

How Does Sharing Affect Service Expenditures?

An Analysis of 20 years of Service Costs

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**Research and Practice in Progress Briefing on Local Government in New York on March
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OVERVIEW

Motivations and Research Questions

- Research Resources!

Our 2013 Survey of NYS Local Governments

Shared Services from two lenses:

- **Duration** of Intermunicipal Cooperation
- Local-Local Cooperation and **Service Costs**

How can we further inform State Policy?

MOTIVATING RESEARCH QUESTIONS:

- 1) What are the **determinants of duration** in intermunicipal cooperation?
- 2) Does inter-local **cooperation lead to cost savings**?

MYTHS TO DEBUNK:

- 1) Intermunicipal cooperation = **stable**
- 2) Cooperation = **cost savings/reductions**

THE NEW YORK STATE CONTEXT

Environment (which is not unique to NYS)

- High **fragmentation** – *10,000?*
 - ~1,600 localities
- High levels of local **taxation**

What Does this Mean for Shared Services?

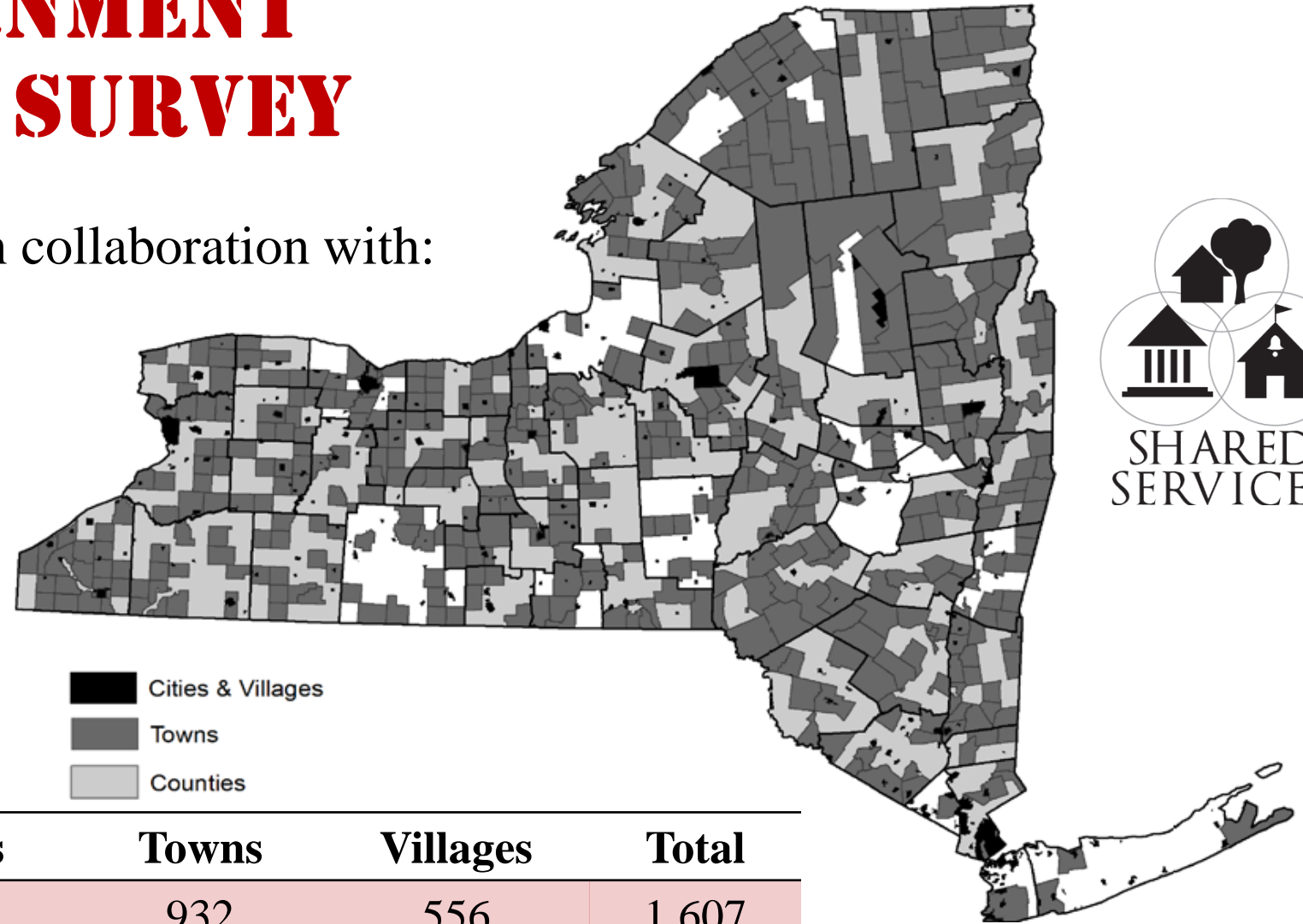
52% of local governments are “exploring sharing arrangements” as a result of fiscal stress (Aldag, Kim and Warner 2017)

- Up from **34%** in 2013 (Homsy, Qian, Wang and Warner 2013)

2013 LOCAL GOVERNMENT SHARED SERVICES SURVEY

Conducted by Cornell University in collaboration with:

- NY Conference of Mayors
- NYS Association of Towns
- NYS Association of Counties



	Cities	Counties	Towns	Villages	Total
Total NYS	62	57	932	556	1,607
Response Rate	79%	77%	53%	65%	59%

KEY FINDINGS FROM 2013 SURVEY:

Of 29 services measured, **sharing rate was 27%**

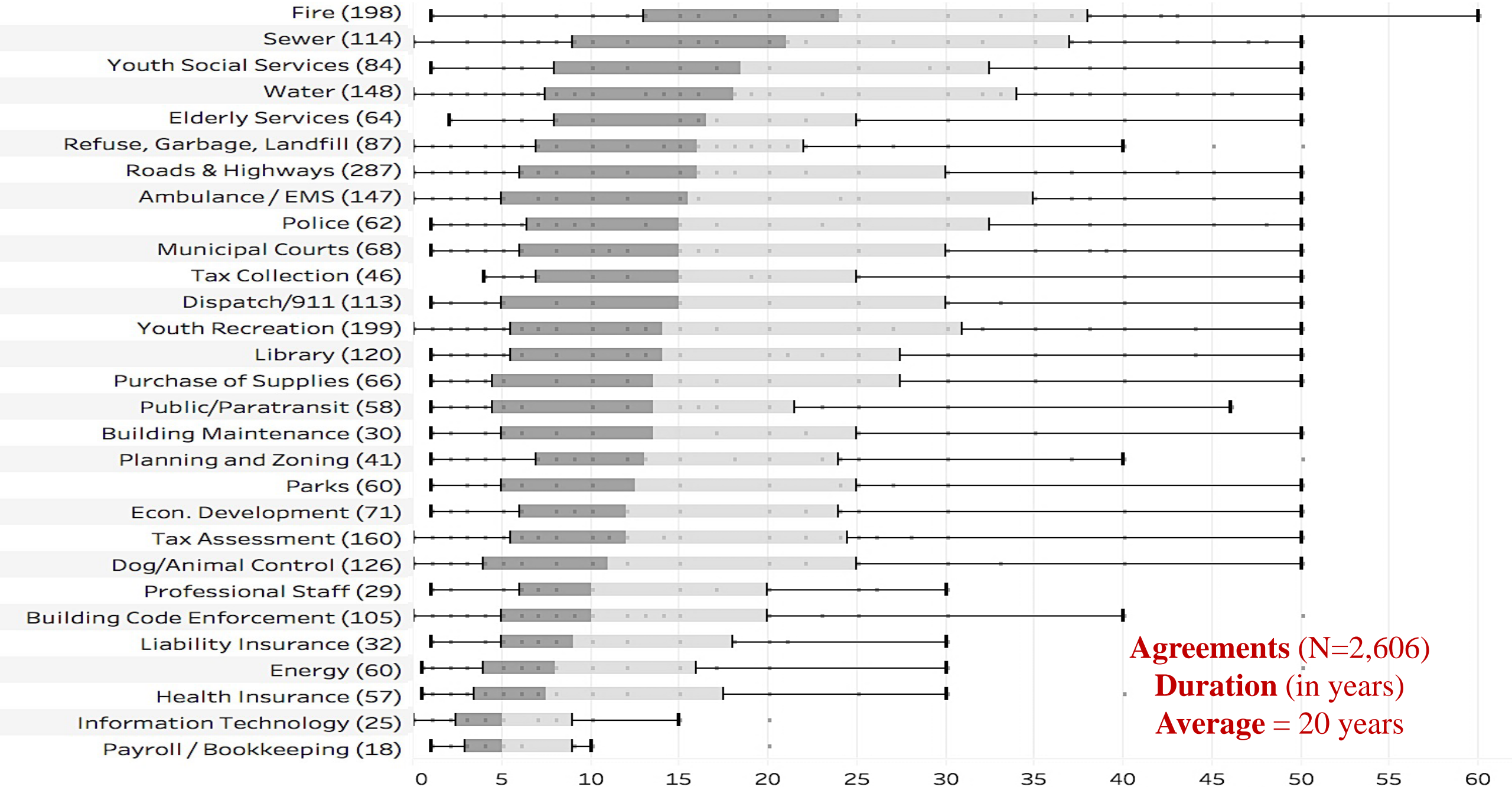
- Highest in public works, public safety, parks and recreation

How are the Myths Holding Up?

- Average sharing duration = **20 years** (range = 0.5-80 years).
- **Cost savings** were only **one** goal – only **achieved half the time.**

SHARING OUTCOMES

	Cost savings	Improved service quality	Improved regional coordination
All 29 Services	56%	50%	35%
Public Works & Transit	53%	56%	39%
Administrative/Support	70%	39%	25%
Recreation & Social Services	44%	59%	38%
Public Safety	48%	54%	38%
Economic Dev. & Planning	51%	52%	46%



Agreements (N=2,606)
Duration (in years)
Average = 20 years

INTERMUNICIPAL COOPERATION = STABLE?

Short Term

- **Focus on Cost Savings**
- **Service Disruptions:**
 - Staff Transitions
 - Willingness of Sharing Partner
- **Evaluation of Sharing**
- **For-Profit Partner**

Long Term

- **Improved Service Quality**
- **Improved Regional Service Coordination**
- **Agreement Formality**
- **Service Capacity**
- **Community Pressure and Citizen Interest**
- **Unable to Provide Service Without Sharing**

Austin M. Aldag & Mildred Warner. (2018) "Cooperation, Not Cost Savings: Explaining Duration of Shared Service Agreements." *Local Government Studies* (44)3: 350-370.

But at What Costs?

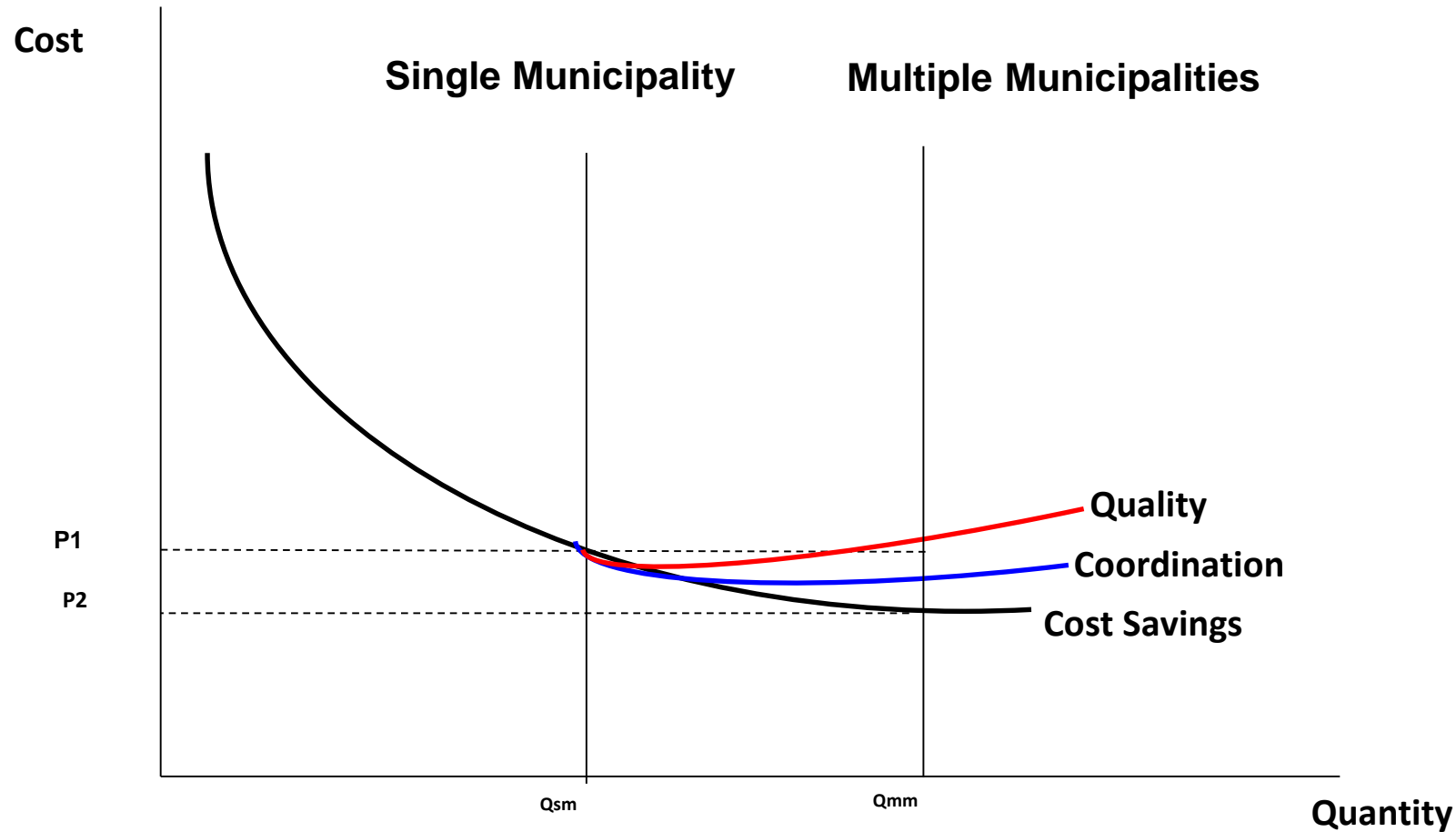
Does sharing **always** result in cost reductions?

Does X (sharing) → Y (declines in service costs)?

Will mandatory service sharing, “generate property **tax savings** by enabling collaboration between local governments across the state” (NYS Dept. of State 2017)?

SHARING = LOWER COSTS OR HIGHER QUALITY?

Economies of scale – why cost savings may be absent.



Based on: Bel, Germa and Mildred E. Warner (2015). "Inter-Municipal Cooperation and Costs: Expectations and Evidence." *Public Administration* 93(1): 52-67.

EMPIRICAL METHODOLOGY:

Dependent Variable:

Service Costs = By local service costs between **1996-2016** (constant 2013\$)

- N Services = 5,787 – N for cost observations = 110,220
- Data source: NYS Comptroller's Office
- Total of 12 services matched 2013 survey and Comptroller categories

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Empirical Model:

$$\log TC_{it} = \beta_0 + \beta_1 \log Pop_{it} + \beta_2 \log PopDensity_{it} + \beta_3 City_{it} + \beta_4 Shared_{it} + u_{it}$$

[Random effect time series estimation]

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Explanatory/ Control Variables:

Population – level of service output.

Density – economies (or diseconomies) of density.

City (yes = 1) – Control for formality, union and professionalization.

****Service Shared** (yes = 1) – if the service is provided via a sharing arrangement

TIME SERIES MODEL RESULTS: RESULTS OF SERVICE SHARING

Lower Service Costs:

Police

Roads & Highways

Library

Sewer

Refuse

Higher Costs:

Planning & Zoning

Elder Services

No Difference:

Economic Development

Ambulance / EMS

Fire

Water

Youth Recreation

IN SUM...

- **Local-local cooperation is not entirely stable:**
 - **Cost savings is only a short term outcome**
 - **Quality & coordination endure into long run**
 - Governments need more capacity in order for sharing to stick.
- Cost **savings** only found in a **few services**.
- Service **costs are higher** in planning and zoning & elder care.
- **No difference** for many common public services.

THANK YOU!

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Published Papers:

- Aldag, Austin M. and Mildred Warner (2018). “Cooperation, Not Cost Savings: Explaining Duration of Shared Service Agreements.” *Local Government Studies* 44(3): 350-370.
- Aldag, Austin M., Mildred E. Warner, and Yunji Kim. (2019). “Leviathan or Public Steward? Evidence on Local Government Taxing Behavior from New York State.” *Publius: The Journal of Federalism*. doi: 10.1093/publius/pjy035
- Aldag, Austin M., Yunji Kim and Mildred E. Warner. (forthcoming). “Austerity Urbanism or Pragmatic Municipalism? Local Government Responses to Fiscal Stress in New York State.” *Environment and Planning: A*.
- Bel, Germa and Mildred E. Warner (2015). “Inter-Municipal Cooperation and Costs: Expectations and Evidence.” *Public Administration* 93(1): 52-67.