EWU studies find little gain in regionalizing services

Government consolidating hasn’t produced significant cost savings, researchers say

By Kim Crompton
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City and county consolidations, although a popular topic when local governments are under extreme fiscal pressure, haven’t been shown nationally to produce the savings that advocates might expect.

That’s the conclusion of one of two new studies by Eastern Washington University’s Institute for Public Policy and Economic Analysis. The studies are the 14th and 15th in a series of monographs conducted by the institute, which uses EWU faculty to conduct research on social, economic, and public-policy questions.

The two recent studies are of interest here because of ongoing regional-service discussions. During the last year or two, Spokane County Commissioner Todd Mielke, in particular, has brought renewed attention to that notion, arguing that creating a new entity that combines city-county services could save money and eliminate duplicated services and conflicting regulatory standards.

Local governments here already cooperate in a number of areas, such as in animal control and regional solid waste, but Mielke has argued that those arrangements provide limited efficiencies, and one of the studies suggests that as well.

Regional solid waste is a hot topic right now, with public officials throughout the county agreeing recently to create a new regional garbage-disposal system that might not use Spokane’s waste-to-energy plant.

For the studies, two EWU faculty members evaluated peer-reviewed studies of noteworthy consolidation efforts around the country, including in the counties around Indianapolis, Ind., and Louisville, Ky., and two heavily populated counties in Georgia. The reports summarize why and how communities have embraced consolidations of local government functions.

“The review of the economic analysis to date does not show any significant savings from large-scale consolidations,” says Patrick Jones, the institute’s executive director. “But there may be other reasons to consolidate. We hope these two studies are of value to jurisdictions throughout Eastern Washington.”

One of the monographs, titled “Municipal Economies of Scale & Scope and Post-Consolidation Economic Performance: A Literature Review,” was written by Grant Forsyth, an economics professor at EWU. The other monograph, titled “An Analysis of Regional Government Reforms,” was authored by Kevin Pirch, an assistant professor in EWU’s Department of Government.

The Forsyth monograph sought in particular to answer two questions. One was, “Does increasing the size or scope of public service producers lead to lower costs per citizen served?” The other was, “Is a county’s post-consolidation economic development significantly better than pre-consolidation development?”

The Forsyth monograph says, “The majority of studies focused on scale economics suggested that there are limited or no cost efficiencies associated with larger municipal police, fire, and waste-management departments.” It adds, “Although contracting for services appears to result in lower costs, there is a potential tradeoff in terms of service quality.”

Also, it says, “If scale economies do exist, they can be obscured by bureaucracies capturing and spending cost savings before they can be passed on to taxpayers.”

Additionally, research shows that population growth, increased density, and income growth—all of which are viewed as desirable in most communities—can create an operating environment that makes it more difficult to maintain or lower service costs, the report says.

One caveat it notes is that few studies have evaluated possible consolidation-related efficiencies in areas not related to protective or waste-management services, such as social assistance, snow plowing, parks and recreation, and environmental and youth programs.

Further research might reveal potential cost savings in those areas.

The Pirch monograph notes that city-county consolidations have been rare in the U.S., with only 34 of 163 attempts since 1900 being successful, and it found that the resulting benefits to the communities involved in those consolidations have been mixed.

In addition to such consolidations, Pirch looked at other problem-solving options used by local governments, such as interlocal agreements, special-purpose districts, and an additional layer of government focused on regional issues.

The monograph says they too, though, have limitations or governance drawbacks that can diminish their effectiveness.