An interrupted time-series quasi-experiment is employed to test the basic hypothesis that reformed cities (with city manager, at-large elections, and nonpartisan ballots) tax and spend less than unreformed communities. Eleven cities with populations of 25,000 and above which significantly changed their political structure between 1948 and 1973 are compared with 11 matched control cities that made no changes. They found that over an 11-year period, variations in fiscal behavior were virtually unaffected by changes in city government structure

Mower, J. (2003). City-County Consolidation and Other Regional Approaches to Reorganizing Local Government: Lessons Learned from Examples and Experts.

This memo, an informal but comprehensive document prepared for the City of Syracuse, includes a selection of lists, charts, and excerpts from research conducted related to municipal mergers in varying metropolitan

statistical areas (MSAs). The author summarizes the latest city-county merger of Louisville, Kentucky and summarizes case studies from several other MSAs. Substantive lists of the “easiest” and “hardest” methods of providing shared services are included, and reasons for failure or success of municipal mergers are noted.

New York Department of State (2007). Shared Municipal Services Grants Awarded. US Fed News.

This New York State 2008 Shared Services Annual Report, summarizing the implementation of the first three years (2005 - 2007) of the Shared Services program at the Department of State. This program consists of both technical and financial assistance to New York’s municipalities. One component of this program has been the Shared Municipal Services Incentive (SMSI) grant program. SMSI provides incentive grants in five funding areas: shared municipal services, shared highway service, county-side shared service, local health insurance, and local consolidation. Of the \$25 million for the year's program, \$10 million is dedicated to 25% increases in aid for municipalities that consolidate.

Ostrom, E. (1976). "Size and Performance in a Federal System." Publius 6(2): 33-73.

The author is concerned with the call for municipal reform based on untested theories. In particular, the assertion that the number of police jurisdictions should be curtailed in favor of larger police departments has no support from the evidence. The article summarizes empirical studies on the impact of size on efficiency of government services, particularly police services

Percy, A. (2003). "Why Smaller Councils Make Sense." Australian Journal of Public Administration 63(3): 74-81.

This article presents a case for smaller local governments based on notions of economic efficiency, community identity, service responsiveness, and political accountability. The arguments of skeptics (or those favoring greater council amalgamations) are challenged and refuted. The answer is to break up metropolitan councils into smaller political units and amalgamate their back offices into contestable shared service centers.

Peters, J. W. (2007). Lips Move, but No Mergers Result. New York Times.

This newspaper article reports the perspectives of New Jersey state legislators, state officials, local mayors, and municipal consultants when they were meeting at the 2007 New Jersey League of Municipalities convention. The focus of the article is on the debate about consolidation - whether it will produce the cost savings its proponents claim.



Poel, D. (2000). "Amalgamation Perspectives: Citizen Responses to Municipal Consolidation." Canadian Journal of Regional Science **23**(1): 31-48.

The 1999 Halifax Regional Municipality (HRM) Citizen Survey is used here to study citizen responses to a municipal amalgamation that created the Halifax Regional Municipality. The analysis of this survey brings forward citizen-based assessments of the amalgamation decision and subsequent municipal governance. Questionnaire items are used to create measures of citizens' views concerning amalgamation, the relationship between the urban and rural spaces of the new municipality, the performance of the HRM political leadership and the impact of amalgamation on municipal services. There are two key research questions. How did HRM citizens assess amalgamation after three years of experience? What factors best explain citizens' views towards amalgamation? The political and policy context of the amalgamation decision taken unilaterally by the Nova Scotia provincial government is briefly described.

Rolfe, J. (2007). "Amalgamation of Local Government Areas in Queensland: An Analysis Framework." Retrieved October 13, 2008, from <http://www.isrd.cqu.edu.au/FCWViewer/getFile.do?id=5632>.

This report from Queensland, Australia followed the announcement in April 2007 that a review of Local Governments in Queensland will be undertaken to assess whether there is potential for the amalgamation of councils or the realignment of council boundaries in some circumstances. The purpose of this report is to identify a range of criteria in a broad economic cost-benefit analysis framework to: identify the different costs and benefits that may be associated with amalgamation options; identify the key criteria that should be used to assess amalgamation options; and identify criteria that might indicate where amalgamations are not viable.

Rosenfield, R., and Laura Reese (2004). Local Government Amalgamation from the Top Down. City-County Consolidation and Its Alternatives. J. F. Carr, Richard. Armonk, NY, M.E. Sharpe: 219-245.

This case explores the consolidation of 12 municipalities in the Ottawa-Carleton region of Ontario, Canada based on case study interviews before and immediately after consolidation and a variety of government documents. The study analyzes whether top-down, or mandated, consolidations can produce a long-term successful implementation. It addresses questions related to motivation, goals, the new structure, effects on public employees, immediate impacts on service quantity and quality, short-term cost savings, and changes in local power structure.

Rosentraub, M. (2000). "City-County Consolidation and the Rebuilding of Image: The Fiscal Lessons from Indianapolis's UniGov Program." State and Local Government Review **32**(3): 180-191.

This article describes the successful UniGov program, uniting the city of Indianapolis and Marion County in central Indiana and outlines "lessons

learned" for other communities considering such a consolidation effort. Through this consolidation, the city of Indianapolis was transformed from what was described by its chamber of commerce in the 1970s as "a cemetery with lights," into a destination for those seeking a vibrant downtown area and a major sports center, as well as the nation's 12th largest city by the 1990s. Indianapolis was one of the three major consolidation or merger experiences in the 1960s and 1970s. Indianapolis's specific contribution to the experiment in governance models was a city-county consolidation program that concentrated a limited or select group of urban services at the regional (defined as county) level while permitting most other critical urban services to be delivered by administrations and agencies serving different, often much smaller, areas within the county.

Rouse, P., and M. Putterill (2005). "Local Government Amalgamation Policy: A Highway Maintenance Evaluation." Management Accounting Research **16**(4): 438-463.

Evaluating the effects of a change in public policy setting is a critical element in the chain of accountability. Factors such as effectiveness and efficiency in government operations are often difficult to measure. In this study of efficiency outcomes, the authors follow events before and after significant structural change arising from local authority amalgamation. The study focuses on highway maintenance and uses Data Envelopment Analysis (DEA) to evaluate whether greater efficiency was achieved. Results (confined to highway management activities) show no evidence that amalgamation was justified in terms of diseconomies arising from smallness (i.e. increasing returns to scale). While new governance practices introduced contemporaneously lifted the level of performance of local authorities in terms of higher technical efficiency, there is no evidence that the amalgamation policy contributed to this improvement. The policy impact evaluation methodology developed in this paper has potential for application to other local government service activities.

Sancton, A. (1996). "Reducing Costs by Consolidating Municipalities: New Brunswick, Nova Scotia and Ontario." Canadian Public Administration **39**(3): 267-289.

Notwithstanding a lack of interest by cost-cutting governments in Britain and the United States, municipal consolidation has emerged in at least three Canadian provinces - New Brunswick, Nova Scotia and Ontario - as a significant government priority. There is no academic evidence to suggest that consolidation produces savings. This article examines the various studies that have accompanied the consolidation efforts in the three provinces and finds them inadequate and flawed. Government reports in New Brunswick have tended to point more to non-financial benefits from consolidation, but the creation of the single-tier Halifax Regional Municipality in Nova Scotia has been justified primarily in terms

of projected cost savings. In Ontario, the "Common Sense Revolution" commits the government to reducing overlap and duplication but not necessarily to consolidation. A ministry study of one Ontario municipal amalgamation purports to demonstrate savings, but the conclusions are questionable. The report of the task force on the Greater Toronto Area is significant because it specifically rejects claims that lower-tier amalgamations will save money and because it points to the benefits of municipal competition. Reducing the number of municipal governments does not necessarily mean less government.

Sancton, A. (2000). "Amalgamations, Service Realignment, and Property Taxes: Did the Harris Government Have a Plan for Ontario's Municipalities?" Canadian Journal of Regional Science **23**(1): 135-156.

Drastic change was contemplated by The Common Sense Revolution (CSR), the election manifesto that brought Mike Harris to power as premier of Ontario in 1995; the Harris government implemented drastic change; therefore the CSR explains what the Harris government has done. The fact that this syllogism is logically flawed should be obvious. The aim of this paper, however, is to go beyond formal logic and show that, with respect to the Harris-government's municipal policies, its substance is flawed as well.

Sancton, A. (2001a). "Municipalities, Mergers and the Outward Expansion of the City." Journal of Eastern Townships Studies **Fall** (19).

As the previous discussion has shown, it is quite possible for a single urban area to evolve in such a way that it contains many separate municipalities. Adjoining rural municipalities might have become urban over time; new urban municipalities might have been established within a former part of a rural municipality; two previously distinct urban areas might have grown into each other; or all or some of these processes might have occurred simultaneously. Ever since the mid-nineteenth century, there have been politicians, civil servants, academics, and sometimes even real-estate developers who have observed such phenomena with growing concern. They began to refer to the increasing number of municipalities within a single urban area as "fragmentation." This article discusses the need for redrawing municipal boundaries, particularly in light of different demands for service in rural and urban communities.

Sancton, A. (2001b). "Canadian Cities and the New Regionalism." Journal of Urban Affairs **23**(5): 543-555.

The new regionalism in the United States emerged because the old regionalism proved politically impossible to implement. For Canadian cities, however, provincial legislatures frequently imposed various institutional reforms of the type favored by the old regionalists. The first section of this article points out what it is that American new regionalists and Canadian policy-makers should have learned from the results of the

old regionalism as it was implemented in Canada. The second section examines the relevance of the new regionalism for Canada. For those who still accept the tenets of the old regionalism, the new variety will seem irrelevant, if not counterproductive. But, for others, the new regionalism will provide a new perspective for analyzing old Canadian problems. The article's third section shows that, in some respects, Canadian cities have already gone further in implementing new regionalist principles than most American and Canadian analysts have recognized. The relevant institutions that are examined briefly in this section are the Greater Vancouver Regional District (GVRD), the Greater Toronto Services Board (GTSB), and the Montreal Metropolitan Community (MMC).

Sancton, A. (2003). "Municipal Amalgamations: A Made-in-Canada Solution to an Undefined Problem." Canadian Issues(February).

The first part of this article explores the historical background to municipal amalgamation. The second looks at what has been happening in the United States. The third briefly describes the recent Canadian amalgamations and the conclusion examines their potential impacts. Since the early 1990s, municipal amalgamations have taken place within the following major Canadian cities: Sydney and Halifax in Nova Scotia; Toronto, Ottawa, Hamilton, and Sudbury in Ontario; and Montreal, Quebec City, Hull, and Longueuil in Quebec. The temptation is to assume that, like so many other changes in public policy in this period, such amalgamations are simply part of a worldwide trend relating to neo-conservatism, globalization, and/or the apparent victory of capitalism over socialism. Nothing could be further from the truth. With the exception of controversial municipal amalgamations in Melbourne, Australia and in post-apartheid South Africa, it is only in Canada, among western developed nations, that municipal amalgamations have recently been high on the policy agenda.

Sancton, A. (2005). "The Governance of Metropolitan Areas in Canada." Public Administration and Development **25**: 317-327.

This article briefly examines five significant Canadian developments with respect to the governance of metropolitan areas: annexations and mergers such that there is one main municipal government for the metropolitan area, two-tier metropolitan government, the amalgamation of two-tier metropolitan systems into a single municipality, demergers in Quebec, and the creation of flexible and innovative entities for metropolitan governance. Special attention is paid to the Greater Toronto Area, a continuous built-up urban area that transcends at least three metropolitan areas as defined by Statistics Canada. In the absence of any authority covering the entire metropolitan area, it now appears that the Ontario provincial government is becoming the key policy maker. As an example of a flexible and innovative form of metropolitan governance, the Greater Vancouver Regional District merits attention elsewhere in the world. Canada's experiences with so many different institutional

arrangements in recent years means that there is much to be learnt from their obvious failures and occasional successes.

Santucci, J. (2006). "The Missing Half: Ensuring Fair Representation in Essex, Vermont." National Civic Review **95**(3): 42-50.

This article discusses the proposed merging of the Vermont municipalities of the Town of Essex and the Village of Essex Junction as a way to revitalize local representation in government. The two entities already share a town selectboard, but the town outnumbers the village in population, which causes taxation without representation for the villagers and voter apathy in both municipalities. Alternative voting systems are analyzed, most notably Proportional Voting. The author warns that unless an alternative voting system, as used in other U.S. municipalities, is implemented, the gains made by efficiency will be impeded by loss of equity. Rushing to consolidate two municipalities can cause loss of representation for neighborhoods and other minority groups.

Schmandt, H. J., and G. Ross Stephens (1960). "Measuring Municipal Output." National Tax Journal **13**(4): 369-375.

The Article describes findings of a study made of the local governments in Milwaukee county to test the assumption that population size is unrelated to per capita municipal expenditures even when service levels are considered. Comparing 19 cities, they found that the use of per capita municipal expenditures shows only that one city is spending more or less than another, it tells nothing about either the quantity or quality of service that the respective public receives.

Sewell, J. (2000). Mega-problems in Toronto: The forced amalgamation of one regional and six local municipalities in metro Toronto has brought cuts in services, higher costs and reduced public access to decision-makers. The Gazette

This Op-Ed editorial was written by a former Mayor of Toronto and is quite passionate about the negative implications of the consolidation. Because of the intimate knowledge, some of the changes are put into the perspective of what was already in place and not a result of the consolidation. In addition, the loss of managerial and analytic capacity provides a perspective that would not be easy for an outsider to attain. Although the author has reason for a biased interest in the events, the inside perspective of what is important to evaluate is illuminating and the overall results are supported by other authors without a personal interest.

Sharockman, A. (2004). Oldsmar: Numbers Right for Annexation. St. Petersburg Times

This newspaper article reports on the discussions about pursuing the annexation of West Oldsmar in Pinellas County, Florida. The article reported no debate on the value to both municipalities. The only issue

was a legal requirement about the total percentage of land in the municipality that must be owned by registered voters in order to hold a valid referendum for annexation.

Slack, E. (2007). "Managing the Coordination of Service Delivery in Metropolitan Cities: the Role of Metropolitan Governance ". Retrieved November 24, 2008, from [http://econ.worldbank.org/external/default/main?pagePK=64165259&theSitePK=469372&piPK=64165421&menuPK=64166093&entityID=000158349\\_20070814091849](http://econ.worldbank.org/external/default/main?pagePK=64165259&theSitePK=469372&piPK=64165421&menuPK=64166093&entityID=000158349_20070814091849).

This paper examines different models of governing structure found in metropolitan areas around the world. It evaluates how well these models achieve the coordination of service delivery over the entire metropolitan area as well as the extent to which they result in the equitable sharing of costs of services. Based on theory and case studies from numerous cities in developed and less developed countries, the paper concludes that there is no "one size fits all" model of metropolitan governance.

Sorensen, R. J. (2006). "Local Government Consolidations: The Impact of Political Transaction Costs." Public Choice(127): 75-95.

Local government in Norway comprises a large number of small municipalities. Cost efficiency can be improved by consolidating local authorities, and central government has designed a framework to stimulate voluntary mergers. Existing theories suggest that political transaction costs will impede consolidations. The author offers an explicit test of several efficiency and cost propositions based on data for Norwegian local government.

Tanguay, G. A., and David F. Wihry. (2008). "Voters Preferences Regarding Municipal Consolidation: Evidence from Quebec De-Merger Referenda " Journal of Urban Affaris **30**(3): 325-345.

This article examines the results of the 2004 Quebec referenda on the mergers of municipalities to analyze the determinants of citizen preferences regarding municipal consolidation and fragmentation. The core hypotheses of the authors' empirical model are generated from the economic theory of optimal jurisdictional size. Holding constant the influences of language and of a unit's share of the merged population, the authors find voters are more likely to support de-merger when they expect that the merged unit will display a different public expenditure level than that of the municipality in which they reside. They also find support for de-merger is less when voters expect de-merger to increase the tax price of local public services.

Trenner, R. (1998). GOVERNMENT; One Lawmaker's Ideas on Peeling Away Layers of Redundant Services New York Time.

This newspaper article reviews Alan Karcher's then forthcoming book "Multiple Municipal Madness". Opinions of academicians about the statements in the book and the perspective of the book are included in the article. The book discusses the number of municipal governments in New Jersey and expresses a need to consolidate them into fewer units.

Vojnovic, I. (1998). "Municipal Consolidation in the 1990s: An Analysis of British Columbia, New Brunswick, and Nova Scotia." Canadian Public Administration/Administration Publique du Canada **41**(2): 239-283.

Three municipal amalgamations in three different Canadian provinces are analyzed and compared in this article. There is little evidence to show substantial cost savings from the merging of larger government units. Smaller entities studied in this article have realized financial benefits, while some larger jurisdictions that merge experience diseconomies of scale; higher wages resulting from a more specialized, professionalized bureaucracy; and the tendency to move to higher service standards. The authors conclude that consolidation will depend on the history of inter-municipal cooperation, financial arrangements, collective agreements, political structure, spatial organization, and political will to amalgamate.

Vojnovic, I. (2001). "The Transitional Impacts of Municipal Consolidations." Journal of Planning Literature **15**(3).

This article examines the transition and short-term effects of municipal consolidation on five recently amalgamated municipalities in Canada. The data for this study were collected from provincial and municipal legislations, tax rate by-laws and finance reports, as well as surveys and interviews with a variety of municipal officials and mayors. The analysis shows that municipal consolidation involves a complex reorganization of intricate administrative and political structures. Many of the problems encountered, and successes achieved, were particular to the circumstances of the municipalities that amalgamated. Ultimately, the success of consolidation in achieving greater efficiency and effectiveness in governance and service delivery will depend on the distinct history, as well as the spatial and economic circumstances, of the region considering reform. The five case studies, however, provide some useful lessons on how to improve the success of consolidations.

## APPENDIX B

### METHODOLOGY

SPPA employed a methodology for the literature reviews that consisted of thorough searches in all of the major databases representing social and policy journals. In consultations with SPAA faculty, the research associates used the knowledge from the early stages of the research to refine and expand the search, as was appropriate. SPAA created or used the following tools to assure we accomplished the aims of the Commission:

- LUARCC questions from the RFP
- Bibliographic databases
- Search terms specific to each report
- Reference database
- Annotated bibliographies
- Articles/web resources

In the first phase of the basic strategy, SPAA devised appropriate search terms and used them to search all the relevant bibliographic databases. Promising articles were recorded as citations in the reference database (EndNote®) and the full-text article content was saved to the article file (as a PDF).

In the second phase of the search, research associates assigned to the project thoroughly examined the articles for findings that addressed LUARCC's questions. The research associates recorded each finding in the reference database, attaching it to the question it addressed and evaluating the degree to which the article or information resource substantiated the finding. The research associates completed this substantiation, weeding out articles based solely on ideology and rating the remaining articles according to the amount of evidence or the concreteness of the argument presented. During this process, team members reported any new search terms or resources they encountered to the project librarian and project director. Subsequent searches utilized this additional information.

The supervising faculty member assigned to this project and the project director reviewed the results of the first phase of the search, which found the potential articles. When necessary, they redirected the search to clarify information or find new sources. In addition, the faculty members and project director reviewed each finding for relevance to the LUARCC questions.

SPAA sought LUARCC's input through the review of an outline of the proposed methodology to ensure that the literature search was comprehensive and focused on the questions LUARCC raised. Because of the iterative process used in the information review, the early results of our search enhanced the project tools further.



## **LUARCC Questions**

SPAA extracted the questions from the LUARCC RFP into a spreadsheet and distributed it to all team members assigned to the project. The research team coded each of these questions with a Question ID, using the listing in the spreadsheet. This allowed the research associate to link a finding from an article to the question it addressed using the abbreviated Question ID. The questions and Question ID are in the appendix.

## **Bibliographic Databases**

The Bibliographic Database appendix lists all the literature and news databases and other information resources, such as websites and books that SPAA used to find relevant information for LUARCC. The researchers and the project librarian knew certain resources were more comprehensive and relevant for this project. SPAA focused on *Lexis/Nexis Academic* as a resource for periodicals, including newspaper articles, journal articles, and legal documents; *Academic Search Premier* as the best resource for academic journals; *Business Source Premier* as a similar resource; and *Public Affairs Information Service* for government reports, monographs, and articles.

## **Search Terms**

The search within the bibliographic databases and in other resources used the following terms:

- Consolidation
- Merger
- Amalgamation
- Dissolution
- Unification
- Annexation
- Acquisition
- Integration
- Spillover
- Diseconomy

The searches always used the following additional governmental terms as limiters:

- Municipality
- Local government
- Borough
- Village
- Town
- Township
- City
- County
- State

Since the search engines differ in their filter capabilities (and the Boolean logic which drives some of them), the research associates used their familiarity with literature searches to make efficient search decisions. They focused on North American articles, cross-cultural studies that included the United States, or other articles, despite their geographic origins, if they were applicable to the subjects the Commission wanted to investigate in a New Jersey context.

Winnowing the search results while casting a broad enough net is not always easy, and never automatic, as our preliminary analysis showed. The research associates, with faculty guidance, used their expertise in the content area they investigated and their experience with literature reviews as doctoral students to make the searches practical and the results comprehensive and responsive.

### **Reference Database – EndNote®**

SPAA summarized the important information from the articles and reports found in the literature searches in EndNote®, a high-quality bibliographic software program by Thompson Reuters. As part of its work products, SPAA will provide a copy of EndNote® to LUARCC with the on-line annotated bibliography for all five projects it completed. A printed copy of the annotated bibliography for this project is Appendix A to this report.

The findings are the core of the reference database and of this project. The findings contain a brief extract from the article or a summary of a key point that links the article to LUARCC's questions. The following information is contained with the findings to provide a quick review:

- **Question ID** – this will contain a project designation and identify the specific question addressed
- **Finding** – a brief description of the finding, conclusion or discussion
- **Cases** – if it is based on an empirical study, the number of cases that support the finding
- **Basis** – reviewer's evaluation of the substantiation of the finding in the source on a 0 to 4 scale. If there is no basis, it is rated a 0; poor evidence, a 1; some evidence, 2; well substantiated, 3; considered a fact, 4
- **Unit** – the government unit or region cited in the finding

It is not necessary to use EndNote® to make the most of the project completed by SPAA. Rather, the working details contained in EndNote® are there to support this report.

### **Library of Documents**

Each article, or an appropriate extract from the article, report, book excerpt or other research document, has been stored and will be accessible in a separate file as a Word Document or PDF. LUARCC will be able to link to it from the EndNote® reference database that SPAA will provide as a final work product. It will contain the full text of

appropriate parts of the information sources found. Hence, it will allow LUARCC or its staff to review the original information that SPAA has summarized, allowing the Commissioners to be confident about their decisions as LUARCC goes forward.

### **Preparing the Final Report**

SPAA used the findings in the EndNote® annotated bibliography to organize the report for each project around the questions initially specified by LUARCC in the original RFP. In preparing the report, the faculty and project director reviewed the findings, interacted with the research associates who had found and read the articles, and, when warranted to resolve any ambiguity, read the original texts. This final review generated SPAA's conclusions in this report. In addition to this report, SPAA will provide an overall summary report for all five projects it completed.

# APPENDIX C

## RFP QUESTIONS

RFP Question	Question ID
Does municipal consolidation result in more cost-efficient government?	CO
Does formation of larger political jurisdictions result in greater cost-efficiency of service delivery?	CO1
If cost is not a factor, are there other benefits of consolidation and what are they?	CO2
Are there specific instances where consolidation is beneficial and other situations in which it is not justified from the standpoint of efficiency, equity or other criteria? Describe circumstances.	CO3
Are there any identified or identifiable diseconomies associated with municipal consolidation?	CO4
What are the lessons learned based on consolidations that were implemented?	CO5
Are there cost savings associated with consolidations?	CO6
Are there hidden or other costs associated with consolidation that led to a failure to consolidate?	CO7
Are there other obstacles to consolidation which were commonly identified in multiple situations?	CO8
Are there any legislative impediments which were identified in the literature that were viewed as obstacles?	CO9
Are there any thresholds beyond which consolidation became less cost-efficient?	CO10

## APPENDIX D

### BIBLIOGRAPHIC DATABASES

Academic Search Premier  
Books in Print with Reviews  
Business Source Premier  
Catalog of U.S. Government Publications  
Conference Board Research Collection  
CQ Researcher  
Eagleton Poll Archive  
Factiva  
Gartner Research  
GPO Access  
Historical Statistics of the United States: Millennial Edition  
Human Population & Natural Resource Management  
Index to Legal Periodicals Full Text  
Investext Plus  
Lexis/Nexis Academic  
Lexis/Nexis Statistical  
National Technical Information Service  
New York Times  
Public Affairs Information Service - International and Archive  
SA ePublications Social Science & Humanities Collection  
Social Sciences Full Text  
Statistics Canada's E-STAT  
TV-NewsSearch: The Database of the Vanderbilt Television News  
Archive  
Value Line Research Center  
Wilson OmniFile Full Text, Mega Edition  
Worldwide Political Science Abstracts

#### **Other Information Sources**

Research and Information Resources for Public Administration (2003)  
Using the Political Science and Government Literature (Pub date, 8/09)  
*Public Performance and Management Review* (ISSN 1530-9576)  
<http://spaa.newark.rutgers.edu/sharedservice.html>  
SPAA's Public Performance and Reporting Network