

LOCAL GOVERNMENT CONSOLIDATION: LESSONS FOR WEST VIRGINIA

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The Commission on Governing in the 21st Century

The desirability of consolidating governmental functions or governments themselves in West Virginia was addressed by *The Commission on Governing in the 21st Century*. This 26 member commission consisting of officials from cities, counties, the legislature as well as representatives from labor and business was appointed by Governor Wise¹. The order provided three issues for the Commission to address:

- Whether county and local government structure within the state should be reorganized;
- If reorganization is prudent, the manner in which it should be accomplished;
- Benefits and/or disadvantages associated with creating a new county and local government structure.

The following January the Commission issued its final report². Supported in the report were the following conclusions:

- Fiscal constraints make local government reorganization necessary.
- Beyond constitutional considerations, the most basic democratic principles demand that local government reorganization initiatives must originate at the local level.
- To provide guidance and to conform to the West Virginia constitutional requirements, enabling legislation must be passed by the legislature.
- Change can be and should be incremental.
- The economies of scale to be achieved through outright local government mergers are not abstract—they are demonstrable under prevailing conditions.
- Consolidation of urban counties can make them more attractive business locations.
- Local government reorganization is not a threat to diversity or uniqueness of West Virginia's rural communities.³

Experiences with Consolidation

This report is a review of the experiences of government reorganization in other places with an emphasis on the past two decades. This reorganization has taken many forms ranging from informal agreements to jointly deliver selected services to complete mergers of all or most all governmental functions and the creation of entirely new governmental entities which largely replace the old. The focus here

¹ Executive Department, State of West Virginia, Executive Order 1-04, January 14, 2004

² The Commission on Governing in the 21st Century, **Final Report**, January 2005.

³ Ibid. p.3.

is more on the consolidation of governmental functions where there are complete or partial mergers either county and county, city and county or city and city.

It is true that most attempts at consolidation in recent history have not been successful. There are no examples of county and county mergers. There have been only 32 successful mergers of cities with their counties since 1805 and with 22 happening in the last 40 years. Since 1990 there have been 17 attempts at consolidation with only four successes.⁴

There are lessons to be learned from this past history. But what has happened elsewhere is no guarantee of the same results from unification should it happen in West Virginia. A review of the published research on this topic brings these conclusions.⁵

1. Almost all of these consolidations, reorganizations or mergers were between larger urban cities which economically and politically dominated the county or other governmental entity which was involved. This is not likely to be the case in West Virginia. With the possible exception of Kanawha, Cabell and Monongalia counties there is not a dominant urban presence. Care must be taken in assuming that successes or failures elsewhere can be transferred to this state.
2. There is no single model of unifications which typifies these consolidations. Each has had different characteristics which make generalizations regarding results difficult. The impetus for reorganization, the process of ratification, the resulting structure, the process of transition and the final form of governance are unique although similarities do exist. It is wise to assume that reorganization will not be statewide phenomena and will be highly local in its character. Even within the state one path will not be taken by all or any others.
3. There have been several examples of highly successful reorganizations and consolidations over the past two decades which are useful. There is no value in "reinventing the wheel" when pitfalls encountered elsewhere can be avoided. Analysis of these provides important insights and direction which will both speed and improve the process in West Virginia.
4. All unification or reorganization efforts have taken a long time to gain sufficient public support for passage. It is not unusual for the process to

⁴ Brown, P. "NACo Questions and Answers on Consolidation"

[http://www.naco.org?Content/ContentGroups/Publications1/Research_briefs1/Questions_a...\(accessed 1/19/2005](http://www.naco.org?Content/ContentGroups/Publications1/Research_briefs1/Questions_a...(accessed 1/19/2005) and Carr, J. "Perspectives on City-County Consolidation" in Carr, J and Feiock, R., (2004) *City County Consolidation and its Alternatives*. M. E. Sharpe. Pp. 3-24.

⁵ For reviews of the literature see Carr, J and Feiock, op. cit.; White, S. (2002) *Cooperation Not Consolidation: The Answer for Milwaukee*, Wisconsin Policy Research Institute; Blodgett, T., (1996) *Current City County Consolidation Attempts*, National Association of Counties; Leland S., and Thurmeir, K. (2000) "Metropolitan Consolidation Success: Returning to the Roots of Local Government Reform" *Public Administration Quarterly*, 24: pp. 202-213 and Leland, S. and Thurmaier, K. (2004) *Case Studies of City-County Consolidation: Reshaping the Local Government Landscape*. M. E. Sharp.

- take ten to over 30 years. Resistance to change is based in fear and those fears must be overcome. That is not a process that can be hurried.
5. Most successful reorganizations are characterized by a process involving a few functions which expand to a much larger number as experience builds both trust and competency.
 6. Special districts and single purpose authorities may compound the problems of local service provision and are poor substitutes for unified or consolidated government. In most cases these districts or authorities share no common boundaries with each other or with any city or county. This makes coordination and standardization inefficient and ineffective. This proliferation of governments reduces public accountability as most voters have no idea who is responsible for which functions. In most cases these are too small to capture the efficiencies which provision over a wider area would produce. There is disagreement on this point as noted later.
 7. Most attempts at reorganization and consolidation have failed because they have not gained sufficient public support. Those which have been successful are often the result of:
 - a. Requirements of state law or constitutions which have mandated change when certain conditions, such as population, have been achieved.
 - b. Fiscal crisis where one of the reorganizing governments faces severe financial difficulties which can be reduced or eliminated by some form of consolidation. This is often the case when one jurisdiction has significantly greater fiscal flexibility or capacity than the other.
 - c. Governmental corruption has also been a stimulant for reorganization. Changing the form and substance of government has been a way of cleansing which was felt impossible without dramatic action. Voters felt that the prevailing system was itself the cause or at least a contributor to the problem.
 - d. Strong local leadership has always been crucial for success. Often it has not been the existing political leaders who have come to the forefront because of their vested interest in the status quo. Experience teaches how difficult it is to maintain the necessary leadership which peaks during the initial thrusts and then dissipates as gaining acceptance becomes more difficult and time consuming.
 - e. Schools have been universally excluded from the successful consolidations or reorganizations. Unlike West Virginia, most states have independent school districts which do not coincide with any other political boundaries and have independent school boards. Because of the unique product, the cost of education and the emotional attachment to traditional local schools, reorganization efforts have been wise to leave education outside the discussion. The current and continuing controversies in West Virginia over school consolidation reinforce this finding.

Forms of Government Reorganization, Consolidation and Merger

The first thought of many when the term governmental consolidation or merger is mentioned is to assume that existing governments will disappear entirely to be replaced by different organizational structures altogether. In almost no instance has this been the case. In some cases the reorganization has been extensive and fairly inclusive. In others it has been limited. The following broad classifications capture most of the alternative forms⁶.

- **Full consolidation.** There is a single governmental entity performing all or almost all local governmental functions. Previous governments have ceased to exist and all their functions transferred to a new entity. There are no examples of full consolidation although a few have approached this model. In most cases where cities have merged with counties, municipalities other than the dominant one have been given the option to merge or remain separate within the boundaries of the new merged counties. In most cases these cities, if they chose to remain outside the merger, have ceded or contracted some or most functions to the new county government while retaining only a few.
- **Functional Consolidation.** In this model some, but not all, general governmental functions are unified. There are some governmental activities which are easier to consolidate. They offer the greatest efficiencies due to economies of scale and produce the largest cost savings. These same functions are often the least visible to the public and therefore provoke the least emotional resistance. Among these are:
 - **Personnel services** including, hiring, processing, training and classification as well as benefit programs have an impressive history of improvement under consolidation. A single point for application not only reduces confusion but allows candidates to be considered for a wider range of positions or which they may be qualified.
 - **Purchasing** almost always produces cost savings particularly for standard products and services which are common to all governments. Bulk purchases can bring immediate results. Having specialists for different classes of purchases may allow for better contracting and supervision.
 - **Finance** is an additional area where consolidation produces results. Administration profits from taxing and collecting over the widest possible area. Having a single tax authority increases efficiency and compliance. Financial systems which may have been too expensive for small governments are not practical as is the specialization of the collection, compliance and audit functions.
 - **Public works** and infrastructure respect no political boundaries, roads, water mains and sewer lines run irregardless of city or county limits. Efficiency is improved when crews are not stopped at jurisdictional boundaries. There is impressive literature

⁶ For a detailed discussion see the case studies in Leland and Thurmaier, op. cit.

supporting the reduced costs of most public works infrastructure when provided over a larger geographic area.

- **Economic development** is viewed as being enhanced by reorganization and consolidation of governments⁷. When firms make location decisions, they look for policies and amenities which are more likely to be found in larger geographic regions. This is particularly true for less populated areas. Competition for locating new industry is promoted when it is recognized that economic activity benefits all in a given area not just the jurisdiction in which it is located. Consolidation allows for more resources to be devoted to the effort and more options to be available to prospective employers. It also reduces the perceived need to provide subsidies and other incentives to attract industry into a specific area.
- **Planning** definitely needs implementation which transcends narrow jurisdictional boundaries. Problems which in the past may have been limited in geographic scope now are extensive. As suburban areas just outside city limits grow, the services they need more closely resemble those provided by the city. Unplanned growth leads to problems ranging from congestion to pollution to flooding to service provision for recreation and senior services.
- **Public health** has been a highly successful consolidated function. It is difficult to see how geographic boundaries have anything to do with control or prevention of disease. Economies of scale and specialization of health services are all positive results from merged public health activities.
- **Water and waste water** flow across jurisdictions. The cost savings from large scale unified systems are documented with those in less densely populated areas having the most to gain.
- **Solid waste** pickup and disposal are other examples where costs to users, particularly in rural areas, fall when the area of operation expands. While there are limits to the cost savings to be obtained in solid waste management, it is doubtful that the scope of any consolidated operation in West Virginia would exceed these limits.

Support for consolidation of these governmental functions comes from the practice in West Virginia of creating special districts or authorities which cross city and/or county lines to provide many of the activities listed above. There are sanitary districts, water districts, planning districts, development authorities, parks and recreation districts and workforce

⁷ Rusk, D. (1993) *Cities Without Suburbs*, John Hopkins University Press and Hawkins, B., Ward, K. and Becker, M. (Summer 1991) "Governmental Consolidation as a Strategy for Metropolitan Development" *Public Affairs Quarterly*, pp. 253-257. For a contrary view see Carr, J., and Feiock, R., (January 1999) "Metropolitan Government and Economic Development" *Urban Affairs Review*, 34, pp.476-487.

development regional authorities just to name some of the many. Any city or county is likely to be located in more than one of these, but almost none of these share the same boundaries. This leads to a lack of coordination and responsibility. Sometimes it even creates rivalries.

All of these have their own boards or commissions which may be elected or appointed. Many have their own independent sources or revenue whether it is taxes, fees, intergovernmental transfers or grants from state or federal programs. This leads to a degree of independence which does not promote cooperation or accountability. It certainly creates confusion among the general population as to who is responsible for what service or activity.

Under functional consolidation as it has happened elsewhere, some governmental functions remain with their previous entity. Most likely police and fire continue to maintain local provision. Although it can be established that these functions also would profit from consolidation, public opposition usually centers on these activities.

When cities and counties have consolidated functions it is often the case that smaller municipalities are given the option of being included or remaining apart. Usually many if not most elect to retain their identity, but either consolidate or contract certain functions to the merged entity. Allowing this option appears essential to any successful reorganization effort.

- **Regional cooperation** is the most widely practiced form of governmental reorganization. All existing governments remain intact, but agree to jointly provide a uniform level of service. To date this has been the route that consolidation has taken in West Virginia.
 - Advocates of regional cooperation contend this model creates the least public resistance and is most acceptable to the existing office holders as it presents no immediate threat to their jobs or departments.
 - These same advocates see regional cooperation can lead to expanded functional cooperation as public trust increases and the advantages of consolidation become more obvious. There are examples of where more extensive consolidation and merger have started with limited regional cooperation. This may be the path taken in West Virginia.

Critics of regional cooperation reiterate the problems mentioned above with proliferation of special districts and authorities. They see this as adding to fragmentation and confusion. It also creates duplicating functions as new organizations do not replace but merely replicate the activities of existing ones which do not disappear. Because it retains the existing political power structure, many of the advantages from further consolidation are lost.

Characteristics of Successful Consolidations and Reorganizations

A review of past experiences with governmental consolidation and reorganization makes clear there are three universal characteristics which characterize those which have been successful. Since these three appear to be universal⁸, they must form the basis for efforts in West Virginia.

1. **Democratic Control.** This means that voters know who is responsible for providing governmental services and have the right to elect them. This clear assignment of responsibility in an elected authority reduces suspicion and increases trust.
2. **General Purpose Authority.** The unified government has ability to address all or virtually all the problems in the region. They are not confined to a specific function or activity. They can integrate policy and allocate resources as priorities dictate. Negotiations among independent agencies are no longer necessary.
3. **Sufficient Independent Resources.** The consolidated government has sufficient ability to raise its own financial resources without going to a higher level of government for funding or permission. The new government has the capacity to solve the problems of the region. Often this has meant additional taxing of fee authority has been granted.

Positive Results from Consolidation Elsewhere

While varying from one case to reorganization, consolidation or merger has been cited as having positive effects. Those most frequently cited are:

1. **Reduced duplication of governmental services and functions.** This reduction is the source of the financial savings⁹. Competing and contradicting agencies and departments are eliminated. Reduced costs due to economies of scale are recognized. Numbers of employees and elected officials are reduced. The literature supports instances of savings in the long run of 10 to 40 percent from some activities. But it should be noted that these savings do not occur immediately. In fact the early costs often rise during the transition as discussed below.
2. **Increased credit strength.** Consolidated governments if they have a stronger financial base may be able to obtain better credit ratings from bond underwriters. This reduces the cost of borrowing allowing for more funding to go to the needed activity and less diverted to interest payments.
3. **Expanded ability to attract federal or state funding.** Larger metropolitan areas are often eligible for certain grants from the federal government which are unavailable to smaller jurisdictions. This is

⁸ O'Hara, F., (March 24, 2004) "County Reform is the Best Regional Strategy" *Choices: Ideas for Shared Prosperity*, Maine Center for Public Policy. 5 pp 1-5.

⁹ Selden, S. and Campbell, R.(Summer 2002) "The Expenditure Impact of Unification in a Small Georgia County: A Contingency Perspective of City-Count Consolidation" *Public Affairs Quarterly*, pp.169-201.

particularly true if the new government is able to be classified as a Standard Metropolitan Area (SMA). In addition, larger governmental units have the staff and expertise to locate and prepare applications for available funding.

4. **Reduced problems with annexation.** In some states cities face barriers to annexation which almost precludes the process of including additional territory within their boundaries. Residents and business flee to just outside the city limits. While they enjoy the benefits of being near the city, they do not participate in its financial support. Lack of planning and zoning also creates problems which directly or indirectly impact the city.
5. **Improved services.** As noted above services provided over a larger geographic area may be of higher quality and more uniform. Consolidation has apparently brought the greatest benefits of upgraded services to rural and suburban areas. Ironically these are the least likely to support reorganization.
6. **Improved image for consolidated government.** Officials in areas which have experienced consolidation claim the public image of the new government is better than that of the previous. Specifically they report the new image:
 - Assists in promotion to new industries looking to relocate
 - Creates a larger media market
 - Makes the region appear to be progressive and forward looking

Negative Results from Consolidation Elsewhere

Support for governmental consolidation is not universal. There critics and studies which raise questions about the advantages claim by proponents. For example they claim the cost savings are limited to only a few functions, if they exist at all. This negative analysis contends that the “transaction costs” associated which larger bureaucracies create offset the scale economies of providing services over larger jurisdictions¹⁰. In addition they contend there are other reasons to be wary of consolidation particularly if it involves city and county or county and county. Among these criticisms are the following.

1. **Loss of Identity and autonomy.** Existing governmental units, particularly smaller towns and rural counties, convey a source of identity and participation to their residents¹¹.
 - This loss of identity carries the loss of historical “roots” which may be important for ethnic communities.
 - In addition there is evidence minority political strength is diluted which leads to suspicions of “racism” as the motive for reorganization¹².

¹⁰ See Brierly, A. B., “Issues of Scale and Transactions Costs in City-County Consolidation” in Carr, J. B. and Feiock, R.C., op. cit. pp.55-87.

¹¹ White, S., op. cit.

¹² Morgan, R. and Mareschal, P. (March 1999) “Central City/Suburban Inequality and Metropolitan Political Fragmentation” *Urban Affairs Review*. Pp.578-595 and Savitch, H. and

- Loss of contact with elected local officials is viewed as resulting from mergers or consolidations. As a result there is likely to be reduced participation and increased feelings of political helplessness.
2. **Fewer Local Government Jobs and Elected Officials.** While others see this result as a positive resulting in cost savings, critics comment on the importance of these jobs to a local economy. Particularly for small towns and rural areas, these jobs may be major sources of incomes, particularly second incomes which enable people to remain in an area. When consolidation takes place, it is often rural residents who feel most alienated from the new elected officials. Local government workers and officials are often the most vigorous opponents to reorganization and the least happy when it happens. This leads to the transition problems noted below and increased transaction costs plus slow implementation.
 3. **Higher Taxes and Fees for Suburban and Rural Residents.** The evidence on this point is clearly contradictory. While it is admitted that suburban and rural residents may receive improved services, it is claimed that the increased costs to them may not be justified by the benefits. This argument says the higher cost of urban services is spread out to those previously who “voted with their feet” by leaving the urban area to trade reduced services for what they see as even greater benefits from reduced taxes and fees.
 4. **Higher Initial Costs.** In most cases it is true when consolidation or reorganization takes place; the initial impact is higher costs. This is true for the following reasons:
 - There are high fixed costs in extending services to suburban and rural areas. Roads, water and sewer, if not already in place, must be extended. If in place they must be integrated and often upgraded.
 - New Institutions must be designed and implemented. Not the least of these is the contentious issue of representation on the new governing council and its form. Depending on the extent of the reorganization, old systems must be replaced at additional costs with new and often more expensive ones.
 - Compounding the above are the transition problems. The more governmental units involved the more extensive these become.
 1. Different job descriptions must be prepared and combined as well as pay scales.
 2. Services must be unified which involves different equipment and standards.
 3. Services must be made more uniform across the merged district.
 4. Records and computer systems need to be made consistent.

Many of the critics call for steps to improve local government efficiency which stop short of reorganization or consolidation.¹³ They support formal agreements among local governments, special districts and internal governmental reforms as being less contentious and equally as efficient as more extensive reorganizations. The loss of local control and disenfranchisement of minorities are seen as results of more extensive merger of functions.

Unfinished Business for West Virginia

The Commission on Governing in the 21st Century's recommendation deserves full support and adoption. They provide tools currently not available for those areas wishing to consolidate or reorganize governmental functions. Most of West Virginia's governmental structures date back to civil war statehood or, at best, the great depression. There is little question that governmental reorganization needs to be an option in a state where most cities and counties are strapped for money.

The recommendations provide no mandates. No existing government is forced to change its structure. But the recommendations would provide a mechanism for change if that is desired. The process would be as follows:

1. Consolidation efforts would be initiated by either the voters by petition or one or more of the governing bodies involved.
2. The governing bodies effected must pass resolutions supporting the consolidation
3. The county commission(s) establish a Consolidating Commission which studies the feasibility of the consolidation and provides a comprehensive plan to implement the consolidation.
4. Upon receipt of the plan and a favorable recommendation a special election must be held and voters in all effected areas have the right to vote
5. If passed the consolidation takes effect at the start of the next fiscal year.

In addition to these recommendations there are other steps which the legislature must take if any form of local government reorganization is to be effective in West Virginia.

1. **The state must provide consolidation of its own functions.** Currently state services are provided by a bewildering mix of regional agencies. Few share the same geographic boundaries. Cities and counties are in different regions for different services. Little regional coordination exists among these state administrative regions. If there are benefits to consolidation and coordination the state should demonstrate this by consolidation of its functions into geographically identical districts.

¹³ White, op.cit. pp. 17-27; Thurmaier, K. and Wood, C. "Interlocal Agreements as an Alternative to Consolidation" and McCabe, B., "Special Districts an Alternative to Consolidation" in Carr and Feiock, op.cit. pp. 113-152.

2. **Increased financial capacity and flexibility must be given to local governments.** Currently, the state of West Virginia gives less fiscal flexibility and capacity to its counties and cities than any other state in the nation.¹⁴ Merely combining fiscally disabled governmental units will accomplish little. As noted above, one of the universal characteristics of successful reorganizations, consolidations or mergers is the participating governments have sufficient financial resources available to exercise their combined functions.

Conclusions

Consolidation of governmental services does appear to hold great promise for West Virginia counties and governments. There is no single model which can be demonstrated or advocated which would be appropriate for all jurisdictions. The process is not likely to be quick or easy, but this does not mean that steps should not be given quick consideration.

As the above review as noted, there is conflicting and incomplete research on governmental reorganization. In most cases the research has consisted of case studies of individual municipalities which have focused more on process of adoption and implementation than on results. Each proposed reorganization in this state must receive careful and competent study to ascertain what actions make good policy. Hasty and poorly researched proposals are likely to be defeated and if implemented not successful.

¹⁴ For a discussion of the financial problems of West Virginia cities see The Governor's Commission on Fair Taxation, (December 1999) *Recommendations to the Governor*, pp.3-743 to 3-785.