



# Do Municipalities Share Services with Poorer Neighbors?

## Factors Explaining Levels of Service Sharing Among Municipalities in New York State

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### Introduction

Shared service delivery is often recommended as an approach to control government expenditure, improve service quality, and promote regional coordination. Concerns over service efficiency and quality, as well as policy incentives such as the Tax Cap and Property Tax Freeze, show more service sharing is desired in NYS. This issue brief reports on an analysis of service sharing among NYS municipalities. It explains factors leading to service sharing and whether sharing occurs across municipalities with different levels of expenditures, tax base and need. **We find municipalities with management support, larger population size and similar neighbors share more. This voluntary service sharing may leave behind those municipalities (poorer, smaller), which might benefit most from sharing. State support for administrative design costs and subsidies to encourage sharing with poorer neighbors is needed to promote more service sharing.**

### Methodology and data

This study focuses on the level of service sharing among townships, cities, villages and counties in New York State (outside New York City, which is exempt from the Tax Cap). It analyzes a survey Cornell University conducted with all municipalities in NYS (outside NYC) in 2013. The survey asked respondents to indicate whether a service is shared or provided across 29 services in 5 categories. Information was also collected regarding the formality and length of sharing arrangements, outcomes, motivators,

obstacles and management issues related to cooperation, history of service sharing, fiscal stress, as well as the local officials' experience.

The survey had an excellent response rate – 60% of all municipalities responded. While the highest response rate was from cities and counties, the largest number of responses was from towns (table 1). Figure 1 maps the counties, cities, villages and towns who responded to our survey.

New York's municipalities have been sharing services for a long time. On average 27 percent of services are provided via inter-municipal service sharing and on average sharing agreements have been in place for 18 years.<sup>1</sup> We use regression models to analyze how local governance factors impact inter-municipal cooperation. In the regression framework, we supplement the survey data with demographic data from the 2010 US Census and 2008-2012 American Community Survey, as well as fiscal data from the NYS Comptroller 2012. Results given below are based on sophisticated regression analysis but presented with descriptive statistics to make the analysis more useful to state and local policy makers.<sup>2</sup>

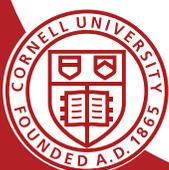
<sup>1</sup> For more descriptive statistics on the survey, see Homsy, G.; B. Qian, Y. Wang and M. Warner (2013). Shared Services in New York State: A Reform that Works, Summary of Municipal Survey in NYS, 2013, Dept. of City and Regional Planning, Cornell University, Ithaca, NY. (<http://cms.mildredwarner.org/p/188>)

<sup>2</sup> For a full discussion of the regression model results, see Qian, B (2014). Local Governance; Heterogeneity and Transaction Cost Explanations of Inter-Municipal Cooperation: A Multivariate Analysis in New York State, unpublished Masters Thesis, Dept. of City and Regional Planning, Cornell University, Ithaca, NY

**Table 1: Response Rate**

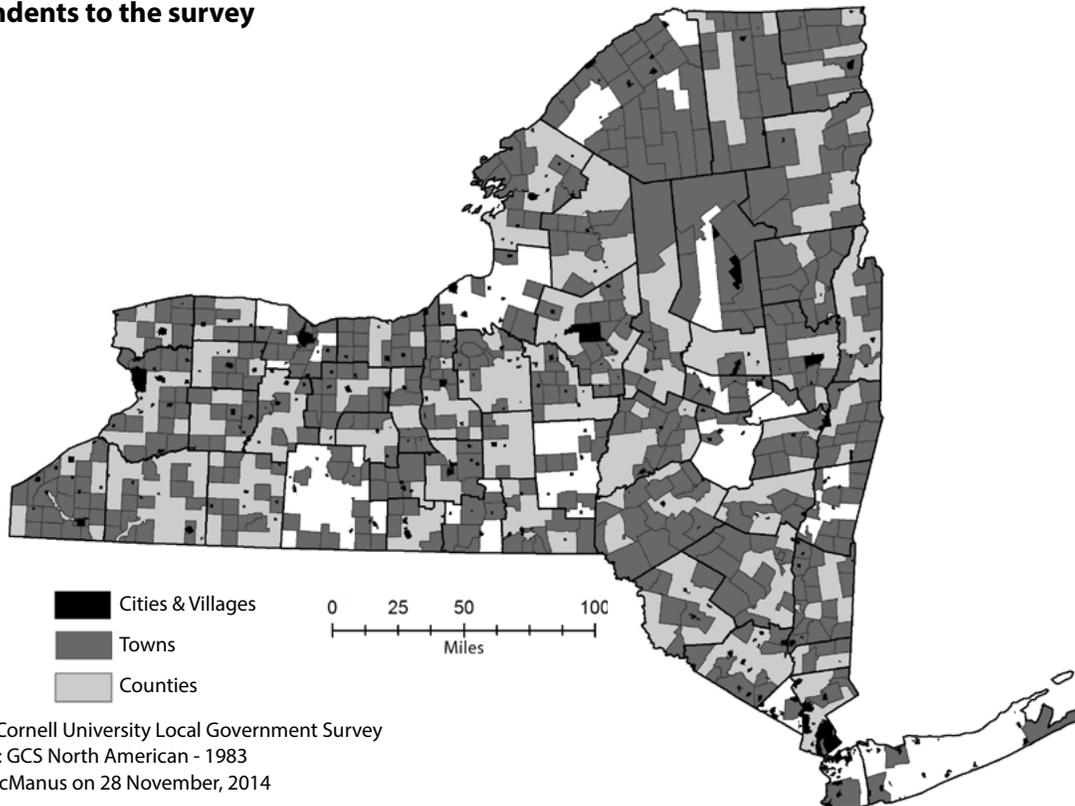
|                        | City | County | Towns | Villages | Total |
|------------------------|------|--------|-------|----------|-------|
| Respondents            | 41   | 44     | 491   | 359      | 935   |
| Total NY (outside NYC) | 61   | 57     | 932   | 556      | 1606  |
| Response Rate          | 67%  | 77%    | 53%   | 65%      | 58%   |

Source: Cornell University, New York State Municipal Shared Services Survey, 2013



The Shared Services project is directed by John Sipple and Mildred Warner of Cornell University and funded by the US Department of Agriculture Hatch and Smith Lever grant programs, administered by the NYS Agricultural Experiment Station at Cornell University. Additional information can be found at [www.mildredwarner.org/restructuring/nys](http://www.mildredwarner.org/restructuring/nys).

Figure 1: Respondents to the survey



Data Source: 2013 Cornell University Local Government Survey  
 Coordinate System: GCS North American - 1983  
 Created by: Clint McManus on 28 November, 2014

**Our regression analyses find that service sharing is higher among larger municipalities, those who participate in regional associations of government, those who are more similar (in tax base, age, race and income), and those who give attention to the challenges of design, budget and accountability structures.** Sharing rates are also higher among municipalities with longer tenure of sharing agreements and those who are interested in maintaining service quality.

#### **Larger municipalities cooperate slightly more in service delivery**

Theoretically, small places have more incentives to

share public services to gain economies of scale. But in New York State, small municipalities lag slightly behind large places in the level of service sharing. Small municipalities, with population less than 2500, provide on average 4 services to citizens through inter-municipal cooperation compared to above 5 services shared by large municipalities (table 2). Small municipalities cooperate less in part because they provide fewer services. However, availability of willing partners is also a problem. Small municipalities with population less than 2500 have on average 2.3 partners, which is below the number of partners (3.7) large municipalities enjoy.

Table 2: Service sharing level by municipal population

| Municipal population | No. of Municipalities | Avr. No. Services shared | Avr. No. Services provided | Sharing percentage | Avr. No. Partners |
|----------------------|-----------------------|--------------------------|----------------------------|--------------------|-------------------|
| <2,500               | 451                   | 4.1                      | 15.4                       | 26.6%              | 2.4               |
| 2,501---10,000       | 306                   | 5.1                      | 18                         | 28.4%              | 3.3               |
| 10,001---25,000      | 85                    | 5.6                      | 20                         | 27.7%              | 3.2               |
| >25,000              | 93                    | 5.6                      | 19.7                       | 28.0%              | 3.7               |
| Total municipalities | 935                   | 4.7                      | 17.09                      | 27.5%              | 2.8               |

Source: Cornell University, New York State Municipal Shared Services Survey, 2013

### Service sharing is difficult among dissimilar municipalities

Economic and demographic differences across municipalities result in different service preferences. We find local municipalities avoid cooperating with low wealth and low capacity partners. We model inter-municipal service sharing among local municipalities within the same county. Community wealth shapes a municipality's service preference and ability to fund services. Thus we use income inequality across the municipalities in the same county to measure the differences among them. Figure 2 shows how the average sharing level among local municipalities within the same county correlates with income inequality. Downstate counties exhibit the lowest level of service cooperation and the highest income inequality between municipalities. Counties in the Niagara frontier exhibit high levels of service sharing and greater income equality. Counties in the Finger Lakes and Capital region have moderate levels of inter-municipal cooperation and relatively equal

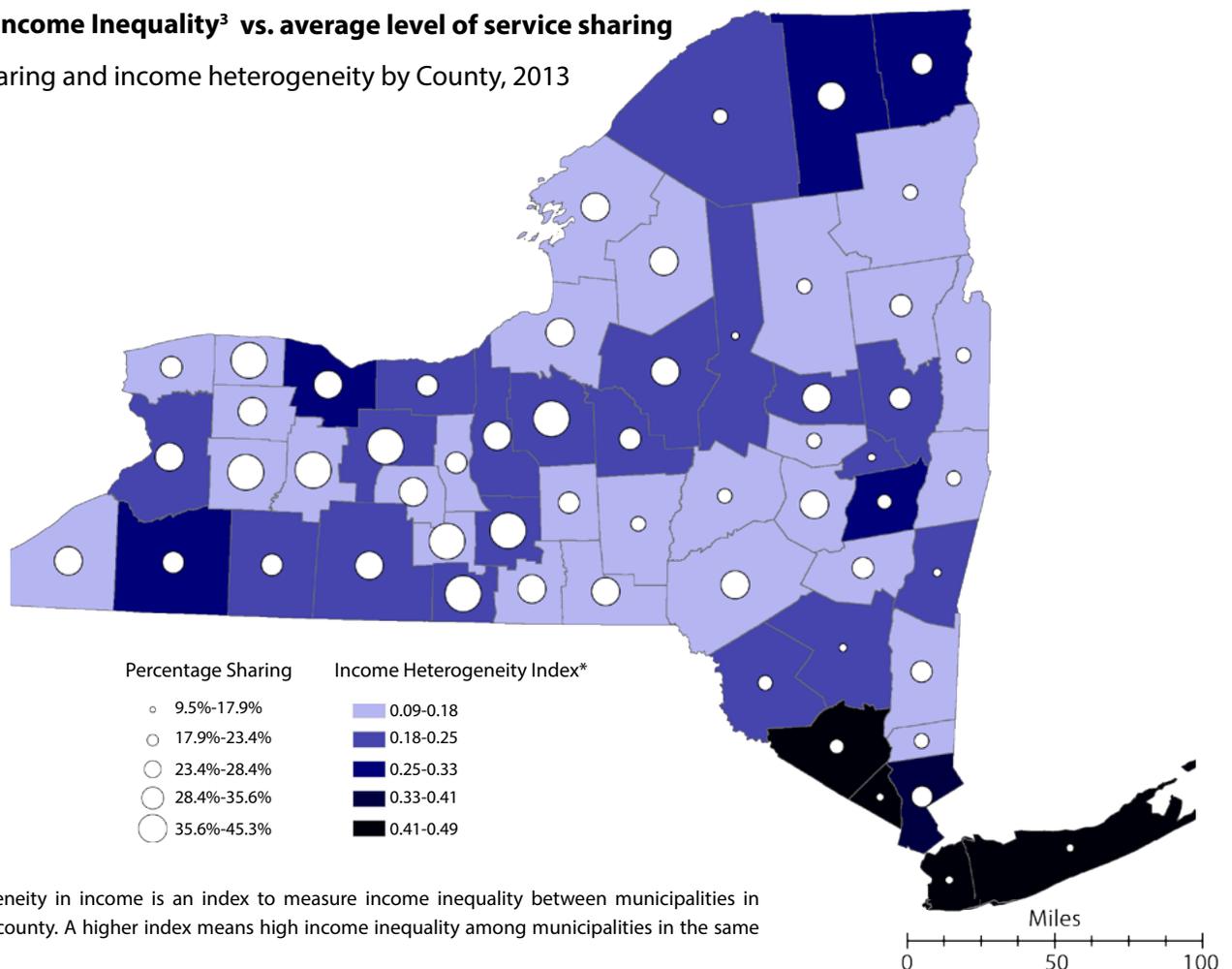
income. Further research also shows dissimilarities in property tax burden, race and aging profile among municipalities within a county lead to lower levels of service sharing.

### Social networking among local officials promotes service sharing

Participating in regional associations facilitates service sharing among municipalities. Face to face interactions in regional Councils of Government help to develop trust, accumulate social capital and set common values on service efficiency. For example, Metropolitan Planning Organizations encourage interactions among city managers and department heads. Our study finds governments participating in regional associations of local governments share 33% of their services with others. But the level of service sharing is only 25% for municipalities which do not participate in regional associations (table 3). Municipalities that participate in such regional consortia provide and share two more services on average than non participants.

**Figure 2: Income Inequality<sup>3</sup> vs. average level of service sharing**

Service sharing and income heterogeneity by County, 2013



<sup>3</sup> Heterogeneity in income is an index to measure income inequality between municipalities in the same county. A higher index means high income inequality among municipalities in the same county.

**Table 3: Regional Associations and Service Sharing**

|                                   | In Regional Associations | Not in Regional Associations |
|-----------------------------------|--------------------------|------------------------------|
| <b>Ave No. of Services shared</b> | 6.1                      | 4.2                          |
| <b>Sharing percentage</b>         | 33%                      | 25%                          |
| <b>N - municipalities</b>         | 310                      | 454                          |

Source: Cornell University, New York State Municipal Shared Services Survey, 2013

### Longer service sharing history increases a municipality's level of sharing

Governments with a longer history of cooperation have had time to develop a systematic set of policies or practical procedures to guide the implementation of sharing arrangements. These policies and procedures also attract other governments to cooperate. We use the average tenure of sharing arrangements to measure service sharing experience. Municipalities with less than 5 years cooperation experience share on average 11% services with other governments (see figure 3). But jurisdictions cooperating more than 15 years enjoy a much higher level of service sharing (above 30%).

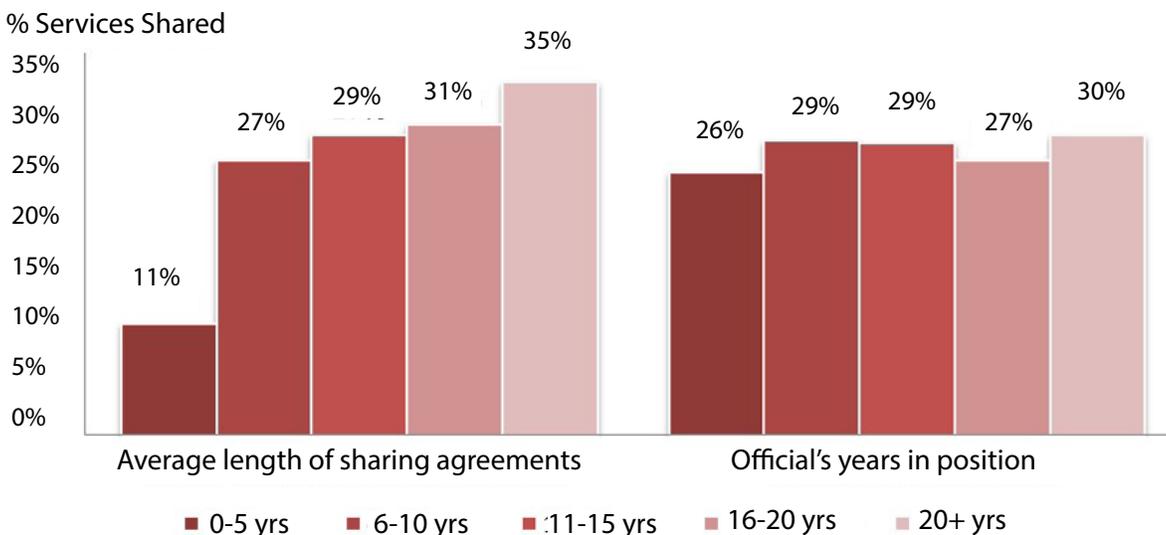
Conventional wisdom suggests longer tenure of local officials promotes service sharing because experienced officials can build relationships and trust with neighboring public managers. Our study does not confirm this idea. Longer tenure of local officials is not associated with higher level of service sharing. It is the organizational structure, reflected in participation in regional councils and in a history of sharing arrangements, not individual leadership, that matters.

### Regional competition does not negatively impact a municipality's level of service sharing

Theoretically, competition between governments impedes trust and harms implementation of service sharing. But our study shows governments with strong inter-municipal competition do not exhibit lower levels of service sharing than the jurisdictions with strong cooperation (see table 4). Interestingly, municipalities facing strong competition share more services with other governments

### Management factors matter for inter-municipal service sharing

Management elements affect service sharing. We used factor analysis to group these factors into five dimensions: financial motivators, political and service quality, designing the sharing agreement, budget and data compatibility, and obstacles (see table 5). Figure 4 shows the relationship between local officials' rankings of the importance of the five dimensions and their level of service sharing.

**Figure 3: Sharing level vs. tenure of sharing arrangements and local officials' tenure**

Source: Cornell University, New York State Municipal Shared Services Survey, 2013

**Table 4: Inter-Municipal competition's influence on service sharing**

|                                | Inter-municipal |        |      |             |        |             |
|--------------------------------|-----------------|--------|------|-------------|--------|-------------|
|                                | Competition     |        |      | Cooperation |        |             |
|                                | very strong     | strong | weak | weak        | strong | very strong |
| <b>Ave No. Services shared</b> | 6.7             | 5.6    | 4.1  | 4.8         | 5.3    | 5.3         |
| <b>Sharing percentage</b>      | 32%             | 30%    | 27%  | 28%         | 30%    | 30%         |
| <b>N- municipalities</b>       | 71              | 196    | 171  | 134         | 134    | 20          |

Source: Cornell University, New York State Municipal Shared Services Survey, 2013

### More incentives, more cooperation

Besides traditional financial motivators like cost savings, incentives related to personnel, external support, service quality, and regional coordination also promote more service sharing. Municipalities, emphasizing "political and service quality" as important or extremely important, have much higher levels of inter-municipal service sharing (28%, figure 4) than places which rank political elements as not important (sharing level 19%). As to number of services shared, the former shares on average 5 services compared to 3 services for the latter.

**Table 5 : Management elements in sharing services**

| Factors  | Percent respondents ranking as important |
|--|--|
| <b>Financial Motivators</b>                          |  |
| Cost savings   | 98%                                      |
| Fiscal stress on local budget                        | 95%                                      |
| Local leadership / trust                             | 91%                                      |
| Gaining purchasing/bargaining power in the market    | 82%                                      |
| <b>Political &amp; Service Quality</b>               |  |
| Maintaining service quality                          | 94%                                      |
| More effective use of labor                          | 91%                                      |
| Service coordination across municipalities           | 89%                                      |
| Past experience with sharing arrangements            | 85%                                      |
| Community pressure / expectations                    | 80%                                      |
| Unable to provide important services without sharing | 80%                                      |
| Business community support                           | 78%                                      |
| State programs to incentivize / fund sharing         | 76%                                      |
| Regional equity in service delivery                  | 76%                                      |
| Political support                                    | 72%                                      |
| Staff transitions (e.g. retirements)                 | 60%                                      |

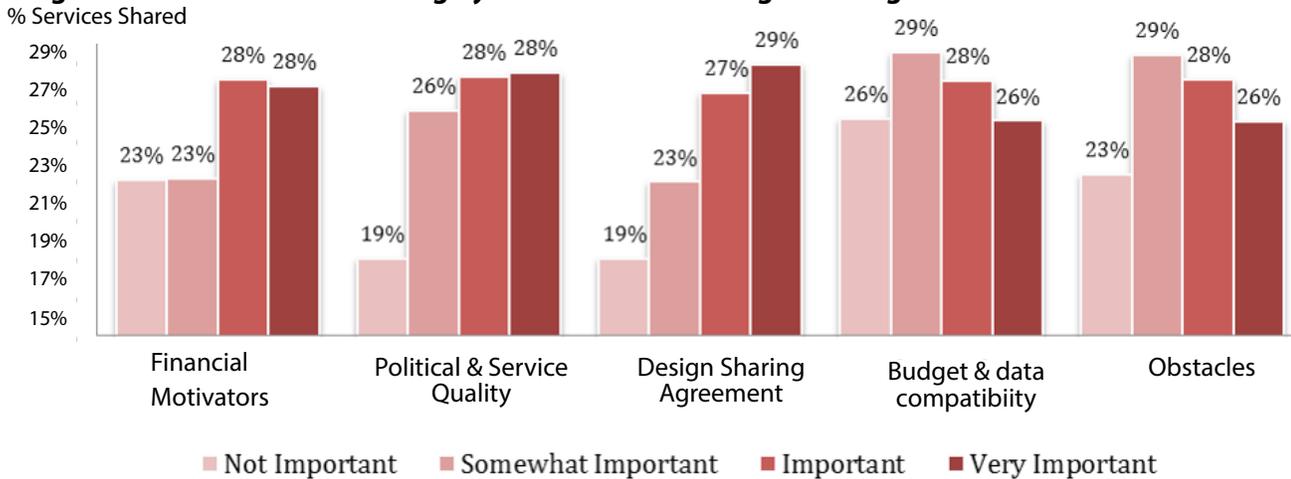
Source: Cornell University, New York State Municipal Shared Services Survey, 2013

### Professional capabilities to manage sharing arrangements increase level of sharing

We measure a municipality's management ability in service sharing from several aspects: design, implementation, legal and governance structures to facilitate sharing. Places, which give more attention to design of sharing agreements, share on average 29% of their services (more than 5 services) with other governments. While the average level of service sharing in municipalities that do not give attention to design, is only around 19% (3 services).

| Factors   | Percent respondents ranking as important |
|---|--|
| <b>Designing Sharing Agreements</b>                         |  |
| Availability of willing partners                            | 95%                                      |
| Implementation and maintenance of sharing agreement         | 91%                                      |
| Planning and design of sharing agreement                    | 90%                                      |
| Policy, legal or governance structure to facilitate sharing | 88%                                      |
| <b>Budget and Data Compatibility</b>                        |  |
| Similarity among partners (size, population, income, etc.)  | 80%                                      |
| Combining multiple funding sources                          | 80%                                      |
| Compatible data and budget systems                          | 74%                                      |
| <b>Obstacles</b>  |  |
| Liability/risk concerns                                     | 85%                                      |
| Accountability concerns in sharing arrangements             | 85%                                      |
| State rules/ legal regulations                              | 83%                                      |
| Local control / community identity                          | 81%                                      |
| Loss of flexibility in provision options                    | 76%                                      |
| Job loss / local employment impact                          | 70%                                      |
| Elected official opposition/politics                        | 66%                                      |
| Restrictive labor agreements / unionization                 | 65%                                      |
| Personality conflicts                                       | 55%                                      |

**Figure 4: Level of service sharing by local officials' ranking of management factors**



Source: Cornell University, New York State Municipal Shared Services Survey, 2013

### Incompatible data & budget systems, and obstacles undermine inter-municipal service sharing

Obstacles are related to liability, accountability, local control, personnel and politics. Governments facing fewer obstacles enjoy higher level of service cooperation (29%) compared to municipalities facing more obstacles (26%). This suggests that experience with sharing allows municipalities to recognize and overcome obstacles. Places that rank obstacles as not important, do not share as many services. These results show municipalities can learn to overcome obstacles and problems with budget and data compatibility.

### Conclusion

Shared services is a popular reform that NYS municipalities have been using for decades, but more service sharing is still desired. Larger municipalities exhibit a slightly higher level of inter-municipal service sharing because they have sufficient willing partners. Fiscal and demographic differences across prospective partners undermine their propensity to share more. Both participating in regional associations of local government and previous sharing experience significantly promote governments' level of service sharing. Political support, service quality incentives and enhancing governments' managerial ability to design sharing arrangements may facilitate local municipalities to share more services.

**If more service sharing is desired, the state government also has a role to play. First, state aid and authorizing legislation is needed to establish an administrative structure to facilitate inter-municipal cooperation.** This could be done by empowering counties or regional associations

of government to share services with member municipalities and providing them the budget to cover administrative costs of design of sharing agreements. In addition, the state government might craft incentives to encourage local governments to participate in regional associations, which can help build more willing partners. This strategy may also help build trust among dissimilar municipalities. **Second, differentiated state aid should be used to make higher need and higher cost municipalities more attractive as cooperation partners.** These approaches have a proven track record in the BOCES system, which has the administrative capacity to plan and design sharing agreements, governance is shared across all participating school districts, and differential state aid encourages sharing with poorer districts.<sup>5</sup>

Sharing services has the potential to enhance service quality, promote regional coordination and reduce costs. But local municipalities need help in developing administrative support structures to facilitate sharing. State aid is needed to encourage sharing among municipalities differentiated by wealth, property tax and need. If the State is serious about promoting service sharing, it must provide the necessary legislative and financial support to municipalities to facilitate more sharing.

<sup>5</sup> Hayes, C. (2013). "More than Career Education: A BOCES Primer," Shared Services Project, Dept. of City and Regional Planning, Cornell University, Ithaca, NY. (<http://cms.mildredwarner.org/p/196>)

Hayes, C. (2013). "Intermunicipal Sharing: BOCES helps Towns and Schools Cooperate across New York," Shared Services Project, Dept. of City and Regional Planning, Cornell University, Ithaca, NY. (<http://cms.mildredwarner.org/p/193>)