

Local Democracy and the Townships of Illinois: A Report to the People



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Prepared for the
Township Officials of Illinois
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Demographia

A Report to the People

(Executive Summary)

1. Introduction

America's small local governments provide quality services at low costs to taxpayers. One half of the local governments in the United States have 1,000 or fewer residents.

These smaller governments are well positioned to respond to the present public budget challenges.

2. Local Democracy in America

Smaller local governments in the United States tend to spend and borrow less per capita than larger governments.

- The smallest local governments (under 2,500 population) had the lowest annual spending per capita in 2008. The largest local governments (over 250,000 population) spent two-thirds more per capita than the smallest local governments.
- The smallest local governments had the lowest long-term debt per capita at the end of 2008. The largest local governments borrowed more than three times per capita as much as the smallest local governments.

The tendency of smaller governments to spend and borrow less has also been indicated in comprehensive surveys of New York and Pennsylvania. In both states, smaller local governments have been associated lower spending and debt per capita.

3. Local Democracy in Illinois

Illinois relies on local democracy. The average local government serves 1,800 people in Illinois, compared to the national median (middle) of 2,850 people.

As in the rest of the nation, smaller governments (municipalities) in Illinois tend to spend and borrow less.

- The smallest local governments had expenditures per capita that were generally one-half those of local governments with from 10,000 to 250,000 population. Expenditures per capita in the smallest local governments were approximately one-fourth or less that of the city of Chicago.
- Most of the reporting local governments with less than 2,500 population had *no* bonded indebtedness. In the population categories above 25,000, bonded indebtedness per capita ranged from over \$500 to nearly \$5,000 in the largest local government, Chicago.

Smaller governments also spend and borrow less in the Chicago metropolitan area

- Local governments with a population of over 10,000 population had expenditures per capita nearly double or more that of the smallest local governments. Expenditures per capita in the city of Chicago were approximately three times that of local governments in the metropolitan area with less than 2,500 population.

- Most of the smallest local governments had *no* long-term bonded debt. In fact, governments with less than 25,000 population generally had little or no bonded indebtedness. In the population categories above 25,000, bonded indebtedness per capita ranges from over \$500 to nearly \$5,000.

Local governments in Illinois rely less on state funding and pay for themselves to a greater degree than in 38 other states.

4. Local Democracy and the Townships of Illinois

Townships and township road districts are an integral element of local democracy in Illinois. They build and maintain most of the road mileage in the state (through township road districts), administer relief to low income households, appraise property for tax assessment, and provide a variety of additional services.

Consistent with the lower costs of local democracy, townships have achieved superior efficiency.

- Township expenditures have grown at a lower rate than those of any other level of government in Illinois since 1992.
- Townships have the lowest labor costs, and employ a larger share of part time employees. This is particularly important, since the largest component of local government expenditures is labor costs.

Further, Illinois townships rely on debt financing to a more limited degree than municipalities.

Townships have the right to make cooperative agreements with other governments, including townships, municipalities and counties, where the public interest is served. At the same time, such agreements can be discontinued at contract end if it is in the best interest of any cooperating jurisdiction.

Illinois residents rate township services highly.

- In a 2001 survey, 88 percent of residents rated the performance of township officials high, compared to 42 percent for state officials and 27 percent for federal officials.
- 77 percent of citizens rated the township road maintenance high. This compares to only 37 percent for state (and federal) road systems.

The preference for more decentralized services was indicated recently in Perry County. Voters overwhelmingly passed an advisory ballot issue in the November 2010 election to restore road districts, which had been abolished as a result of a previous ballot issue in this commission county.

Township citizens have the ability, under state law, to abolish townships. Yet, there have been only infrequent campaigns in recent years. Two attempts were rejected by voters in the 1990s and there have been no subsequent ballot initiatives.

5. Why Local Democracy is More Efficient and Effective

The success of small local governments, such as townships, results from various factors:

- Local elected officials in smaller governments are able to take a more direct role in administering government finances and services.
- Individual citizens have more influence in smaller governments. This provides powerful incentives for elected officials to better represent their concerns, especially by keeping spending and borrowing at lower levels. In the smallest local governments of Illinois, elected officials may represent only hundreds of residents. In Chicago, a city council member represents nearly 60,000 residents.
- In smaller governments, interest groups have less influence, because individual citizens have more influence.

Local democracy epitomizes the concept of fiscal federalism, which holds that public services should be administered as close to residents as feasible.

6. The Pitfalls of Abolishing Local Governments

Occasionally there are proposals to abolish some local governments and consolidate them into larger government units. These attempts are usually based on the belief that "bigger governments spend less," a theory that is not supported by the evidence.

There are claims that "too many" local governments result in duplication of services. Yet, local governments have exclusive geographical service areas, which makes duplication of services impossible.

Sometimes these proposals rely on academic studies or statistical models that predict savings from abolishment and consolidation. However these approaches miss the interplay between human factors such as people, organizational cultures and politics that invariably leads to higher costs and more debt.

The evidence is clear that larger governments tend to spend and borrow more per capita.

- Studies of local government consolidations that have been implemented virtually never show material cost savings and generally indicate that higher costs have resulted.
- Local government abolishments and consolidations are more costly because labor cost are "harmonized" at the highest level and service levels tend to be harmonized at the highest level of the consolidating governments.
- It becomes more difficult for elected officials to directly oversee the efficiency and effectiveness of public services in larger governments. Individual voters have less influence and, as a result, interest groups tend to have more.

Because of their tendency to spend more and incur higher levels of debt, larger governments have a greater risk of bond defaults.

Research by two Illinois counties indicated that abolishing townships would result in a substantial increase in net expenditures.

Abolition and consolidation of local governments has proven to be unpopular, both in Illinois and elsewhere. This is evident in ballot issues rejecting consolidation and community attempts to secede from some larger local governments (such as in Los Angeles and New York).

Local government abolitions and consolidations are effectively irrevocable and it can be virtually impossible for discontented citizens to restore smaller units of government. On the other hand, cooperative agreements allow governments to work together to periodically evaluate such arrangements to ensure that they continue to be in the public interest.

Thus, the "bigger governments spend less" theory is not indicated by the actual experience. The larger local governments that result from consolidation are likely to lead to *higher* rather than lower taxes and spending per capita. Also importantly, the remoteness of such governments from the electorate can dilute citizen influence more challenging and public service quality can suffer.

7. The Enduring Value of Local Democracy

The smaller local governments that typify local democracy are generally more efficient and they are better positioned to provide quality public services to their residents. The history and performance of local democracy is witness to its enduring value.

Local Democracy and the Townships of Illinois: A Report to the People

1. INTRODUCTION

The United States is a nation of relatively small local governments. In 2000, slightly more than one-half of the nation's general purpose governments had a population of less than 1,000 residents (Figure 1). Further, large areas of the nation, including Illinois, have generally small township governments outside incorporated local governments that provide decentralized local government services to residents.

This preference for small local government can be traced back centuries, to sources like the New England town meetings. The local democracy inherent in smaller local governments has proven to be timeless, by providing among the most efficient and highest services. Efficiency was defined as follows by governance expert Robert Bish:

*The ultimate measure of local government efficiency is not a count of jurisdictions or taxing districts, but rather their relative expenditures per capita for quality public services.*¹

These attributes are particularly important in today's challenging public finance environment. Smaller, more manageable local governments are well positioned to provide value for taxpayer funding.

Moreover, local democracy continues to be popular among voters.

This report describes the state of local democracy. It begins with an examination of the performance of local democracy nationally. It then evaluates the performance of local democracy in Illinois, with particular attention to townships. The factors contributing to the success of local democracy are discussed, and a description of the pitfalls of local government consolidating follows.

Local Governments in the United States
GENERAL PURPOSE: BY 2000 POPULATION

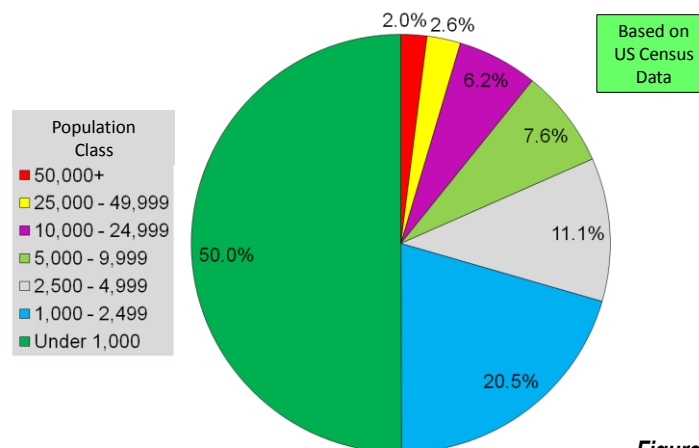


Figure 1

¹ Robert L Bish, "Local Government Amalgamations, Discredited Nineteenth-Century Ideals Alive in the Twenty-First", The Urban Paper, C.D. Howe Institute Commentary, No. 150, Toronto, March 2001.
<http://www.cdhowe.org/pdf/bish.pdf>

2. LOCAL DEMOCRACY IN AMERICA

Generally, national data indicates that smaller local governments spend and borrow *less per capita* than larger local governments.

Expenditures: The relative efficiency of local democracy is indicated by the 2008 Bureau of the Census data for core services among local governments.² It indicates that, generally, smaller local governments have lower per capita expenditures than larger local governments.

The smallest median (middle)³ expenditures per capita were in the smallest local governments. Governments with populations under 1,000 and from 1,000 to 2,500 had expenditures per capita of approximately \$365 annually. Governments with from 2,500 to 25,000 population had somewhat higher expenditures per capita, at between \$400 and \$500. Local governments from 25,000 to 100,000 had higher per capita expenditures yet, at from \$500 to \$600. The highest expenditures per capita were in the largest local governments (100,000 population and above), which had annual expenditures from of more than \$600 per capita (Figure 2).

Thus, the largest local governments had expenditures per capita that were approximately two-thirds or more higher than in the smallest local governments (under 2,500 population).

Long-Term Debt per Capita: The relative efficiency advantage of smaller governments is more apparent in long-term debt per capita than in expenditures per capita.

The smallest local governments (under 1,000 population) had per capita long-term debt of \$771. Local governments of from 1,000 to 100,000 had higher long term debt per capita levels, at from \$1,230 to \$1,432. Local governments between 100,000 and 250,000 population had long-term debt per capita of \$1,768. The largest local governments (over 100,000 population) had long term debt per capita far above the smaller population categories at \$3,664 (Figure 3).⁴

The contrast between the smallest and largest local governments was even greater in long-term debt per capita than in expenditures per capita. The largest local governments (250,000 population and above) had long term debt per capita nearly five times that of the smallest local governments (under 1,000 population) and approximately three times that of local governments between 1,000 and 50,000 population.

Individual State Analyses: A similar relationship is indicated in Pennsylvania and New York, where there is a considerable degree of local democracy with a reliance on smaller units of local government. Our local government reports indicate generally lower tax, spending and debt levels per capita where jurisdiction populations are smaller.

² Calculated from the US Bureau of the Census governments database for 2008. The calculation included all 1,176 municipalities (cities, towns and villages) reporting expenditures in all 5 functions (police, fire, libraries, parks and recreation, and roads). Consolidated city-county municipalities were excluded. The US Bureau of the Census governments database includes Illinois township road districts within township data.

³ Medians (middle scores) are used in preference to averages, to eliminate the skewing that can occur from a minority of jurisdictions that have far higher than average expenditures or bonded indebtedness per capita. Median figures provide a better measure of expenditures and bonded indebtedness per capita in the average local government.

⁴ Analysis of public purpose bonds outstanding at the end of fiscal year 2009 for all 1,174 municipalities reporting to the United States Bureau of the Census governments database. Consolidated city-counties are excluded.

Pennsylvania: The Pennsylvania analysis covered the general government units (approximately 2,500), which included cities, boroughs and townships. The analysis, produced for the Pennsylvania Association of Township Supervisors, indicated a strong relationship between *smaller* units of local government and *greater* government efficiency.⁵

- Per capita spending rose in every population classification (Figure 4).
- Debt service per capita also rose in every population classification (Figure 5)

Spending/Capita by Size of Government US MUNICIPAL GOVERNMENTS: 2008

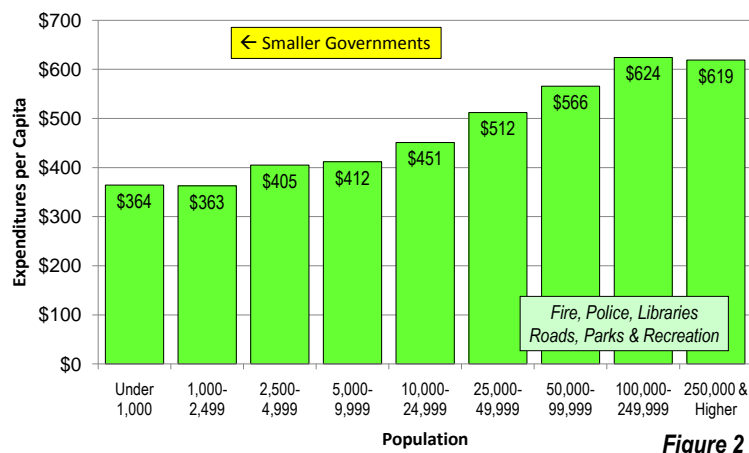


Figure 2

Debt/Capita by Size of Government US MUNICIPAL GOVERNMENTS: 2008

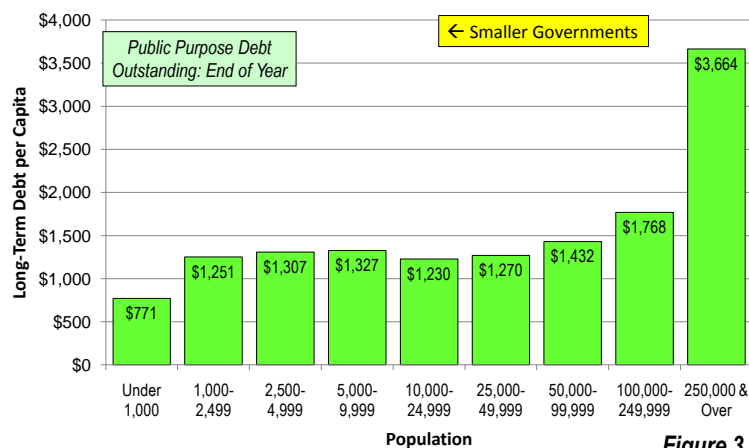


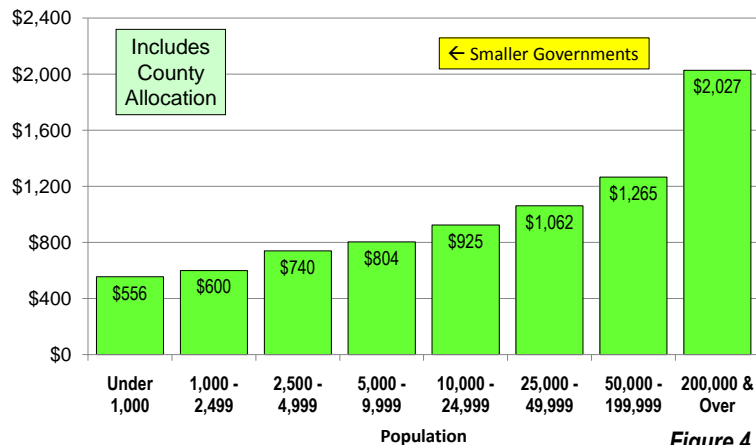
Figure 3

⁵ Wendell Cox, *Growth, Economic Development, and Local Government Structure in Pennsylvania*, Pennsylvania Association of Township Supervisors, 2005 (http://www.psats.org/local_gov_growth_report.pdf).

A similar relationship was identified in Pennsylvania's metropolitan areas, where smaller governments had both lower expenditures and debt service per capita. Further, the nation's second largest consolidated city-county government, Philadelphia, had the highest per capita spending level in Pennsylvania.⁶

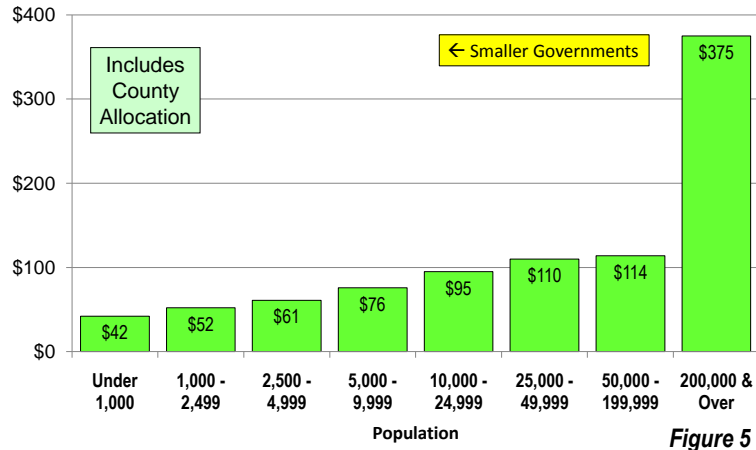
Spending/Capita by Size of Government

PENNSYLVANIA: 2001



Debt Service/Capita by Size of Government

PENNSYLVANIA: 2001



New York: The New York analysis covered all⁷ of the general purpose local government units in New York (approximately 1,500), including a city-county consolidated government, cities, villages and towns (the functional equivalent of townships). The analysis, prepared for the State Association of Towns of the

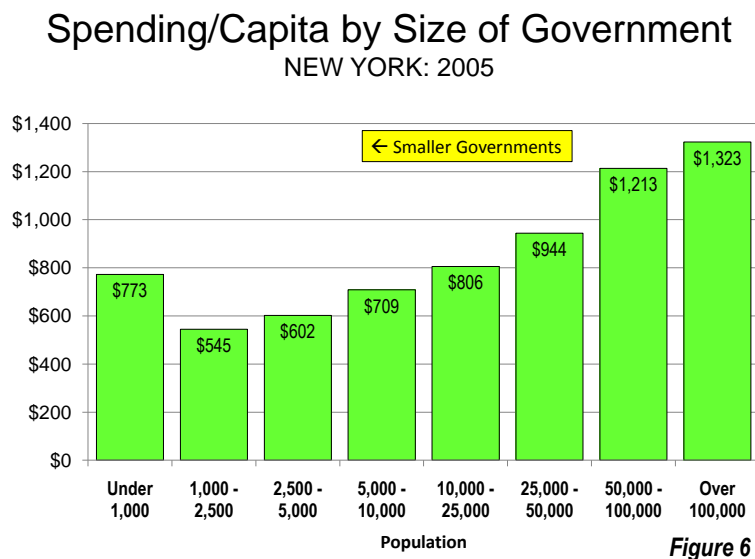
⁶ The local government spending data included county spending weighted by municipal population.

⁷ All except a small number for which there was not complete data.

State of New York, indicated a strong relationship between *smaller* units⁸ of local government and *greater* government efficiency.⁹

- Except for governments with less than 1,000 population, per capita spending was higher in each larger population classification (Figure 6).
- Bonded indebtedness per capita was higher in each larger population classification (Figure 7)

A similar relationship was identified in New York's metropolitan areas, where smaller governments had lower expenditures and lower bonded indebtedness per capita. Moreover, the nation's largest consolidated city-county government (and the largest in the western world), New York City had the highest per capita spending level on core municipal services in the state of New York.



3. LOCAL DEMOCRACY IN ILLINOIS

This "smaller governments are more efficient" pattern extends to Illinois.

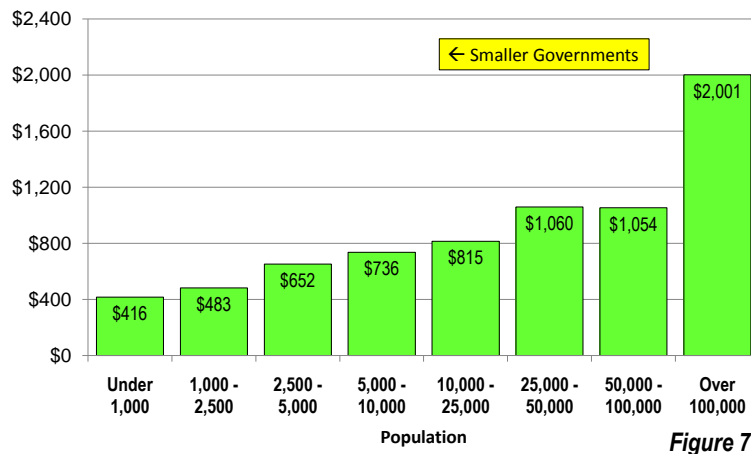
Illinois relies substantially on local democracy. For the most part, local governments tend to be small, which increases the access of citizens to their elected officials and other public administrators. Some local governments, such as counties, local governments and townships provide multiple services, while school districts specialize, providing a single public service, education (and ancillary services such as school transportation). Special districts generally provide specialized services over a larger geographical area, especially where it would be less efficient to provide services at the municipal level. The Illinois approach to local governance is consistent with the concept of "fiscal federalism," which holds that public services should be administered as close to the people as feasible (Section 5, below).

⁸ Spending per capita in the smallest jurisdictions is skewed higher because of resort communities that have higher peak vacation period residents.

⁹ Wendell Cox, *Government Efficiency: The Case for Local Control*, Association of Towns of the State of New York, 2008.

<http://www.nytowns.org/core/contentmanager/uploads/Government.Efficiency.The.Case.for.Local.Control.pdf>

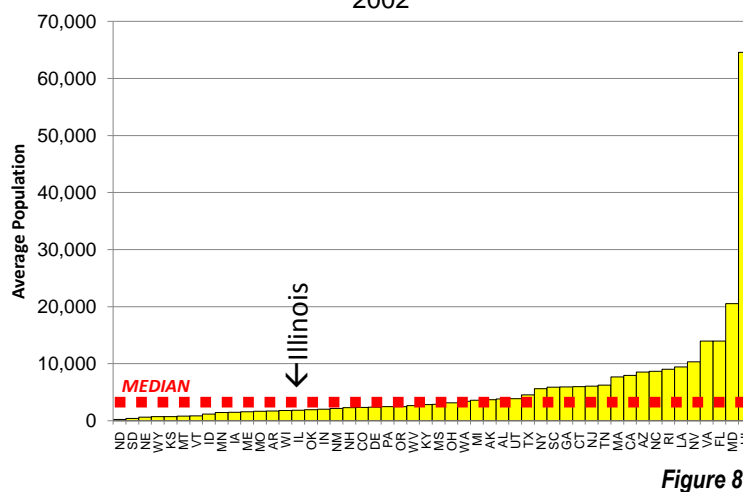
Debt/Capita by Size of Government NEW YORK: 2005



Local Government Size in Illinois: The average government in Illinois serves approximately 1,800 people. This compares to the national median of approximately 2,850. Even so, many states have smaller average size governments than Illinois. For example, Wisconsin, Minnesota and Missouri have even more local democracy, with smaller average sized local governments than Illinois. In some states, governments are far smaller, such as in North Dakota, where the average government serves less than 250 people. At the same time, some states have much larger local governments, with Hawaii having the largest, where the average government has a population of 65,000 (Figure 8).

Further, as a result of the extent of local democracy in Illinois, citizens have more direct access to their elected officials.¹⁰ The average elected official in Illinois represented 278 people in 1992, compared to the national median of 576 (Figure 9).

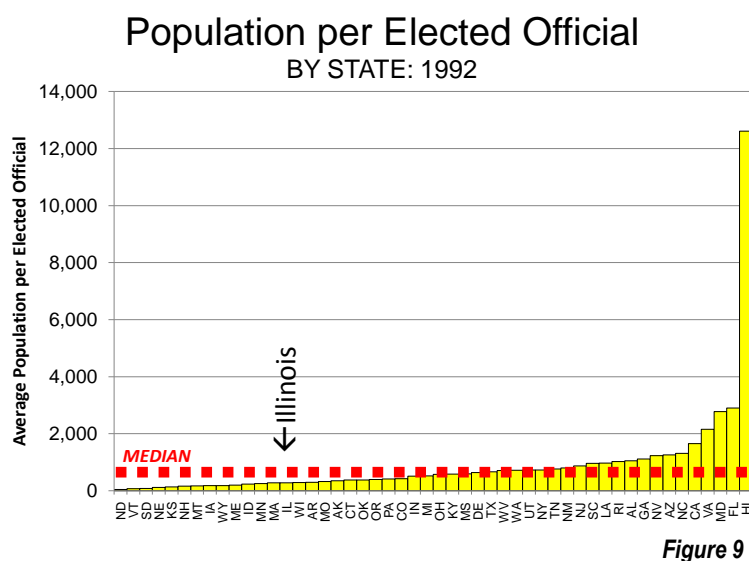
Average Local Government Population 2002



¹⁰ Calculated from US Bureau of the Census, 1992 Census of Governments data (latest available data on the number of elected officials).

Illinois local governments vary significantly in population. The city of Chicago is the largest municipality (and third largest in the nation), with a population of 2,900,000, while there are approximately 40 incorporated local governments with fewer than 100 residents.¹¹ It is to be expected that governments varying so much in size will have substantially different spending patterns. However, there is a clear and consistent pattern of both higher spending and higher bonded indebtedness per capita in Illinois among larger local governments.

Expenditures: The efficiency of smaller municipal governments (cities, towns and villages) is illustrated by an analysis of government expenditures by population in the state.¹² The analysis included a core of services, including public safety (such as police and fire protection), streets and roads, and culture and recreation, such as libraries and parks.



Generally, the smallest local governments (under 1,000 residents) had the lowest expenditures per capita in 2009, at \$162, followed by the second smallest category (1,000 to 2,500 residents) at \$236. Local governments with populations from 2,500 to 10,000 had higher expenditures per capita, at approximately \$350. Local governments between 10,000 and 250,000 population had still higher expenditures per capita, with from \$510 to \$663. The only local government above 250,000 population, Chicago, had the highest per capita expenditures, at \$892

Local governments with populations below 2,500 had expenditures per capita that were generally one-half those of local governments with from 10,000 to 250,000 population. Expenditures per capita in the smallest local governments were approximately one-fourth or less that of the city of Chicago (Figure 10).

Bonded Indebtedness: A similar pattern is illustrated in bonded indebtedness per capita. Larger local governments generally had more bonded indebtedness than smaller local governments.¹³ In some smaller

¹¹ 2009 estimates of the US Bureau of the Census.

¹² The analysis included general fund and special fund expenditures in all 556 municipalities reporting expenditures for public safety, roads and culture and recreation in Illinois. The data is from the Illinois State Comptroller (<http://www.comptrollerconnect.ioc.state.il.us/Office/LocalGovt/ViewReports2002/SelectLocalGov.cfm?Code=&CFY=&UserName=&C4=&OptionSel=&BetaSel=>). Accessed September 3, 2010 and September 30, 2010.

¹³ The analysis included general obligation and revenue bonded indebtedness at December 31, 2009, excluding bonds for water, electric and housing. This included the approximately 896 local governments for which data was

population categories, the median bonded indebtedness was zero, indicating that most of the local governments did not have bonded debt. Local governments in categories above 25,000 population had bonded indebtedness per capita of more than \$500, while the city of Chicago had bonded indebtedness of \$4,900 per capita (Figure 11). The city of Chicago's bonded indebtedness per capita was from four to nine times that of local governments with from 25,000 to 250,000 population and even higher in relation to smaller local governments.

Spending/Capita by Size of Government

ILLINOIS: CORE SERVICES: 2009

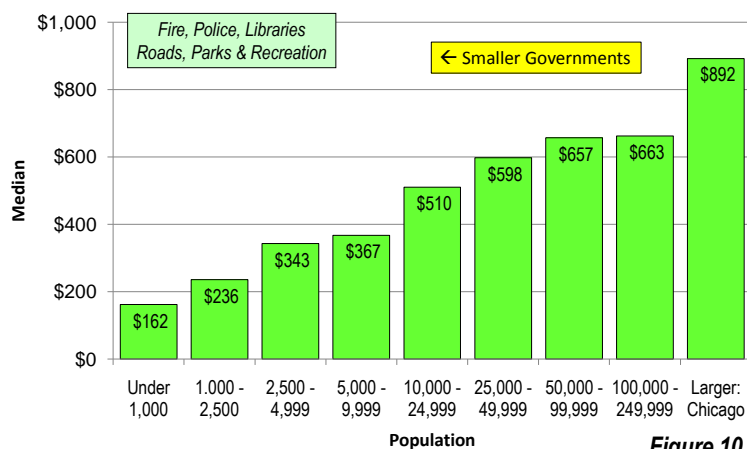


Figure 10

Debt/Capita by Size of Government

ILLINOIS: END OF 2009

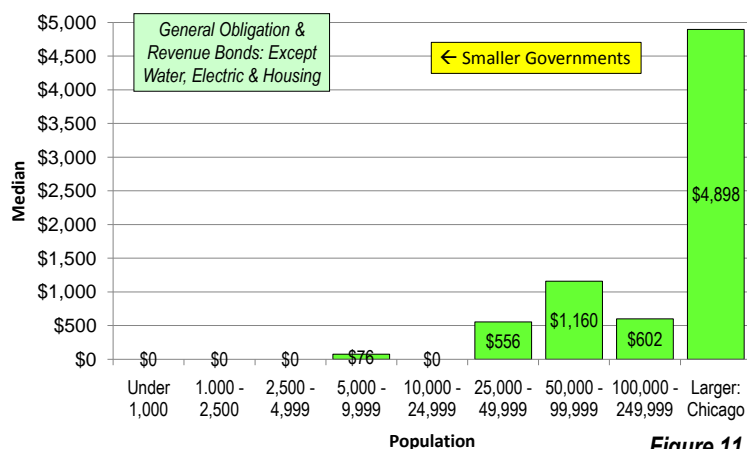


Figure 11

available, as reported by the Illinois State Comptroller

(<http://www.comptrollerconnect.ioc.state.il.us/Office/LocalGovt/ViewReports2002/SelectLocalGov.cfm?Code=&CFY=&UserName=&C4=&OptionSel=&BetaSel=>). Accessed September 3, 2010 and September 30, 2010.

Chicago Metropolitan Area: Similar patterns are evident in the Chicago metropolitan area.

Expenditures: The smallest local governments (under 1,000 residents) in the Chicago metropolitan area¹⁴ had the lowest expenditures per capita in 2009 at \$245, followed by the second smallest category (1,000 to 2,500 residents) with \$310. Generally, expenditures per capita rose in the larger categories, though there were anomalies in three categories.¹⁵

Local governments with a population of over 10,000 population had expenditure per capita levels of nearly double or more that of local governments with fewer than 2,500 residents. Expenditures per capita in the city of Chicago were approximately three times that of local governments in the metropolitan area with less than 2,500 population (Figure 12).

Bonded Indebtedness: Similarly, the lowest per capita general bonded indebtedness was in the smallest local governments and the highest bonded indebtedness per capita was in the larger local governments.¹⁶ The categories of local governments below 25,000 population varied from a median of zero bonded indebtedness to \$421 per capita. The categories above 25,000 population all showed bonded indebtedness of more than \$500 per capita, with the largest population category (Chicago) at \$4,900 (Figure 13).

Illinois Local Governments Pay for Themselves: The 50 states vary significantly in the extent to which local governments fund themselves.¹⁷ For example, in Vermont (2008), 69 percent of local government general revenue is provided by the state, while local revenue represents 31 percent. At the other end of the spectrum, the Hawaii state government funds only 10 percent of local government general. In Illinois, the state funds approximately 30 percent of local general revenues, while local governments raise 70 percent (Figure 14).

Local governments generally pay for themselves in Illinois. The share of local revenue obtained from state sources is higher in 38 states. State general revenue¹⁸ for local governments is principally from motor fuel taxes (for roads) and personal property tax replacement revenues. Generally, this state aid is somewhat smaller to local governments with less than 5,000 population and the city of Chicago. However, the city of Chicago receives a substantial amount of its general revenue from the federal government, unlike the smaller population classifications (Figure 15).

¹⁴ The analysis included general fund and special fund expenditures in all 123 municipalities reporting expenditures for public safety, roads and culture and recreation in the eight Illinois counties (Cook, DeKalb, DuPage, Grundy, Kane, Kendall, Lake and Will) defined by the US Bureau of the Census as a part of the Chicago metropolitan statistical area. The data is from the Illinois State Comptroller (<http://www.comptrollerconnect.ioc.state.il.us/Office/LocalGovt/ViewReports2002/SelectLocalGov.cfm?Code=&CFY=&UserName=&C4=&OptionSel=&BetaSel=>). Accessed September 3, 2010 and September 30, 2010.

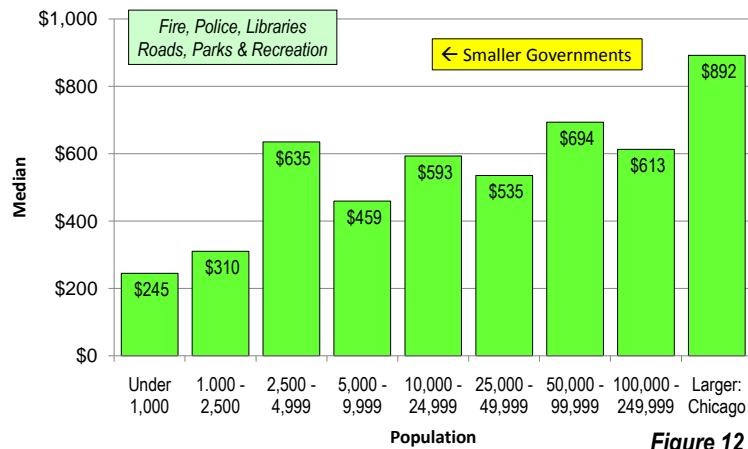
¹⁵ 2,500 to 5,000, 10,000 to 25,000 and 50,000 to 100,000.

¹⁶ The analysis included general obligation and revenue bonded indebtedness as of the end of fiscal year 2009, excluding bonds for water, electric and housing. All 240 municipalities were included for which data was available in the eight Illinois counties (Cook, DeKalb, DuPage, Grundy, Kane, Kendall, Lake and Will) defined by the US Bureau of the Census as a part of the Chicago metropolitan statistical area. The data is from the Illinois State Comptroller (<http://www.comptrollerconnect.ioc.state.il.us/Office/LocalGovt/ViewReports2002/SelectLocalGov.cfm?Code=&CFY=&UserName=&C4=&OptionSel=&BetaSel=>). Accessed September 3, 2010 and September 30, 2010.

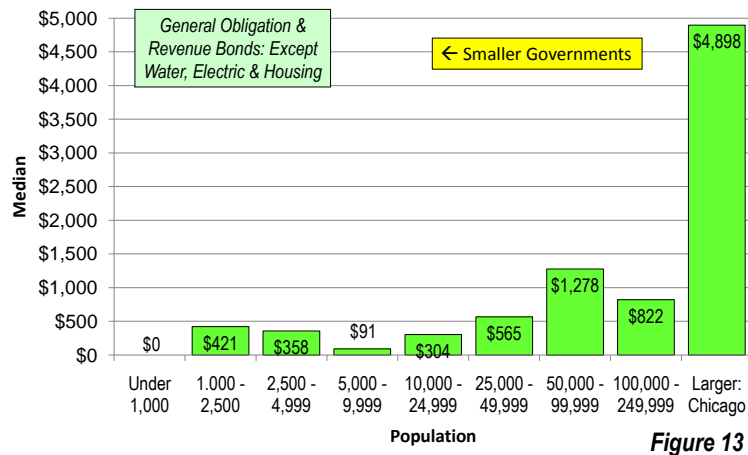
¹⁷ Does not include federal funding.

¹⁸ This is general revenue as defined in the US Bureau of the Census governments database, which includes state motor fuel taxes.

Spending/Capita by Size of Government CHICAGO METROPOLITAN AREA: 2009 (ILLINOIS ONLY)



Debt/Capita by Size of Government CHICAGO METROPOLITAN AREA: END OF 2009



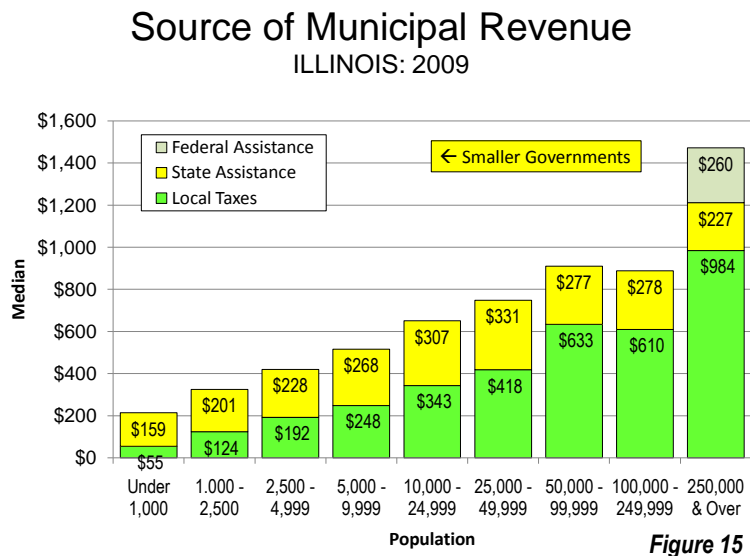
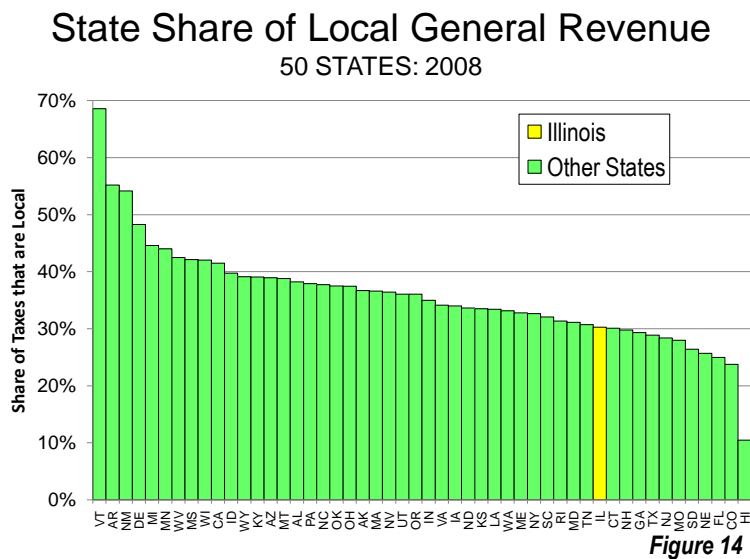
At the same time, locally generated general revenues rise even more steeply as local government population increases. Local governments with from 1,000 to 2,500 residents raise less than one-fifth the general revenue per capita of local governments between 50,000 and 250,000 residents, and one-eighth that of the city of Chicago.¹⁹

4. LOCAL DEMOCRACY AND THE TOWNSHIPS OF ILLINOIS

The townships of Illinois epitomize the advantages of local democracy. Townships, together with township road districts provide local government services in 85 of the state's 102 counties. In parts of the nation where there are no township or township road district equivalent governments (whether in Illinois

¹⁹Calculated from municipalities reporting to the Illinois Comptroller for 2009.

or in the non-township states), citizens outside incorporated local governments are dependent upon county governments for local services.²⁰



Townships provide important services in Illinois. Township road districts build and maintain the township road systems. These systems comprise more than one-half of the road mileage in the state (Figure 16). These roads are crucial to residents who live outside incorporated municipalities, but also to the state's economy, especially its large agricultural industry. One of the substantial advantages of township road districts is their ability to ensure a high level of maintenance and snow clearance because their facilities tend to be located closer to the roads they administer.

²⁰ The Illinois State Comptroller's local governments financial reporting system places township road districts within townships, and refers to township road districts as "blended component units" of townships.

Illinois Road Mileage by Government 2009-2010

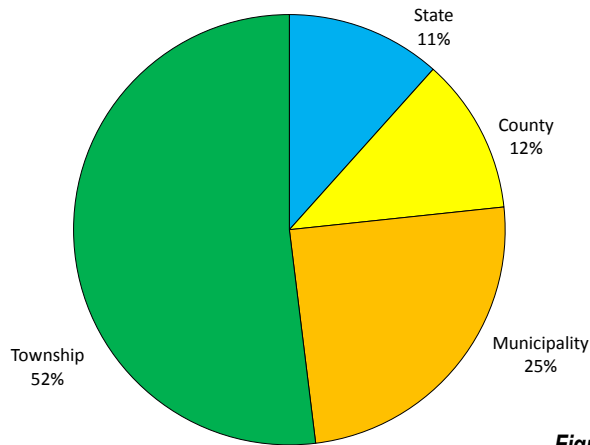


Figure 16

Townships also administer relief programs for low-income households, appraise property for tax assessment purpose and some townships provide other services.

Expenditures: Available measures indicate that townships share the comparatively low expenditures per capita that are typical of smaller municipal governments in Illinois.

The comparative efficiency of townships is illustrated by expenditure trends. From 1992 to 2007, total township expenditures increased 17 percent, after adjustment for inflation. In contrast, state government expenditures rose nearly three times as much, at 51 percent. The rise in municipal expenditures was 50 percent, also nearly three times that of townships. County expenditures rose 66 percent, nearly four times the increase in township expenditures (Figure 17).²¹

Personnel expenditures and practices also indicate the relative efficiency of township governments in Illinois. Like the most efficient municipal governments in Illinois, townships tend to be smaller governments, with small staffs. The average township staff is approximately equal to the average for villages in the state with a population of less than 1,600.²²

Employee compensation represents the largest element of local government expenditure. Township wages and salaries levels per employees are the lowest among the various government types in the state of Illinois (Figure 18).

Further, townships rely to a large degree on part time employees (Figure 19). This not only reduces wage and salary expense, but also reduces employer paid fringe benefits.

Employer paid benefits (fringe benefits) are not included in the wage and salary figures. Data is not available for employer paid benefits. However, the lower wage and salary figures and the greater use of

²¹ Calculated from US Bureau of the Census, Census of Governments data. This database includes township road districts in township data.

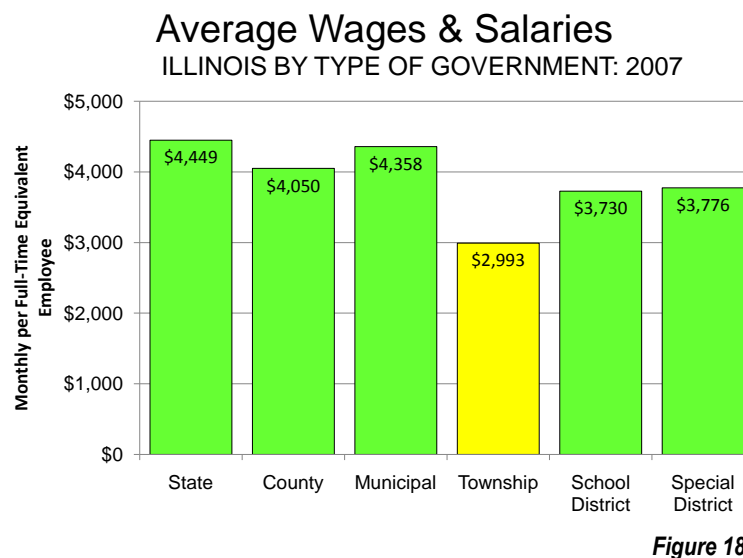
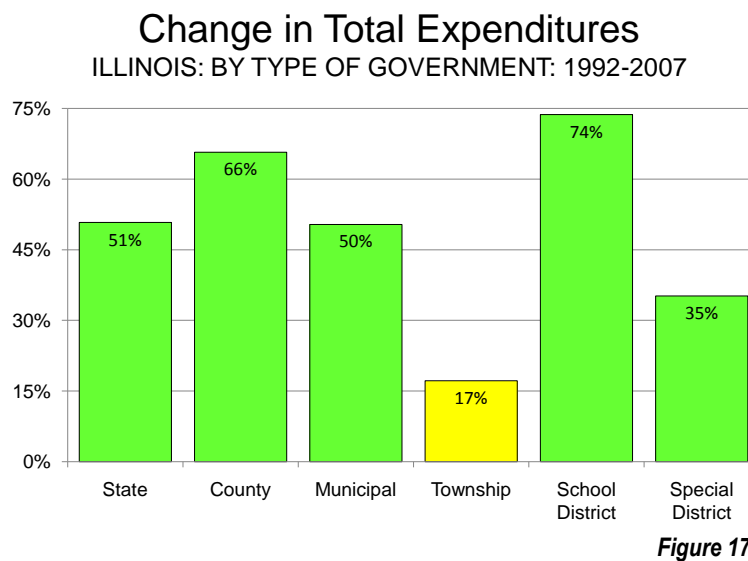
²² Based upon data reported to the Illinois Comptroller.

part time employees make it likely that township employee benefits are less costly per employee than for other levels of government.

Similarly, the wages and salaries of township road employees is well below those of road employees of state and municipal governments (Figure 20). Employer paid benefits would be less as well.

Debt: Illinois townships rely on debt financing to a more limited degree than municipalities. This is indicated by spending and debt ratios (Figure 21).²³

- Long term debt in municipalities was equal to 3.6 percent of spending in 2007.
- Long term debt in townships was much smaller, at 0.6 percent of spending in 2007.



²³ Total long-term debt from the US Bureau of the Census, Census of Governments, 2007.

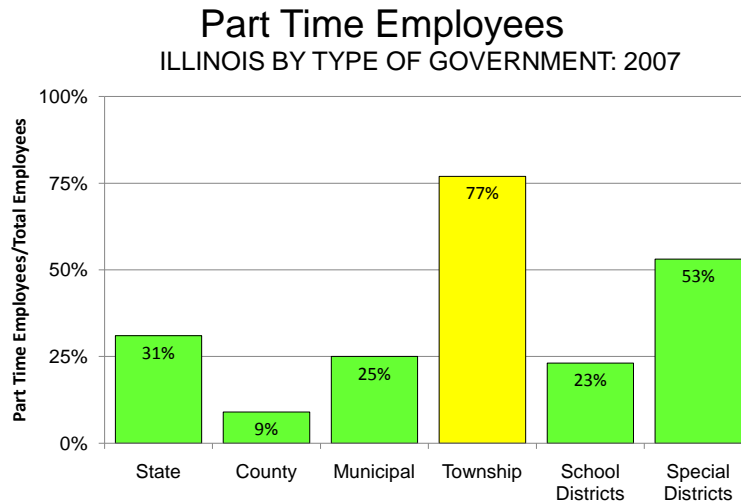


Figure 19

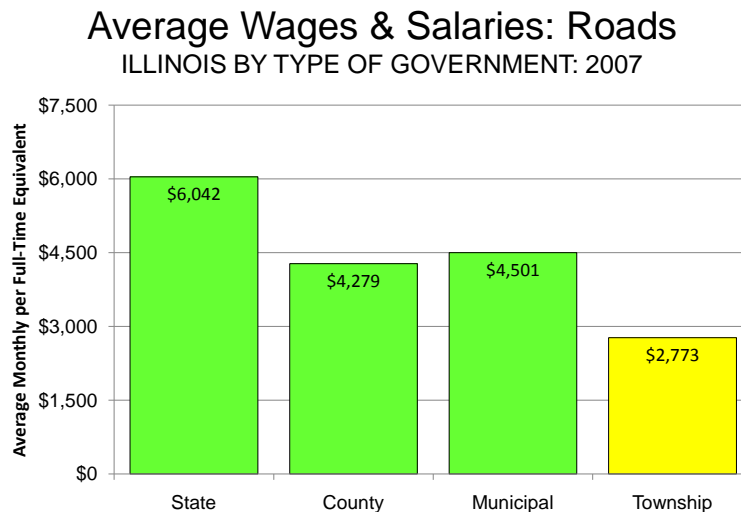


Figure 20

Intergovernmental Cooperation: Townships are able to make cooperative agreements with other governments where it is in the public interest. The Illinois constitution also empowers townships and other units of government to make agreements with other units of government, which makes it possible to share services or purchase jointly. Elected officials are free to take advantage of this authority where efficiency or services can be improved. At the same time, the temporary nature of these arrangements preserves the right of local governments to make alterations to or cancel contracts at renewal time. This provides governments with an important strategy for taking advantage of service quality and cost effective improvements opportunities, where they exist.

For example, in four counties (Coles, Douglas, Moultrie and Piatt), county road functions have been contracted to township road districts.

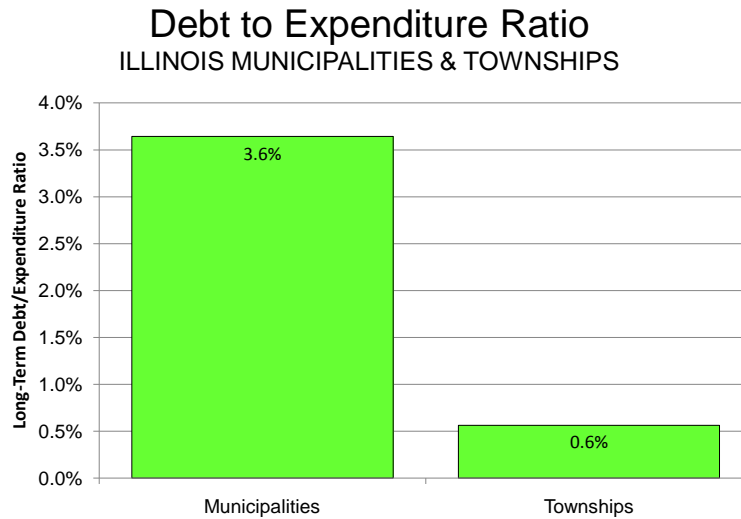


Figure 21

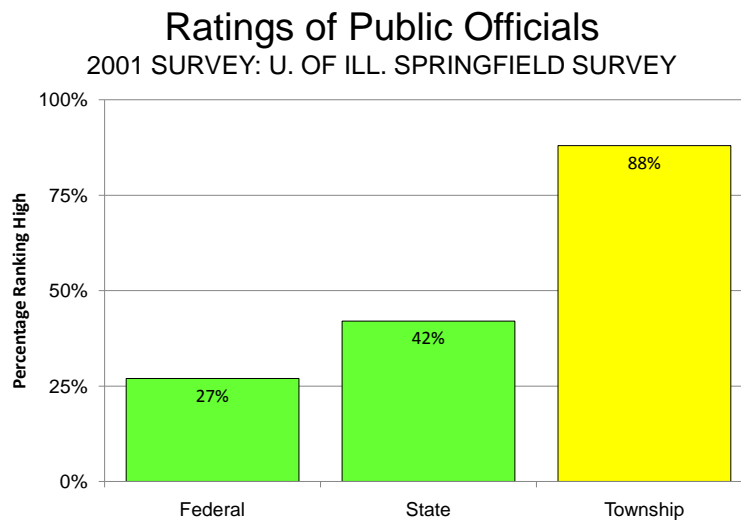


Figure 22

Further, the Township Officials of Illinois has a pro-active program to provide training and information to township officials on intergovernmental cooperation. Finally, under provisions of state law, townships with a population under 1,000 participate with one or more adjacent townships in a multi-township assessment district.

Service Quality: Illinois township government is well regarded by its citizens. A public opinion survey conducted by University of Illinois-Springfield Professors Leonard Branson and Joe Wilkins²⁴ for the Township Officials of Illinois in 2001 gave high ratings to township level officials and services compared to officials at other levels of government (Figure 22).²⁵

- 88 percent rated the performance of their township officials high.

²⁴ Leonard Branson and Joe Wilkins, *Continuing Relevance: Township Government in the 21st Century*, Report prepared for the Township Officials of Illinois, 2001.

²⁵ Rated "4" or "5" on a scale of 1 to 5, with 5 being the highest rating.

- 42 percent rated the performance of state government officials high.
- 27 percent rated the performance of federal government officials high.

Township governments are also less subject to political partisanship. Only 31 percent of respondents considered the political parties of candidates to be of importance in townships, which compares to a much higher 53 percent with respect to candidates for state and federal office.²⁶

The survey included questions about the performance of township road districts and similarly high ratings were achieved (Figure 23).

- 77 percent rated township road district performance high.
- 37 percent rated state (including federal) road performance high.

Township roads provide virtually the only transportation access to most township residents. High ratings were received on crucial services, such as snow removal and the timeliness of repairs (Figure 24).

- 87 percent rated township road district snow removal high.
- 77 percent rated the timeliness of township road district repairs high.

One of the keys to the success of local democracy is the fact that the administration of local government services are closer to the people. This is illustrated by a recent example from Perry County. In 2004 the voters of Perry County narrowly approved (by one vote) a measure that abolished decentralized road districts and instead created a single "unit road district" in the county. This meant that the road construction, maintenance and other services (such as snow plowing) were handled by a single administration in the county seat, rather than former, more decentralized road districts.²⁷

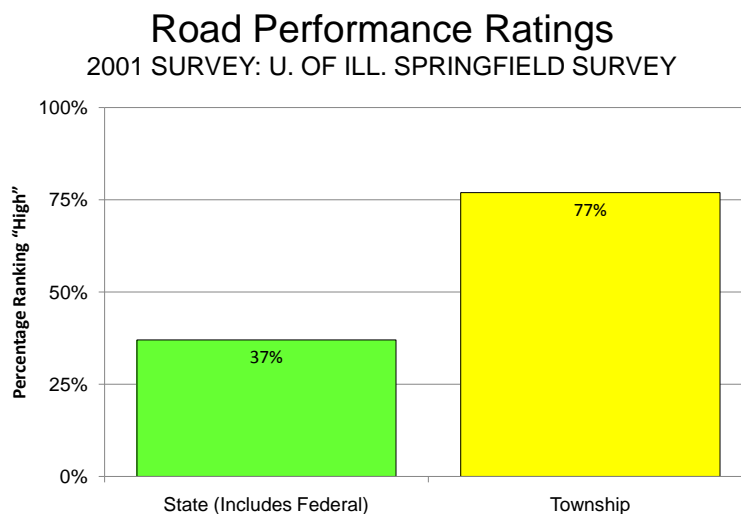


Figure 23

²⁶ Rated "4" or "5" on a scale of 1 to 5, with 5 being the highest rating.

²⁷ Perry County is a commission and thus does not have statutory townships. Nonetheless, most commission counties have decentralized road districts.

Many of the county's citizens were unsatisfied with the new arrangements, perceiving that road services declined materially in areas of the county that were more remote from the county seat.²⁸ They successfully petitioned the Board of Commissioners to place the following advisory referendum on the November 2010 ballot to allow restoration of decentralized road services:

"Shall the Illinois General Assembly pass legislation that would give the voters of Perry County, Illinois, the opportunity to change from the current Unit Road District to a system of multiple road districts?"²⁹

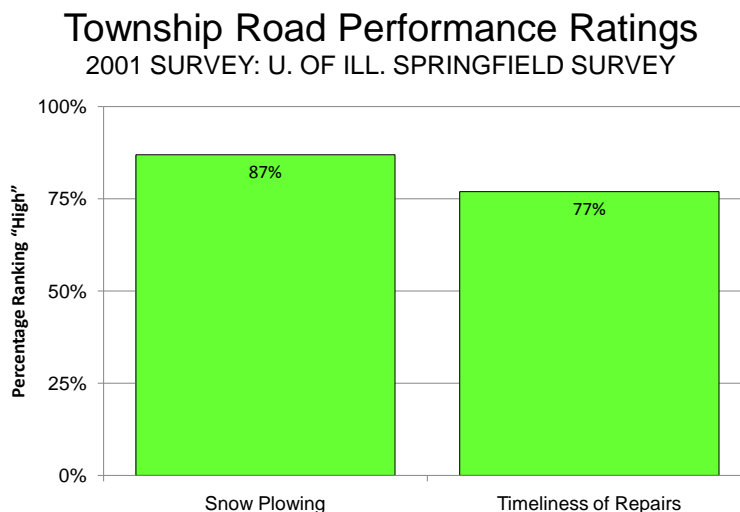


Figure 24

Referendum: Restoration of Road Districts
PERRY COUNTY: NOVEMBER 2010 ELECTION

BALLOT LANGUAGE

Shall the Illinois General Assembly pass legislation that would give the voters of Perry County, Illinois, the opportunity to change from the current Unit Road District to a system of multiple road districts?

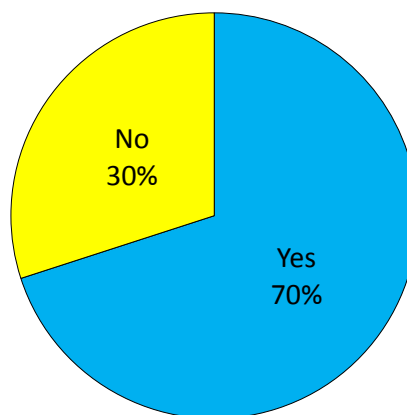


Figure 25

²⁸ See http://www.wsilv.com/p/news_details.php?newsID=11382&type=top and John H. Crossman, "Non-Binding Road District Referendum to Gauge Support for Turning Back the Clock, *Duquoin Evening Call*, October 26, 2010.

²⁹ Minutes of the Perry County Board of Commissioners Regular Meeting – August 5, 2010, <http://www.perrycountyil.org/minutes080510.pdf>

The referendum passed overwhelmingly, with 71 percent of the vote (a margin of nearly 3,000, compared to the margin of *one* when road districts were abolished). Implementing the will of the electorate, however, will require a special legislative effort in Springfield (Figure 25).

Illinois law permits voters to abolish townships. However, the generally high satisfaction level may have precluded the development of any widespread movement. Two ballot issues failed by two to one margins in the 1990s. However there have been no ballot issues since then. This is also an indication of citizen satisfaction.

Similar results were obtained in a survey conducted for the Michigan Township Association. Paul King, Director of Research for the polling organization (Michigan Resource Group) characterized the findings as follows:

*Michigan residents believe local government does a better job than county, state or federal government when it comes to improving their quality of life, keeping their families safe and quickly responding to their needs ... Especially among those who live in townships, respondents have a better relationship with their local officials than they do with administrators and staff at other levels of government.*³⁰

5. WHY LOCAL DEMOCRACY IS MORE EFFICIENT AND EFFECTIVE

The success of local democracy is principally the result of the fact that government is closer to the people.

Local democracy is based upon the principle of "fiscal federalism,"³¹ or "right-sizing" of government. Fiscal federalism holds that a public service should be administered as close to the people as is feasible. Thus, fiscal federalism involves local government administration of services such as local roads, solid waste collection and education. Regional services, such as county and state roads or air pollution control are more appropriately administered by county governments, regional special districts or state governments.

Advantages of Smaller Local Governments: Both the Illinois and national data indicates that smaller local governments are generally more efficient than larger local governments, and they are effective in providing quality public services. This performance is due to various advantages:

Greater Attention to Detail: Governance expert Robert Bish notes that smaller governments tend to be more careful about financial management, and scrutinize individual expenditures more completely.³²

*... as governments get bigger, councillors tend to spend less time on the financing of individual programs or projects that represent a diminishing proportion of their growing budget;*³³

At the same time, this more direct attention tends to encourage better public services. Citizen complaints are far more likely to be attended to by the elected officials who depend upon the votes of the citizens they serve.

³⁰ Marketing Research Group, *Recent Poll Among Michigan Residents Shows Strong Support for Township Government*, January 9, 2009, <http://news.prnewswire.com/DisplayReleaseContent.aspx?ACCT=ind focus.story&STORY=/www/story/01-13-2009/0004953906&EDATE=>

³¹ Fiscal federalism is also called "subsidiarity" in the European Union.

³² Bish, 2001.

³³ Bish, 2001.

The 2010 Perry County road referendum (Section 4, above) is example of this. Reports indicate that the more centralized administration had resulted in a perception of inferior road maintenance in more distant parts of the county. The overwhelming adoption of the advisory referendum to restore road districts appears to indicate a view on the part of voters that administration closer to home would solve that problem.

This higher level of attention to fiscal and administrative details is the natural result of smaller government. Where governments are smaller, elected officials are able to directly oversee government business, rather than having to rely on larger staffs. Further, in smaller governments, there is a greater likelihood that staffs will identify with local residents, and they may be more likely to have stronger ties with the community.

This provides local governments with the maximum flexibility for responding to changing needs.

Stronger Electoral Influence: Smaller local governments are more accessible to the electorate. In smaller local governments, there are fewer voters per elected official. In many smaller local governments, individual voters are far more likely to be able to directly contact or even know their local elected officials.

Thus, with smaller local governments, the influence of individual voters is stronger. For example, in the smallest local governments of Illinois, elected officials may represent only hundreds of residents. In the largest city, Chicago, a city council member represents nearly 60,000 residents.

On the other hand, where local governments are larger, governments become more remote from their electorates. This creates disincentives for contacting government and in public participation. This has been shown to lead, for example, to smaller voter turnouts.³⁴ As elected officials become more remote from the electorate, the views of individual citizens become more diluted in deliberations by governments, including elected officials, appointed officials and government staffs.

Less Susceptible to Interest Groups: While smaller governments are more accessible to the voters they are intended to serve, they are also more immune to the influence of interest groups, regardless of their political philosophies. As Robert Bish puts it:

*...large governments are also more responsive to special interest programs and projects than are small governments.*³⁵

Further, electoral campaigns in smaller governments are less expensive and largely financed by local voters. On the other hand, where government become larger, there is more interest group financing of political campaigns, which naturally leads to greater influence. Inevitably these leads to a dilution of individual voter influence. This tends to result in less efficiency (higher spending), because interest groups typically seek higher expenditure levels, while citizens tend to oppose higher spending, because of the higher taxes that result. An important advantage of smaller local governments is that they can "level the playing field," between voters and interest groups.

Better Serving the People: These factors confirm the wisdom of fiscal federalism. Democracy, which Illinoisan Abraham Lincoln referred to as "government of the people, by the people and for the people," produces results more consistent with the public will (which is the purpose of democracy) where elected

³⁴ Bish, 2001.

³⁵ Bish, 2001.

officials are closer to the people. This means that governments should generally be no larger and no further from the electorate than necessary to competently administer a particular public service. The local governance system of Illinois, with its human scale cities, towns, villages and townships largely achieves the ideals of fiscal federalism.

6. THE PITFALLS OF ABOLISHING LOCAL GOVERNMENTS

State and local governments are experiencing their greatest financial challenges in decades. As a result, there is considerable pressure to improve government efficiency and to reduce public expenditures.

Despite the evidence that smaller governments spend less per capita and borrow less than larger governments, local government abolition and consolidation into larger governments is periodically suggested as a strategy for improved efficiency. These proposals are usually based on a belief that "bigger governments spend less."

Proponents of the "bigger governments spend less" theory may base their proposals on imagined savings from non-existent "duplication of services" or an assumption that fewer governments are more efficient. Academic studies predict savings from abolishments/consolidations, yet have virtually never demonstrated achievement of material savings once the abolishments have been implemented.

Critics of local democracy sometimes suggest that Illinois spends too much money because it has too many local governments. Again, as the data indicates, this is virtually the opposite of reality.

Finally, it is sometimes suggested that having smaller units of government makes metropolitan areas less competitive, which leads to slower economic growth. Again, the data does not support this claim.

Duplication of Services: The claimed "duplication of services" virtually never exists. Local governments have specific geographical areas of responsibility. For example, two local governments do not administer solid waste collection from the same customers. Nor do two separate units of governments maintain the same traffic signal. Critics may be equating the number of governments with duplication, failing to recognize that duplication cannot occur where there are specific, exclusive geographical areas of service.

Government Efficiency: As noted above (Section 1), government efficiency is measured by a single standard --- the amount of spending relative either to units of service measure (such as expenditures per pupil or employee) or population. As has been shown above, smaller governments (more local governments) are generally associated with *greater* efficiency, as measured by per capita spending and employee compensation.

Abolishment of local governments, however, unleashes factors that can make governments less efficient. These difficulties have been particularly evident in Canada and Australia, where provincial and state governments have forced local government abolishments, without regard to the will of citizens. Abolishments have been less frequent in the United States, principally due to a tradition of strong local government that generally requires approval by the residents involved.

Harmonization of Labor Costs and Policies: Government abolishments/consolidations are made more costly by the necessary "harmonization" of employee policies. Personnel costs, including wages, salaries and employer fringe benefits constitute the largest element of local government expenditure. When two or more local governments are combined, it can be expected that the provisions of the most expensive labor contract (such as wages, benefits and paid time off) will be adopted for all employees. This raises costs for the new consolidated government, making it less efficient.

Harmonization of Services: Merging local governments will inevitably have different service levels. Public service packages may also differ, with some public services provided in one consolidating jurisdiction, but not in the other. Typically, larger governments will provide a larger array of public services. As with personnel policies, it can be expected that both services and service levels will be harmonized at the highest level, which forces at least some residents to pay higher fees and taxes. Service harmonization was cited as a problem in Toronto by the Toronto Business Alliance (below). Any preference for higher levels of service in larger governments will tend to work against any potential for savings from abolishment and consolidation.

Transition Costs: Moreover, consolidations involve merging of separate organizational cultures and procedures, which incurs transitional costs. In Halifax, the transition costs of the merger were four times the projection.³⁶

Disadvantages of Larger Governments: Further, the factors that encourage greater efficiency in smaller governments work against efficiency in larger governments (see Section 5).

- Elected officials are not able to be as attentive to detail.
- Individual voters have less influence.
- Interest groups are likely to have more influence.

Theoretical Savings Are Not Realized: It is thus not surprising that the savings predicted in academic studies virtually never occur in reality. This is illustrated by the highest profile recent local government abolishment and consolidation in North America. The 1998 abolishment of six local governments and consolidation into a regional governments in Toronto (Canada) was promised by advocates to save taxpayers \$300 million annually. In fact, costs have risen materially and city employment has increased by more than 4,000 since the consolidation.³⁷ Despite the strong business support for the consolidation, a 2003 report by the prestigious Toronto City Summit Alliance noted that *the harmonization of wages and service levels has resulted in higher costs for the new City. We will all continue to feel these higher costs in the future.*³⁸

A municipal-regional³⁹ abolishment and consolidation was forced upon Halifax, Nova Scotia by the provincial government in 1996 on the basis of anticipated efficiencies. By 2000, there was no indication of any savings, while user fees and taxes had increased. Taxes rose from 10 percent in the former central city to 30 percent in rural areas, as the tax burden was spread to suburban voters who had not been involved in electing the city leaders who had imposed the higher cost structure of the city.⁴⁰ Moreover, the expenditures have risen, rather than fallen since that time. Between 2000 and 2007, operating expenditures rose 14 percent per capita, inflation adjusted.⁴¹

³⁶ Bish, 2001.

³⁷ Barry Herz, "Amalgamation: 10 years later," *The National Post*, 28 December 2007.

³⁸ Toronto City Summit Alliance, *Enough Talk: An Action Plan for the Toronto Region*, April 2003; http://www.torontoalliance.ca/docs/TCSA_report.pdf, accessed April 14, 2007.

³⁹ Equivalent of a city-county consolidation.

⁴⁰ Robert L Bish, "Local Government Amalgamations, Discredited Nineteenth-Century Ideals Alive in the Twenty-First", *The Urban Paper*, C.D. Howe Institute Commentary, No. 150, Toronto, March 2001. <http://www.cdhowe.org/pdf/bish.pdf>

⁴¹ Calculated from data in Halifax Regional Municipality annual reports and budgets.

Projected savings did not occur in other government abolishments and consolidations, such as the city-county consolidations of Jacksonville, Florida⁴² and Nashville, Tennessee.⁴³ The consolidated city-county government in Indianapolis required a \$1 billion state rescue of its pension liabilities.⁴⁴

The academic studies miss the interplay between human factors such as people, organizational cultures and politics that invariably leads to higher costs and more debt when government abolishments and consolidations take place.

Number of Local Governments: Concern about the number of local governments is misplaced, because there is no indication that a smaller number of governments leads either to greater efficiency or to higher quality public services.

*Enumerations of local government units ... provide only census-type information about the number of units, population and area served. No data are provided about the costs of public services, the output of public services nor the relative efficiency with which public services are produced.*⁴⁵

The data above indicates generally, in the United States and specifically in Illinois, Pennsylvania, Texas and New York, that smaller local governments are associated with lower expenditures per capita.

Susceptibility to Financial Crises: Because of their tendency to spend more and incur higher levels of debt, larger governments have a greater risk of bond defaults and serious financial crises. For example, New York City and Cleveland defaulted on debts in the 1970s. Pittsburgh was placed under state administration due to its fiscal difficulties earlier in this decade and Philadelphia was threatened with default in the early 1990s. The consolidated city of Indianapolis, which has been touted as a model of local government abolishment and consolidation, required a \$1 billion state rescue of its pension funds. Nonetheless, a \$1 billion unfunded liability remains in its employee retirement funds, even after the city borrowed \$100 million to pay down unfunded pension liabilities in 2005. The mayor of Indianapolis has indicated that the city "has lived beyond its means in recent years, and it is on an unsustainable financial path."⁴⁶

Local Government Size and Competitiveness: Proponents of the "bigger governments spend less" theory have also claimed that metropolitan areas with larger units of government achieve greater economic growth.⁴⁷

However, the purported association is not evident in the Midwest and Northeastern regions of the nation, which have generally grown slowly since World War II.⁴⁸ For example, there has been a strong

⁴² G. Ross Stephens and Nelson Wikstrom, *Metropolitan Government and Governance: Theoretical Perspectives, Empirical Analyses, and the Future*, p. 80.

⁴³ Stephens and Wikstrom, p. 75.

⁴⁴ "Pension Shift Saves City \$1 Billion," <http://www.topix.com/forum/indy/TE8SI4I8NDPGMB2A0> reported in the *Indianapolis Star*, <http://www.indystar.com/apps/pbcs.dll/article?AID=2008803180364>.

⁴⁵ Robert L. Bish and Vincent Ostrum, *Understanding Urban Government: Metropolitan Reform Reconsidered*, Washington: American Enterprise Institute, 1973, p. 74.

⁴⁶ Mayor Gregory A. Ballard, *100 Day Report*, <http://indy.gov/eGov/Mayor/Documents/100%20Day%20Report.pdf>, April 2008.

⁴⁷ Jerry Paytas. "Does Governance Matter: The Dynamics of Metropolitan Governance and Competitiveness." <http://www.smartpolicy.org/pdf/governancematter.pdf>.

⁴⁸ Proponents of this thesis point to the job creation that has occurred in Sun Belt states, where local governments tend to be larger. A chapter ("Local Democracy and Economic Growth") in Wendell Cox, *Growth, Economic*

association between *more* local democracy (smaller units of government) and greater job growth. This is evident in major metropolitan job growth rates between 1980 and 2005 (Figure 26):

- Metropolitan areas with average local government⁴⁹ populations under 10,000 experienced a 38 percent growth in employment.
- Metropolitan areas with average local government populations between 10,000 and 20,000 experienced a 20 percent growth in employment.
- Metropolitan areas with average local government populations over 20,000 experienced a 17 percent growth in employment.

This is not to suggest that smaller governments necessarily lead to greater economic growth. The data does, however, show that larger units of local government do not lead to greater economic growth

Township Abolishment Research in Illinois: Research conducted in the 1990s by Illinois counties indicated that abolishment of townships and consolidation into counties would be more expensive for taxpayers.

- A report produced by Rock Island County (1997) indicated that abolishment of townships into the county would result in an increase of \$12.2 million in annual operating expenditures and one-time transition costs of up to \$8.1 million.⁵⁰
- A report produced by McHenry County (1994) indicated that abolishment of townships into the county would result in an increase of \$9.4 million in annual operating expenditures and one-time transition costs of \$6.6 million.⁵¹

Unpopularity of Abolishment and Consolidation: Government consolidations have often been unpopular with residents. Where voters are given a choice, they often oppose consolidations. In Toronto, voters rejected abolishment and consolidation by margins of more than two-to-one in each of the six threatened local governments. Nonetheless, the province forced the abolishments. Even today, more than 10 years after the forced consolidation, some local interests have begun to call for demerger of the consolidated city of Toronto.⁵² The newly elected mayor of Hamilton, Ontario (the ninth largest city in Canada) has called for a review that could result in the demerger of that consolidated city, which was formed by local government abolishments in 2001.⁵³ Similarly, there have been calls for demerger of

Development and Local Government Structure in Pennsylvania notes strong associations between superior economic growth and lower snowfall levels and better business climates (pages 47-52).

⁴⁹ General purpose local governments (excludes school districts and special districts).

⁵⁰ Rock Island County Board Office, *The Possible Statutory Dissolution of Township Government in Rock Island County: An Impact Analysis on Rock Island County Government*, December 1997. Figures in 2010 dollars. In 1997 dollars, the figures were \$9 million in operating costs and \$6 million in transition costs.

⁵¹ Office of the McHenry County Administrator, *The Possible Statutory Dissolution of Township Government: An Impact Analysis on McHenry County Government*, 1994. Figures in 2010 dollars. In 1994 dollars, the figures were \$6.4 million in operating expenditures and \$4.5 million in transition costs..

⁵² See: "More of a Case for De-Amalgamation," *The Bulletin Downtown* (Toronto), June 9, 2009, <http://www.thebulletin.ca/cbulletin/content.jsp?sid=15476744318100918425170959241&ctid=1000002&cnid=1002188>

⁵³ See: "No De-Amalgamation for Hamilton: Province," *The Hamilton Spectator*, October 23, 2010. <http://www.thespec.com/news/local/article/271794--no-deamalgamation-for-hamilton-province>

Canada's capital, Ottawa (Ontario), a consolidated city formed by local government abolishments in 2001.⁵⁴

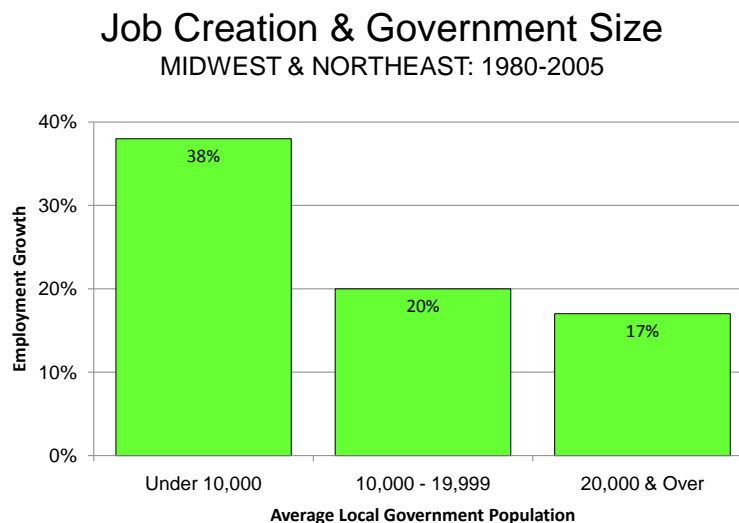


Figure 26

Opposition to forced consolidations was so strong that a newly elected government in Quebec provided a mechanism for merged local governments to "demerge." Fifteen local governments that had been abolished and combined into the city of Montréal took advantage of this option, despite considerable legal obstacles.

A local government abolishment/consolidation initiative was strongly opposed in the Australian state of Queensland. The effectiveness of the opposition was diluted by a rushed consultation process and a strong state government proclivity toward consolidation.⁵⁵ More recently an attempt to abolish and combine three smaller local governments in the state of New South Wales was defeated by determined local government opposition. In an virtually unprecedented action, the state cancelled its previously announced abolishment mandate.⁵⁶

As noted above, attempts to abolish township governments in two Illinois counties were soundly rejected (Section 4, above).

Irrevocability of Consolidation: Government consolidations are often virtually irrevocable. As noted above, even where "demerger" was permitted in Quebec, the requirements were onerous. This single consolidation in which a subsequent exit was permitted, a majority of the abolished local governments voted to withdraw from the consolidated city.⁵⁷ In Illinois, Perry County would require state legislative action to reverse the consolidation of road districts that voters prefer.

⁵⁴ See: "Ottawa Mayoral Candidate Reiterates De-amalgamation Pledge, *YourOttawaRegion.com*, September 30, 2010. <http://www.yourottaawaregion.com/news/elections/article/881027>.

⁵⁵ Ian Tiley and Brian Dollery, *Historical Evolution of Local Government Amalgamation in Queensland, the Northern Territory and Western Australia*, <http://www.une.edu.au/clg/working-papers/02-2010x.pdf>

⁵⁶ Wendell Cox, "Australian Local Governments Stop Forced Amalgamation, *The New Geography*, November 22, 2010. <http://www.newgeography.com/content/001886-australian-local-governments-stop-forced-amalgamation>

⁵⁷ This occurred despite an onerous electoral process that required a large share of registered voters to participate and an unusually short petition process. See: <http://www.publicpurpose.com/pp-montreal.pdf>.

Further, there are secession movements in some of the nation's larger local governments. For example, there have been secession movements in the San Fernando Valley, Hollywood and the harbor area of the city of Los Angeles. There is a secession movement in Staten Island, which is a part of the city of New York. At least two secession efforts are proposed in Atlanta. However, the barriers to unraveling a local government that has become too larger or unresponsive can be prohibitive. Usually, the measure must gain at least a majority of voters not only in the area seeking secession, but also in the larger jurisdiction from which the secession is sought.

Government Further from the People: Higher Taxes and More Debt: Thus, the "bigger governments spend less" theory is not indicated by the actual experience. The larger local governments that result from consolidation are likely to lead to *higher* rather than lower taxes and spending per capita. Also importantly, the remoteness of such governments from the electorate can dilute citizen influence more challenging and public service quality can suffer.

7. THE ENDURING VALUE OF LOCAL DEMOCRACY

Thus, the evidence is pervasive, both at the national and local level. The smaller local governments that typify local democracy are generally more efficient and they are better positioned to provide quality public services to their residents. The history and performance of local democracy is witness to its enduring value.

About the Author

Wendell Cox is principal of Wendell Cox Consultancy, an international public policy firm headquartered in the St. Louis, Missouri-Illinois metropolitan area. He has published research on local and regional governance issues in Toronto, Pennsylvania, New York, Indiana and Michigan and spoken widely on the subject. He is a visiting professor at the Conservatoire National des Arts et Metiers in Paris (a national university) and has a BA in Government from California State University, Los Angeles and an MBA from Pepperdine University.