

Intergovernmental Service Arrangements For  
Delivering Local Public Services:  
Update 1983

Advisory Commission On  
Intergovernmental Relations  
Washington, DC 20575

October 1985

A—103

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A Report to the  
U.S. DEPARTMENT OF  
HOUSING AND URBAN DEVELOPMENT

by the  
U.S. ADVISORY COMMISSION ON  
INTERGOVERNMENTAL RELATIONS

under  
Interagency Agreement  
I AA-H-32-83



## FOREWORD

Intergovernmental contracting is one of those subjects that at first blush doesn't appear to be an important topic. Yet, nothing could be further from the truth. It is well worth taking a minute to outline some of the reasons why we should pay particular attention to this issue.

First, the rich array of contracting that our study and others have found indicates an inherent rationality on the part of local officials to seek economical and efficient ways to deliver local government services. Whether through private contract, contract with other governments or through the creation of joint power agencies, we find a creative inventiveness on the part of local governments. One merely has to read through the studies undertaken by the Workshop for Political Theory and Policy Analysis at Indiana University on the provision of police services in the United States to see how coordination and economic services are provided through voluntary agreements. From mutual aid agreements to contracting with regional crime labs, local governments demonstrate more times than not effective solutions to joint problems. These findings are a far cry from the description of local governments by reformers as being chaotic and uncoordinated. Second, contracting makes small local government not only possible but also feasible. This point was best stated by the Federalists when they argued that one of the virtues of the Republic was that it allowed for large scale government to undertake those functions that were national in scope while allowing smaller governments -- state and local governments -- to undertake those functions appropriate to their competence. Contracting in a most basic sense increases the capacity of local governments, allowing them to overcome one of the long standing arguments against them: that they could not operate efficiently because they could not realize economies of scale. By contracting, small local governments can realize economies of scale as well as negotiating for particular services. Contracting thus creates the possibility of small scale units of government whose main role is political. Political in the sense of articulating the demands of its citizens, while the production of services is done -- not through traditional public agencies -- but rather through a number of service delivery mechanisms.

Third, contracting provides the possibility of solving large scale problems through joint action by a number of small governmental entities. Metropolitan crime labs exist in part because they rely on the purchase of services by smaller governments. Ten fire departments in metropolitan Sacramento contract with a larger fire department for an integrated fire network and emergency number. Singly none of these departments could have provided the service -- yet each maintains a say on how the service is produced.

Finally, contracting is one of the keys to alternative service delivery, an issue that looms large on the intergovernmental horizon. For as local governments seek to experiment with different ways of delivering services, they surely will use contracting as one method of implementing those experi-

ments. As the preface to this study indicates, intergovernmental contracting and alternative service delivery will be research topics of top priority to the Commission in the coming years. This study updates our past work and lays the ground for more detailed studies; it was adopted by the Commission on December 6, 1984.

The founding fathers would have thought contracting an ingenious device -- one that links the virtues of smallness with the abilities of largeness. And this is one of the questions that we will have to explore in the future: does contracting encourage the emergence of small scale government, with its democratic virtues?

Robert B. Hawkins, Jr.  
Chairman



## PREFACE AND ACKNOWLEDGMENTS

With this report, ACIR begins a reevaluation of the role and performance of local governments in the American federal system. It examines two specific local government arrangements -- interlocal contracting and transfers of functions -- under the broad subject area of intergovernmental service arrangements. This has been a matter of interest to the Advisory Commission on Intergovernmental Relations since its first report on intergovernmental cooperation in 1961.

While these two mechanisms are important options in service delivery systems, they are by no means exhaustive. In a time of fiscal constraints, declining federal aid, and the memory of taxpayer revolts, it is imperative that any mechanisms which can increase the efficiency and effectiveness of local governments in delivering basic public services be considered. Forthcoming ACIR studies will extensively explore other alternatives.

This report reviews the constitutional and statutory authority for interlocal contracting and service transfers. It notes considerable progress in expanding local authority, not only for joint agreements and interlocal contracting, but also for actual transfers of responsibility among local governments. In the latter case, while more states have authorized such transfers, they are generally subject to stricter regulations than were found in a 1974 survey.

The Commission believes that states need to encourage rather than inhibit interlocal contracting and cooperation. At its meeting on December 6, 1984, the Commission urged that states authorize functional transfers among their political subdivisions, and that such authorization be broadened to include transfers to the state governments. The Commission also recommended that states examine their laws authorizing local governments to contract with other governments or for private service delivery and eliminate any stringent procedures and conditions that are unnecessary to protect the public interest.

Because the report focused primarily on only two alternative service delivery mechanisms, the reader should keep in mind its limited context. The report does not consider recent experiments by a number of jurisdictions with alternative service finance/delivery mechanisms. Those innovations suggest that there is considerable potential for improved service at lower costs and higher level of citizen satisfaction through a variety of options other than direct public production financed by taxes.

Two forthcoming ACIR studies will explore this subject area. One, entitled Local Political Economies: The Structure and Performance of Local Governments, will seek to determine how the structure and organization of local governments enhance or impede the efficient and responsive provisions of public services to serve the diverse needs of citizens at the local level. The second study will focus more narrowly on alternative mechanisms of fi-

nance and delivery of local public services. This study will place the two specific alternative delivery arrangements examined in this report in the context of the entire array of alternatives available to local governments: user charges, private sector contracting, special districts, franchising, vouchers, and market mechanisms of various sorts, to mention just a few.

The reader should also be apprised that the survey for the accompanying study produced some surprising findings. For example, the study found that use of interlocal agreements appears to be on the decline, although most observers believe it is increasing. Two explanations may account for this. First, some displacement of government-to-government arrangements has probably taken place due to the increase of both joint service agreements and private sector contracting. Second, because a mail survey was employed (a field survey being far beyond the Commission's resources for this particular study), it probably was not sensitive enough to pick up certain mitigating phenomena. For example, as various interlocal service agreements become institutionalized within local governments, many of the local personnel no longer perceive them distinctly as intergovernmental arrangements. Local sewer hook-ups with a larger metropolitan sewer system are illustrative of a common type of interlocal arrangement frequently not perceived as such, and thus often unreported on mail surveys.

Despite these limitations, we believe the picture of interlocal arrangements revealed by this report is important. It serves as a useful beginning for a broader examination of local governments, and establishes a framework for future Commission reports.

This report was prepared under the direction of S. Kenneth Howard, former executive director, and David B. Walker, former assistant director for government structures and functions. Albert J. Richter was the project manager. ACIR Fellow Ann Martino was responsible for Chapter 3, for design of the survey instrument and for the literature research. ACIR Fellow Lori Henderson prepared the initial draft of Chapters 4 and 5 and assisted in the legal research for Chapter 3 and in the literature research. Secretarial services were rendered by Michelle B. Simms.

The survey of city and county officials was conducted under contract by the International City Management Association.

John Shannon  
Executive Director

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## Chapter 1

### INTRODUCTION

Intergovernmental contracts, joint agreements, and transfers are commonly accepted ways that local governments have employed to adjust their resources and capacities to their service responsibilities. Attention has been focused lately on these approaches in increasing degree because of (1) mounting pressure on localities to perform at lower cost, and (2) increased belief that localities must explore every possible way for providing services more effectively, including alternatives to the conventional direct provision by localities' own organization and personnel and the possibility, increasingly, of resorting to provision by the private sector.

ACIR has followed the subject of intergovernmental arrangements since its first report in 1961. The current study was undertaken, with the assistance of a contract from the Department of Housing and Urban Development, to take a fresh look at these intergovernmental mechanisms. In addition to the Commission's inherent interest in monitoring all such intergovernmental phenomena, the study was motivated by a desire to see whether the use of intergovernmental cooperative arrangements was affected by recent increased fiscal pressures on local governments generated by federal grant cutbacks and the economic recession of 1981-82. There was also an interest in determining whether the growing use of the private sector for providing public services -- stemming from the policies of the Reagan Administration and other sources -- was having an impact on the intergovernmental mechanisms. It must be emphasized, however, that reference to these private sector alternatives was incidental to the major focus of the study -- the intergovernmental alternatives for service delivery. More direct and comprehensive treatment of the private sector options will be the subject of future Commission research on local political economies and alternative service delivery by local governments.

The key data source in the study is a mail questionnaire survey of cities and counties regarding their current use of interlocal contracting and joint service agreements and the extent of their transfer of functions since the last ACIR surveys of such intergovernmental arrangements in the early and mid-1970s. For the purposes of the survey, the questionnaire defines the key terms as follows:

Intergovernmental Service Contract: An arrangement between two governmental units in which one pays the other for the delivery of a particular service to the inhabitants in the jurisdiction of the paying government. Such contracts may be formal (written) or informal (unwritten).

Joint Service Agreement: An agreement between two or more governments for the joint planning, financing, and deliv-

ery of a service to the inhabitants of all jurisdictions participating in the agreement.

Intergovernmental Service Transfer: The permanent transfer of total responsibility for the provision of a service from one governmental unit to another.

Service Provision: To provide a service is to decide that a service should be made available and then to arrange for and fund the delivery of that service. Decisions about the provision of services are usually made by local governments in response to citizen demands or some generally shared perception of need.

Service Delivery: To deliver a service is actually to produce the service. While most decisions about the provision of services are made by local governments, the services are not necessarily delivered by the providing jurisdictions. Local administrators may choose among a range of delivery methods, including agreements with other governmental units, private contracting, and volunteerism, to name a few, for the actual delivery of a service.

Except as otherwise noted, these definitions are followed throughout the report.

The report and analysis of the survey results are supplemented by an updated inventory and interpretation of state constitutional and statutory provisions regarding contracts, agreements, and transfers. Literature on the theory and practice of these intergovernmental approaches is drawn on in interpreting both bodies of data and in arriving at overall conclusions in the final section.

## Chapter 2

### PREVIOUS ACIR CONCERN OVER INTERLOCAL CONTRACTS, JOINT AGREEMENTS, AND FUNCTIONAL TRANSFERS

From its earliest days the ACIR has recognized the importance of such mechanisms as intergovernmental contracting, joint service agreements, and intergovernmental transfers of functions. In a July 1961 report focusing on the problems of metropolitan areas, the Commission urged states to enact legislation authorizing, "at least within the confines of the metropolitan areas", local governments to exercise jointly or cooperatively any power possessed by one or more of them and to contract with one another for providing governmental services.1/

The Commission observed that such intergovernmental cooperation at the local level either by formal written contracts or by informal verbal agreements often provides a workable method of meeting particular problems within metropolitan areas when separate action by individual local units is uneconomical and when the consolidation or transfer of the function is not economically or politically feasible. Yet it noted that one commonly cited disadvantage of the contract system, was that, in the event of scarcity of trained personnel to carry on a given function both for the contracting unit itself and for the others, the contracting unit would tend naturally to take care of its own needs first. The joint enterprise approach avoids this difficulty. On the other hand, joint enterprises require considerable unanimity and cooperation for success, and getting the consent of each participant may impede proceedings and prevent solution of the problem on a comprehensive basis. The Commission believed that county and municipal officials in nonurban areas might see in statewide legislation some potential threat to their local authority, and therefore, as a strategic move, the Commission proposed limiting the legislation to metropolitan areas. In furtherance of this recommendation, the Commission endorsed draft state legislation authorizing interlocal contracting and joint enterprises prepared by the Council of State Governments which had already been the model for state statutes in seven states. The Commission also endorsed the council's draft constitutional amendment for removing state constitutional barriers to intergovernmental cooperation.

In the same 1961 report, the Commission recommended that the states authorize the voluntary transfer of functions between municipalities and counties within metropolitan areas to the extent agreed by the governing boards of these respective types of units. It proposed this step as a means of meeting the problems created by the growth of municipal service needs beyond municipal boundaries.2/

In an October 1962 report, the Commission broadened its earlier position on interlocal contracting and joint enterprises by supporting statewide authorization for such mechanisms.3/ It went further to urge the national

and state governments to incorporate in grants-in-aid to small local governments incentives to join together in administering aided functions. In explaining its proposal, the Commission noted, in part, that grants to small units of government for performing particular functions may tend to underwrite uneconomically small units, a charge that was later made against the General Revenue Sharing program.

The next ACIR effort in this field was a handbook with practical suggestions on the best ways to enter into and implement interlocal contracts and joint agreements. The guide distinguished agreements between localities and states (vertical) and those among localities (horizontal).4/

The Commission next addressed intergovernmental service agreements in the context of considering options for assigning functions among substate governments.5/ Agreements and transfers were examined as procedures for modifying the responsibility for rendering governmental services. At the core of the analysis was data obtained from questionnaire surveys of cities over 2,500 population and all counties, conducted in cooperation with the International City Management Association (ICMA) and, in the case of the counties, the National Association of Counties (NACO). Information was gathered on the extent to which contracts and agreements were used and on problems encountered in allocating functions. Among the problems identified were the difficulty of coordinating functions and activities performed under contracts or joint agreements with those performed by the jurisdiction's own personnel, and the lack of cooperation in certain jurisdictions.

Based on its overall study of substate regional bodies and functional assignments, the Commission recommended that states adopt a comprehensive local government structure and functions policy. The Commission stood on its previous recommendations on contracts and joint agreements, but regarding intergovernmental transfers, it expanded its earlier position by proposing that states

delineate uniform procedures for transferring functions... among municipalities, counties, and multicounty regional bodies...; at a minimum, such procedures should (a) involve the repeal of state constitutional and statutory provisions requiring voter approval of proposed transfers, (b) authorize revocation of a transfer when its performance falls below standards initially agreed to in the transfer, and (c) empower a jointly agreed upon body to determine whether a transferred function has not met such performance standards.6/

The Commission further proposed that

states establish a program of state technical and fiscal assistance to counties and municipalities for (a) management feasibility studies on transferring and consolidating functions and (b) extraordinary initial costs incurred in actual transfers or consolidations.7/

To obtain more up-to-date and comprehensive information about functional transfers by municipalities, the Commission in 1975 conducted a questionnaire survey of all municipalities over 2,500 population. The survey yielded information on the number of cities transferring functions, functions transferred, the jurisdictions to which functions were transferred, the reasons for the transfer, and the perceived effects. The resulting publication contained no recommendations.<sup>8/</sup> It did contain considerable material in addition to the survey results, including an inventory of constitutional and statutory provisions on the voluntary transfer of functions, and a discussion of the recent record on county and state assumptions of new responsibilities.

The Commission again reviewed the status of intergovernmental agreements and functional transfers in its comprehensive 1982 report, State and Local Roles in the Federal System.<sup>9/</sup> This report also addressed the functional assignment issue, but from a broader perspective than the earlier study, where the central focus had been substate regionalism. Again, agreements and functional transfers were identified as among the most politically acceptable alternatives for adjusting functional responsibilities. The Commission's treatment of the subject in earlier reports was summarized and updated with references to later experiences reported by practitioners and scholars. The report concluded that new studies by individual states, technical handbooks explaining procedures for writing intergovernmental service agreements, and studies of specific types of interlocal cooperation confirmed that the use of intergovernmental service agreements, at the end of the 1970s, was similar to what it had been at the beginning of the decade. The Commission believed that its previous recommendations for action by local, substate regional, state, and national governments were adequate and therefore advanced no new proposals for using intergovernmental contracting, joint agreements, and functional transfers.

The Commission most recently acted on intergovernmental arrangements for service delivery in a study of the state role in aiding distressed communities. One recommendation urged states to encourage and provide technical assistance to neighborhood self-help associations and other community-based organizations, especially those located in distressed areas. Such encouragement and assistance, it added, might include

broadening state legislation on interlocal contracting and joint enterprise statutes so that nonprofit community-based organizations can contract to deliver city, county, or special district services to the extent deemed appropriate by the overlying local governmental unit.<sup>10/</sup>

\* \* \* \* \*

FOOTNOTES

<sup>1/</sup> Advisory Commission on Intergovernmental Relations (ACIR), Governmental Structure, Organization and Planning in Metropolitan Areas, A-5, Washington, DC, U.S. Government Printing Office, 1961, p. 24.

<sup>2/</sup> Ibid., pp. 30-31.

3/ ACIR, State Constitutional and Statutory Restrictions Upon the Structural, Functional, and Personnel Powers of Local Government, A-12, Washington, DC, U.S. Government Printing Office, October 1962, p. 66.

4/ ACIR, A Handbook for Interlocal Agreements and Contracts, M-29, Washington, DC, U.S. Government Printing Office, 1967.

5/ ACIR, The Challenge of Local Governmental Reorganization, A-44, Washington, DC, U.S. Government Printing Office, 1974.

6/ Ibid., pp. 152-53.

7/ Ibid., p. 153.

8/ ACIR, Pragmatic Federalism: The Reassignment of Functional Responsibility, M-105, Washington, DC, U.S. Government Printing Office, 1976.

9/ ACIR, State and Local Roles in the Federal System, A-88, Washington, DC, U.S. Government Printing Office, 1982.

10/ Minutes of the 82nd Meeting of the Advisory Commission on Intergovernmental Relations, Washington, DC, December 8-9, 1983, p. 14.

## Chapter 3

### CONSTITUTIONAL AND STATUTORY OVERVIEW

State constitutional and statutory provisions supply the legal framework for intergovernmental contracts, joint service agreements, and functional transfers. In general, these laws provide local jurisdictions with the authority to negotiate intergovernmental arrangements within legally established limits. Although constitutional and statutory provisions differ enormously on a state-by-state basis, most include requirements that localities must fulfill before entering into intergovernmental arrangements. The scope and stringency of these requirements, and the degree to which they are enforced, can shape the number, kind, and form of intergovernmental arrangements in a given jurisdiction. Hence, before analyzing the 1983 survey results on current practice, it is useful to provide an overview of the general patterns in the constitutional and statutory provisions that give local governments the authority, discretion, and guidance to enter into intergovernmental arrangements.

The information presented here is primarily derived from two sources -- a letter of inquiry mailed to the legislative reference agency in each of the 50 states <sup>1/</sup> and an in-depth review of the relevant legal citations from all of the states.<sup>2/</sup> The results from the current legal review are compared to those presented in ACIR's 1974 report on intergovernmental service agreements <sup>3/</sup> and ACIR's 1976 study on functional transfers.<sup>4/</sup> Any significant changes in the legal status of intergovernmental arrangements that occurred during the interim between the 1983 study and the earlier reports are noted. Unfortunately, constitutional and statutory references are often broadly conceived and difficult to interpret and, as a result, they do not lend themselves readily to comparative analyses. The discussion that follows, therefore, emphasizes the general trends in state legal provisions rather than the specifics of individual statutes or constitutional provisions.

#### Intergovernmental Service Agreements

Although constitutional and statutory provisions governing intergovernmental service agreements both differ greatly in language and content from state to state, the constitutional ones are particularly ambiguous and far too few in number to be of general comparative value. It is possible, however, to discern two general patterns in state legal provisions on intergovernmental agreements by focusing mainly on state statutes (or laws) and by noting the relevant constitutional citations whenever appropriate.

First, most state statutes pertaining to intergovernmental agreements are broadly conceived general laws that authorize some form or another of interlocal cooperation. These blanket laws primarily provide for joint service agreements. About three-fourths of the states also have statutory provisions that cover individual contractual agreements. Intergovernmental

Table 3-1

States with Authority for  
Intergovernmental Agreements and Contracts,  
June 1983

<u>State</u>	<u>Joint Powers</u> (1)	<u>Inter-govern- mental Con- tract Powers</u> (2)	<u>Private Contract Authority</u> (3)	<u>Mutuality of Powers*</u>		<u>Power of One Unit**</u>		
				<u>Joint</u> (4)	<u>Contract</u> (5)	<u>Joint</u> (6)	<u>Contract</u> (7)	
Alabama	X	X	X					AL
Alaska	X			X				AK
Arizona	X	X		X			X	AZ
Arkansas	X			X				AR
California	X	X	X	X				CA
Colorado	X	X				X	X	CO
Connecticut	X	X	X	X				CT
Delaware	X	X						DE
Florida	X	X	X			X		FL
Georgia	X	X						GA
Hawaii	X	X						HI
Idaho	X	X				X	X	ID
Illinois	X	X	X			X	X	IL
Indiana	X	X	X	X				IN
Iowa	X	X	X	X	X			IA
Kansas	X	X		X	X			KS
Kentucky	X	X		X				KY
Louisiana	X							LA
Maine	X	X				X	X	ME
Maryland	X	X	X			X	X	MD
Massachusetts	X	X	X	X			X	MA
Michigan	X	X	X	X	X	X	X	MI
Minnesota	X	X	X			X		MN
Mississippi	X					X		MS
Missouri	X	X						MO
Montana	X	X	X					MT
Nebraska	X	X	X			X	X	NE
Nevada	X	X						NV
New Hampshire	X	X	X	X			X	NH
New Jersey	X	X	X			X	X	NJ



(Table 3-1, Cont.)

State	Joint Powers (1)	Inter-govern- mental Con- tract Powers (2)	Private Contract Authority (3)	Mutuality of Powers*		Power of One Unit**		
				Joint (4)	Contract (5)	Joint (6)	Contract (7)	
New Mexico	X	X	X			X	X	NM
New York	X	X	X	X	X		X	NY
North Carolina	X	X	X			X	X	NC
North Dakota	X	X	X			X	X	ND
Ohio	X	X	X			X	X	OH
Oklahoma	X	X	X	X				OK
Oregon	X	X	X			X	X	OR
Pennsylvania	X	X	X			X	X	PA
Rhode Island	X	X		X				RI
South Carolina	X			X				SC
South Dakota	X	X						SD
Tennessee	X	X				X	X	TN
Texas	X	X	X					TX
Utah	X	X						UT
Vermont	X	X	X	X				VT
Virginia	X	X		X	X			VA
Washington	X	X						WA
West Virginia	X	X						WV
Wisconsin	X	X	X	X	X	X	X	WI
Wyoming	X	X		X				WY
TOTAL	50	45	26	20	6	19	20	

\* "Mutuality of powers" provision limits cooperative or contractual agreements to those services that each of the participating local governments is already empowered to provide.

\*\* "Power of one unit" provision requires that only one of the participating governments must have statutory authority for service provision prior to the negotiation of a contract or joint agreement.

Source: ACIR staff research. Based on legal review current as of June 1983.

contracting statutes tend to be more specific in language than general laws governing cooperative arrangements. This specificity is particularly evident in state laws that apply both to intergovernmental contracts and to contracts for purchases of services from the private sector.

ACIR's 1974 report on intergovernmental service agreements found that 42 of the 50 states had general cooperative laws covering joint service agreements. That study also identified 30 states with separate or related laws authorizing contracting between governmental units.<sup>5/</sup>

The current review of state general laws on intergovernmental agreements indicates that there have been several changes in this pattern over the past 11 years (Table 3-1). At present, all 50 states have laws that authorize local jurisdictions to enter into agreements (Table 3-1, Col. (1)). In addition, 45 of the 50 states now have statutes that specifically grant local jurisdictions the authority to negotiate intergovernmental contracting for purchasing services (Table 3-1, Col. (2)). Twenty-six of these laws also empower local jurisdictions to enter into contracts with private sector firms or organizations (Table 3-1, Col. (3)). Constitutional and statutory citations appear in Table 3-1.

Statutes governing joint service agreements generally take one of two forms. Typical of the first are those enacted in Rhode Island, Oregon, and Arizona. These laws provide blanket authorizations for interlocal cooperation imposing few procedural requirements on participating jurisdictions. The Oregon law, for example, leaves the process of negotiating joint agreements entirely to the discretion of the service providers and their partners.<sup>6/</sup> The Rhode Island statute grants collaborative power to municipalities within the state and in adjoining states without specifying what form those agreements should take.<sup>7/</sup> The Arizona law states only that authority is granted to "any two or more local governments to provide service cooperatively."<sup>8/</sup>

A second type of cooperative law is exemplified by those found in Kansas and Minnesota. Both states have general laws authorizing joint service delivery, and separate statutes pertaining to particular services. Kansas, for instance, has 85 different statutes similar to the following:

Housing Authorities. Any two or more cities or counties or combination thereof may join or cooperate in the financing, planning, construction, or operation of projects under the public housing act.<sup>9/</sup>

Minnesota has some 118 different legal citations that enumerate the cooperative powers of local jurisdictions by type of service.<sup>10/</sup> In both of these states and in 11 others, the general authorizations for cooperative arrangements are superseded by these statutory provisions covering joint agreements in discrete functional or service areas.

State laws governing contractual arrangements between local units of government are more varied than those that apply to cooperative or joint service agreements. As a general rule, statutes that govern interlocal

contracting refer specifically to the purchase of service delivery through a formal (written) contract. Moreover, the procedural requirements for contract negotiation and approval tend to be firmly established by law. For example, the New York 11/ and Iowa 12/ laws stipulate that contracts include: liabilities; termination or revocation procedures or both; financial arrangements; and the respective enumeration of powers for all parties involved in negotiating and implementing the contract. The Wisconsin legislation provides for all of the above and also requires that the terms of hiring and managing labor for service delivery be clearly specified in the contract.13/ Of the 45 states authorizing contract agreements, 23 have some legal reference to formal contracts that include these types of procedural requirements. (Table 3-2, Col. (7)).

Fifteen of these 23 states also specifically authorize public-private contracts. In fact, since 1974, most of the states with laws covering public-private service delivery contracts as well as intergovernmental contracts have adopted the more rigorous procedural standards and requirements outlined above. This development suggests that state legislatures, although open to the concept of private service suppliers, perceive a need to structure public-private partnerships as formal rather than informal or ad hoc agreements. The procedural requirements for public-private contracts usually also apply to intergovernmental contracts.14/ Consequently, although these requirements ultimately give participating jurisdictions firmer legal ground to stand on, they have also made the process of negotiating intergovernmental contracts more time-consuming and complicated. The additional burden placed on local administrators may be a factor contributing to the slight decline in the overall number of intergovernmental contracts between the 1972 and 1983 ACIR surveys.15/

Many states have laws mandating that joint or contractual agreements be approved by a local governing body, by a state official, or by both (Table 3-2, Cols. (1), (2), (5) and (6)). These approval requirements have changed minimally over the past 11 years. Since legal provisions pertaining to joint agreements are generally broadly stated, as noted earlier, they provide few specific references to procedures for approval. Some states offer additional options, such as approval of agreements by the legislature or a state agency. The following, excerpted from the Oklahoma general law, is typical of the latter:

Every agreement made hereunder shall, prior to and as condition precedent to its entry in force, be submitted to the attorney general who shall determine whether the agreement is in proper form and compatible with the laws of this state.16/

State laws pertaining to interlocal contracts tend to have more detailed requirements for approval. Often they specify which government official or body must approve the contract, while requiring a resolution ordinance, and fulfilling the terms for negotiating contracts discussed earlier (Table 3-2, Cols. (5), (6), (7) and (8)). Several state laws, those of Michigan and Nebraska, for example, require that several officials in each jurisdiction

Table 3-2

Procedural Requirements for Intergovernmental Agreements, June 1983

State	Joint Powers				Contract Powers				
	Approval of Local Governing Bodies (1)	Approval of State Attorney General (2)	Terms of Negotiation* (3)	Resolution Ordinance Required (4)	Approval of Local Governing Bodies (5)	Approval of State Attorney General (6)	Terms of Negotiation* (7)	Resolution Ordinance Required (8)	
Alabama			X	X			X		AL
Alaska				X				X	AK
Arizona		X	X	X			X	X	AZ
Arkansas									AR
California		X	X	X		X	X	X	CA
Colorado									CO
Connecticut	X	X	X		X	X	X		CT
Delaware									DE
Florida		X	X	X		X	X	X	FL
Georgia			X	X			X	X	GA
Hawaii									HI
Idaho		X				X			ID
Illinois						X			IL
Indiana		X	X	X		X	X	X	IN
Iowa	X		X	X	X		X	X	IA
Kansas		X		X		X		X	KS
Kentucky		X	X	X		X	X		KY
Louisiana		X				X			LA
Maine	X			X				X	ME
Maryland		X		X		X		X	MD
Massachusetts	X			X	X			X	MA
Michigan	X	X	X		X	X	X		MI
Minnesota							X		MN
Mississippi									MS
Missouri		X		X		X			MO

(Table 3-2, Cont.)

State	Joint Powers				Contract Powers				
	Approval of Local Governing Bodies	Approval of State Attorney General	Terms of Negotiation*	Resolution Ordinance Required	Approval of Local Governing Bodies	Approval of State Attorney General	Terms of Negotiation*	Resolution Ordinance Required	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
Montana		X	X	X		X	X	X	MT
Nebraska				X				X	NE
Nevada		X		X		X		X	NV
New Hampshire	X				X				NH
New Jersey	X		X	X	X		X	X	NJ
New Mexico	X			X	X			X	NM
New York			X				X		NY
North Carolina	X		X	X	X		X	X	NC
North Dakota	X			X	X				ND
Ohio			X	X			X	X	OH
Oklahoma	X	X		X	X	X		X	OK
Oregon									OR
Pennsylvania	X	X			X	X			PA
Rhode Island							X		RI
South Carolina	X			X				X	SC
South Dakota		X		X		X	X	X	SD
Tennessee	X			X	X	X	X	X	TN
Texas	X				X				TX
Utah	X	X		X	X	X		X	UT
Vermont	X	X	X		X	X	X		VT
Virginia	X		X	X	X		X	X	VA
Washington	X				X	X			WA
West Virginia	X	X		X	X	X	X	X	WV
Wisconsin		X	X	X		X	X	X	WI
Wyoming	X				X				WY
TOTAL	21	21	18	30	19	23	23	26	

Source: ACIR staff research. Based on legal review current as of June 1983.

Table 3-3

State Constitutional and Statutory References on  
Intergovernmental Agreements, June 1983

<u>State</u>	<u>State Law Citations</u>	<u>Constitutional Citations</u>
Alabama	Sec. 10591 466 to 14iii	
Alaska	A.S. 29.48010 (14)	Art. X, Sec. 13
Arizona	A.R.S. 11-951/11.954	
Arkansas	Sec. 14-901/14-908	Amendment No. 55c
California	Gov. Codes 6500/6583	
Colorado	C.R.S. Title 29, Art. 1-201, Part 2	Art. XIV, Sec. 18(2)
Connecticut	C.G.S.A. Sec. 7-339A/7-339L	
Delaware	D.C.A. Title 11, Sec. 1944	
Florida	F.S.A. Title 11, Sec. 163.01	Art. VIII, Sec. 4
Georgia		Const. Art. IX, Sec. 3, Para. 1 and Art. IX, Sec. 2, Paragraph 3
Hawaii	H.R.S. Sec. 248-5 and Sec. 46-8	Art. XIV, Sec. 5
Idaho	I.C. Sec. 67-2326/67-2333	
Illinois	I.R.S. Ch. 127, Sec. 741 et. seq.	Art. VII, Sec. 10
Indiana	I.C. 36-1-7/36-1-7-12	
Iowa	I.C.A. Sec. 28 E-1	
Kansas	K.S.A. Sec. 12-2901-12-2907 and specific laws.	
Kentucky	K.R.S. Sec. 5 65-210/65-300	
Louisiana	L.R.S. Secs. 33: 1321/1334	Art. VI, Sec. 20
Maine	M.R.S.A. Title 30 Secs. 1951/1953	
Maryland	M.A.C. Art. 23B Sec. 22 (15)	

(Table 3-3, Cont.)

<u>State</u>	<u>State Law Citations</u>	<u>Constitutional Citations</u>
Massachusetts	M.G.L.A. Ch. 40 Sec. 4A	
Michigan	M.C.L. Secs. 124.501/124-512	Art. III, Sec. 5; Art. VII, Sec. 28
Minnesota	M.S.A. 471.59	
Mississippi	Code 17-5-1; 17-13-1/ 17-13-17	
Missouri	V.A.M.S. 70.210/79.370	Art. VI, Secs. 14 and 16
Montana	M.C.A. Title 7, Ch. 11, Sec. 101/108	Art. XI, Sec. 7
Nebraska	R.S.N. 23-2201/23-2207	
Nevada	N.R.S. 277.080/277.180	
New Hampshire	N.H.R.S.A. Ch. 53.A	
New Jersey	N.J.S.A. 40: 48 B1	
New Mexico	N.M.S.A. 11-1-1/11-1-7	
New York	G.M.L. Sec. 244-b; Art. 12C & Sec. 209-S/209-T	Art. IX, Sec. 1(c)
North Carolina	Sec. 160A-461/160A-464	Art. V, Sec. 7
North Dakota	N.D.C.C. 18-10-10; 54-40-01/54-40-09	
Ohio	O.R.C.A. Title 3, Sec. 307.14/307.19	
Oklahoma	O.S.A. Title 74, Sec. 1001/1008	
Oregon	O.R.S. Sec. 190.003/190.110	
Pennsylvania	53 Sec. 481/490	Art. IX, Sec. 5
Rhode Island	R.I.G.L. Ch. 40, Sec. 45-40.2	
South Carolina	C.L.S.L. 4-9-40; 6-1-20	Art. VIII, Sec. 13
South Dakota	S.D.C.L. 1-24-1/1-24-10 & 2-9-25/2-9-29	Art. IX, Sec. 3
Tennessee	T.C.A. 12-19-101/12-9-109	
Texas	T.C.S.A. Art. 4413 (32c)	
Utah	U.C.A. Sec. 11-13-1	
Vermont	V.S.A. Title 24, Sec. 4801	
Virginia	V.C.A. Sec. 15-1-21, Sec. 22-1-26/22-1-27	Art. VII, Sec. 3
Washington	39.34.010	
West Virginia	W.V.C. Art. 23, Sec. 8-23-1/8-23-9	
Wisconsin	W.S.A. 66.30	
Wyoming	U.S. 16-1-101/16-1-109	

Source: ACIR staff research. Based on legal review current as of June 1983.

must approve the contract before it can become effective.<sup>17/</sup> Further, some states, most notably Kansas, Iowa,<sup>18/</sup> and again Michigan, require that contracts be approved by authorities at the various intergovernmental levels (e.g., Michigan, which requires that municipal agreements be approved at city, county, and state levels).<sup>19/</sup> And finally, most states restrict certain interlocal contracts according to the type of service (e.g., Connecticut <sup>20/</sup> and Massachusetts <sup>21/</sup> require that contracts in some areas of social welfare have voter approval).

Such procedural requirements for intergovernmental agreements are, again, more common in the states that authorize intergovernmental contracts and public-private contracts than in those which authorize just the former or provide for only cooperative agreements. This pattern may be another indication that legislators are somewhat cautious about authorizing service arrangements involving private firms. For example, three states -- Iowa, New Jersey, and Wisconsin -- have implemented across-the-board rigid requirements and restrictions on purchasing, approval, revocation, and termination that apply to both types of intergovernmental agreements -- joint and contractual. All three states also authorize public-private arrangements.<sup>22/</sup>

Substantive requirements for cooperative and contractual agreements, enumerating the respective powers that localities must possess to enter into intergovernmental service arrangements, also have undergone some revision. There are two general types of requirements: "the mutuality-of-powers" provision and "the power-of-one-unit" provision. A mutuality-of-powers provision limits cooperative or contractual agreements to those services that each of the participating local governments is already empowered to provide. A power-of-one-unit proviso requires that only one of the participating governments must have statutory authority for service provision prior to negotiating a contract or joint agreement.

The ACIR's 1974 study found that 26 of the 42 states with general cooperative laws required that all participating jurisdictions have prior legal authority -- the mutuality of powers -- for service provision before entering into agreements.<sup>23/</sup> The current legal review found that only 20 states still require the mutuality of powers for jurisdictions entering into cooperative agreements (Table 3-1, Col. (4)). Only four of the 30 states authorizing contractual agreements limited local units under the mutuality of powers proviso in 1974. There are now six states that still do so (Table 3-1, Col. (5)).

The decline in the number of state laws with the mutuality-of-powers requirement yields an increase in state statutes requiring that at least one unit participating in the joint or contractual agreement have previous authorization for providing a service. In 1974, eight of the 43 states authorizing joint agreements and two of the 30 states granting contract authority had such a requirement. Currently 16 states restrict both joint agreements and contracts under the power-of-one-unit proviso, four states impose the limitation only on contracts, and three impose it only on joint agreements (Table 3-1, Cols (6) and (7)).

This shift from the mutuality-of-powers to the power-of-one-unit proviso



has worked to the advantage of those jurisdictions seeking to implement some of the more innovative strategies for delivering services. In particular, under the power-of-one-unit provision, local providers are authorized to consider a broader array of public and private organizations as potential providers than is permitted by the mutuality of powers. Localities in several states have exercised this discretion by collecting competitive bids for service delivery from other local units, from private vendors and in some cases, even from the public agency that was responsible for service delivery in their own jurisdictions. Thus, providers are able to select the most economical and efficient method of service delivery through much the same competitive process that is used by business contractors. For example, in Phoenix, AZ, officials rely on competitive bidding between city agencies, private vendors and other local governments in awarding both intergovernmental contracts and private purchase-of-service contracts in fire and police services.<sup>24/</sup> Phoenix now has divided the city into service areas, some of which receive fire protection from a city agency, some from a private firm, and others from adjoining local jurisdictions.<sup>25/</sup>

Most of the alterations in the procedural and substantive requirements and restrictions on intergovernmental arrangements were instituted in state laws during the last two to four years. Thus, it is not possible at this time to measure accurately their overall impact. Nevertheless, one indicator suggests that these changes have had little effect so far. Municipalities reporting that state legal provisions had restricted their ability to enter into intergovernmental agreements rose only from 6% of those responding to ACIR's 1974 study to 8% of those responding to the 1983 ACIR-ICMA survey -- a change small enough to be explained by statistical variation.<sup>26/</sup>

To conclude, there have been several alterations in state laws authorizing intergovernmental agreements, both joint and contractual, that are noteworthy. The recent emphasis on public-private alternatives for service delivery may have contributed to many of these changes. The increase in the number of states that have enacted laws pertaining to the contracting powers of local jurisdictions -- from 30 in 1974 to 45 at present -- is a case in point. Furthermore, changes in the scope and direction of restrictions and limitations on intergovernmental agreements seem to be related to extending state laws to cover contract arrangements involving private firms.

It is not possible to assess the long-term impact that this trend toward authorizing public-private contracting will have on intergovernmental agreements. Clearly it has contributed to easing statutory requirements applicable to joint or cooperative service delivery among local governments: i.e., more states now authorize localities to enter into joint agreements and there has been a deliberate movement away from stringent procedural requirements. Yet, expanded use of public-private contracts also has complicated the process of intergovernmental contracting somewhat and, simultaneously, made these agreements an open and legitimate option for fiscally constrained jurisdictions.

#### Intergovernmental Service Transfers

Constitutional and statutory provisions governing the intergovernmental

transfer of services also vary considerably from state to state. Generally, these provisions take one of two forms. First, some states authorize transfers in broad, sweeping language, along with other forms of intergovernmental cooperation. For example, the Montana Constitution states that

unless prohibited by law or charter, a local government unit may (a) cooperate in the exercise of any function, power or responsibility with, (b) share the service of any officer or facilities with, (c) transfer or delegate any function, power, responsibility or duty of any officer to one or more other local government units, school districts, the state or the United States.(emphasis added)27/

Second, several states authorize transfers in precise and detailed legal clauses that specify the respective responsibilities of participating jurisdictions, particular requirements for approval and revocation procedures, and the levels of government and service areas in which functional transfers are permissible. New York has a relatively lengthy constitutional provision on transfers and several detailed statutes that are characteristic of this second type of legal authorization for transfers.28/

These legal provisions cover two kinds of transfers -- permanent and temporary. Permanent transfers involve shifting responsibility for service provision from one level of government to another, most often to the county but in some instances to the state. Temporary transfers are not generally limited to specific levels. Both permanent and temporary transfers are usually voluntary, although in several cases states have mandated the transfer of functional responsibility from one level of government to another (e.g., Massachusetts state government assumed total responsibility for providing social welfare services in 1968).29/ Although only one state (Georgia) expressly provides for permanent transfers in law, temporary transfers are seldom, if ever, revoked. Thus, the distinctions between temporary and permanent transfers, though apparent in law, are less clear in actual practice.

Since publication of the ACIR's 1976 report, there have been several changes in the constitutional and statutory provisions governing intergovernmental service transfers.30/ First, the number of states authorizing functional transfers rose from ten to 18 (Table 3-4). In addition, two states, Georgia and Montana, now have provisions that pertain to mandated transfers from the county or city to a higher level of government; in the past all referred only to voluntary transfers. Finally, one state, Georgia, has instituted procedures in both its constitution and statutes that provide for permanently transferring functional responsibility.31/ As noted earlier, prior to 1983, there were no formal legal citations covering permanent transfers.

Of the 18 states with transfer provisions, 17 provide for approval of the governing bodies of both the transferor and the transferee, and one (New York for counties) requires only approval of the governing body of the transferee; seven have constitutional authority only, three have statutory authority only, and the remaining eight states have a combination of both (Table 3-5). ACIR's 1976 study indicated that four states both granted local jurisdictions

Table 3-4

Constitutional and Statutory Authorization for Service Transfers, June 1983\*

<u>State</u>	<u>Citation</u>	<u>Approval of Govern- ing Body of</u>		<u>Concurrent Voter Majorities</u>	<u>Revo- cation</u>	
		<u>Trans- feror</u>	<u>Trans- feree</u>			
	<u>Constitutional</u>					
Alaska	Art. X, Sec. 13	<u>1/</u>	X		X	AK
California	Art. XI, Sec. 8(a)(b)	X	X		X	CA
Florida	Art. VIII, Sec. 4	X	X	X		FL
Georgia	Art. IX, Sec. 3 Part 2	X	X	X	X	GA
Hawaii	Art. XVIII, Sec. 6	X	X			HI
Illinois	Art. VII, Sec. 10	X	X			IL
Michigan	Art. VII, Sec. 28	X	X			MI
Montana	Art. XI, Sec. 7(c)	X	X			MT
New York	Art. IX, Sec. 1(h)		<u>2/</u> **	X		NY
North Dakota	Art. VII, Sec. 10	X	X	X		ND
Ohio	Art. X, Sec. 1	<u>3/</u>	<u>2/</u>	X	X	OH
Pennsylvania	Art. IX, Sec. 5	X	X			PA
South Carolina	Art. VIII, Secs. 12 & 13	X	X	X		SC
South Dakota	Art. IX, Sec. 3	X	X	X		SD
Virginia	Art. VII, Sec. 3	X	X			VA
	<u>Statutory</u>					
Alaska	A.S. 07.20.080; 29.48.035(b), 29.33.010	X	<u>4/</u>			AK
California	Gov. Code Sec. 51330/51335	X	X		X	CA
Connecticut	C.S.G. 7-330/7-339	X	X	X	X	CT
Georgia	G.S.C. 36-65-1/36-65-10	X	X	X	X	GA
Illinois	1-11 Rev. Stat. Ch. 127, Sec. 174 et. seg.	X	X			IL
Michigan	Sec. 5.4087	X	X		X	MI
Montana	M.C.A. 53-2-301/53-2-307	X	X			MT
New York	M.H.R.L. Sec. 33a & S.S.L. Art. 3, Title 3a		<u>2/</u>	X	X	NY
Pennsylvania	53 Sec. 481	X	X			PA
Vermont	24 Sec. 4902(b)	X	X	X		VT
West Virginia	W.V.C. Ch. 8-12-17.18	X	X			WV

1/ Cities. 2/ Counties. 3/ Municipalities and townships. 4/ Boroughs.

\*Authorizations vary with respect to political subdivision and transfer function.

\*\*Approval not required for transfers within a county.

Source: ACIR staff research.

Table 3-5

Number of States with  
Constitutional and Statutory Authorization for  
Service Transfers, June 1983

<u>Authorization</u>	Approval by Governing Body of		Concurrent Voter <u>Majorities</u>	<u>Revocation</u>
	<u>Trans- feror</u>	<u>Trans- feree</u>		
Constitutional Only	7	7	5	2
Statutory Only	3	3	2	3
Both Constitutional and Statutory	<u>7</u>	<u>8</u>	<u>2</u>	<u>2</u>
TOTAL	17	18	9	7

Source: ACIR staff research.

the authority and outlined the procedures for revoking voluntary transfers (Alaska, Michigan, California, and Ohio). The recent ACIR legal review found that three additional states -- Georgia, New York, and Connecticut 32/ -- now have provisions for terminating or revoking intergovernmental voluntary transfers.33/ The earlier ACIR report also noted that only Pennsylvania legally mandated that transfers stipulate the duration of the action. Georgia and Connecticut currently have similar statutory provisions that require that the duration of a transfer be expressly specified before it can be approved.34/

The number of states mandating voter approval of voluntary transfers has increased from five to nine during the last eight years (Connecticut, Florida, Georgia, New York, North Dakota, Ohio, Pennsylvania, South Carolina, and Vermont).35/ Voter approval in all nine cases involves concurrent voter majorities in the transferring and recipient jurisdictions.36/ There are, of course, variations among the states with respect to the political jurisdictions and the types and scope of functions to which the transfer authority applies.

Despite the efforts of several local jurisdictions to challenge the constitutionality of the voter approval requirements in the courts (e.g., Niagara County, NY, 1974,37/ and Allegheny County, PA, 1978),38/ state legislators have been only marginally willing to amend or revise the relevant constitutional or statutory provisions. The few changes that have been enacted are largely procedural, rather than substantive. Legislators in California and Georgia, for example, have made incremental revisions in their laws that give transferring and recipient jurisdictions authority to determine independently the date and format for voter approval. Prior to 1981, both states required that voluntary transfers be approved by voters in a general election or in special referendum held on the same day as the general election.39/

Seventeen of the 18 states with transfer provisions stipulate that the governing bodies of both the recipient and transferring jurisdictions must approve voluntary transfers. Alaska's general law, however, requires the approval of both governing bodies only in instances in which a borough is transferring a function to a lower level of government.<sup>40/</sup> The 18th state, New York, has constitutional and statutory provisions that mandate the approval of only transferee governmental authorities and only for transfers from a county to the state or another county. Functional transfers between political subdivisions within New York counties do not legally require the approval of elected or administrative officials.<sup>41/</sup> Aside from Alaska and New York, the approval requirements in most other states are broadly stated, with few procedural guidelines or restrictions structuring the manner in which localities fulfill requirements.

As indicated by the definitions in the Introduction, the most significant distinction between service transfers and intergovernmental agreements is that the former concerns the responsibility for providing services, and the latter deals primarily with delivering services. Functional transfers, therefore, entail the complete assumption of both legal and fiscal responsibility by the receiving unit of government. Although intergovernmental agreements sometimes involve a shift on the fiscal side,<sup>42/</sup> a change in the statutory authority for service provision is seldom, if ever, required. By contrast, virtually every constitutional or legislative provision governing functional transfers specifically states or implicitly requires total assumption of fiscal and legal responsibility for service provision by the recipient government as a necessary condition for approving the transfer.

Providing for revoking or terminating functional transfers is a far more complicated process than terminating an intergovernmental agreement. Jurisdictions participating in intergovernmental agreements retain statutory authority for service provision; as a result, they can arrange for alternative service delivery fairly simply, from a legal perspective, after terminating the agreement. Legal provisions governing the revocation of functional transfers, however, stipulate that giving and receiving jurisdictions once again must meet the formal requirements for approval -- voter and otherwise. These kinds of elaborate and complex procedures for revoking functional transfers may have contributed to the permanence of transfers that was evident in the ACIR surveys.

The same legal requirements that make the actual transfer and the revocation of intergovernmental functional transfers so arduous also provide disincentives to jurisdictions contemplating transfers to private or nonprofit organizations ("privatizing services"). Although no state law or constitution directly prohibits transferring functions to a private firm at present, several recent attempts to make such transfers have met with stiff resistance both in the voting booth and before ruling councils.<sup>43/</sup> There have been a few successful efforts to privatize services in some jurisdictions, but these have generally been limited to services that fall into the public works area (e.g., waste collection and sewage disposal).<sup>44/</sup> Outside the public works area, both localities and their constituents seem hesitant to transfer complete functional responsibility for providing and delivering a service to a private firm.

At this point, therefore, it appears that strict legal requirements will continue to make functional transfers a predominantly intergovernmental service alternative.

\* \* \* \* \*

FOOTNOTES

- 1/ The 1983 Advisory Commission on Intergovernmental Relations (ACIR) Legal Survey on Intergovernmental Arrangements was designed to verify and update the relevant citations found in the legal review. Forty-two of the 50 states returned the survey form before the July 1, 1983 cut-off date. All citations presented here reflect any changes in state statutes or constitutions that occurred prior to that date.
- 2/ The review of state legal provisions on intergovernmental arrangements was conducted between March and November of 1983. State statutes and annotated codes were current in most cases to the end of the 1983 legislative season.
- 3/ ACIR, The Challenge of Local Government Reorganization, A-44, Washington, DC, U.S. Government Printing Office, 1974.
- 4/ ACIR, Pragmatic Federalism: The Reassignment of Functional Responsibility, M-105, Washington, DC, U.S. Government Printing Office, 1976.
- 5/ ACIR, A-44, 1974, pp. 31-33.
- 6/ O.S.R. Sec. 190.003.
- 7/ R.I.G.L. Ch. 40, Sec. 45.
- 8/ A.R.S. 11-952.
- 9/ K.S.A. 12-2901.
- 10/ M.S.A. Sec. 471.59.
- 11/ G.M.L. Sec. 244-b.
- 12/ I.C.A. Sec. E-1.
- 13/ W.S.A. 66.30.
- 14/ Several respondents to the 1983 ACIR legal survey indicated that they are exempt from some of these procedural requirements when negotiating intergovernmental contracts, but as a whole these respondents constitute fewer than 3% of the states.
- 15/ Chapter 4 has a thorough examination of the survey results on this issue.

- 16/ 74: O.S. 1981, Sec. 1004.
- 17/ M.L.C. Sec. 124.501 and R.S.N. 23-2201.
- 18/ K.S.A. Sec. 12-902 and Specific Statutes, and I.C.A. Ch. 28 E-4.
- 19/ M.L.C. Secs. 124.501 to 124.512.
- 20/ C.G.S.A. Sec. 7-339a to 7-399L; Secs. 7-330 to 7-339.
- 21/ M.G.L.A. Ch. 40, Sec. 4a.
- 22/ Again, several respondents to the ACIR legal survey indicated that such restrictions are only applicable to agreements involving private firms.
- 23/ ACIR, A-44, 1974.
- 24/ Mark Hughes, "Contracting Services in Phoenix," Public Management, October 1982, pp. 2-4.
- 25/ James Bennett and Manuel Johnson, "Tax Reduction Without Sacrifice," Public Finance Quarterly, Vol. 8, No. 4, October 1980, pp. 376-78.
- 26/ The 1972 ACIR survey did not query counties on this issue. However, the 1983 survey did, and found that the overwhelming majority of counties also claimed that state laws were not inhibiting their ability to negotiate contracts. Likewise, the 1972 study did not consider the impact of state laws on joint service agreements as a separate issue. The results of the 1983 survey indicate that both cities and counties have not found state laws restrictive when negotiating joint agreements (91.4% cities and counties total).
- 27/ Montana Constitution, Article XI, Sec. 7c.
- 28/ New York Constitution, Article IX, Sec. 1(h) and M.H.R.L. Sec.33 a and S.S.L. Art. 3, Title 3a.
- 29/ ACIR, M-105, 1976, pp. 19-20.
- 30/ Ibid, p. 9.
- 31/ G.S.C., 36-65.
- 32/ G.S.C. 36-65-5, S.S.L. Art. 3, Title 3a and C.S.G. 7-332.
- 33/ The power to revoke transfers has not been exercised in any of these seven states since the mid-1970s.
- 34/ G.S.C. 36-65-6 and C.S.G. 7-332.
- 35/ Procedures for voter approval vary enormously from state to state. As a

general rule, however, voter requirements involving a shift of functional responsibility from a higher level of government downward or to a private firm are the most rigid.

- 36/ In Vermont, the transfer must be recommended by a joint survey committee of the municipalities and be approved by the attorney general. Voter approval is required only at the discretion of either the committee or the attorney general. During the past five years, both have determined that voter approval is a necessary condition for service transfers.
- 37/ ACIR, M-105, 1976, p. 13.
- 38/ C. Hall and L. Wallock, "Intergovernmental Cooperation and the Transfer of Powers," University of Illinois Law Review, IL, University of Illinois, Fall 1981, pp. 781-83.
- 39/ Ibid., p. 780.
- 40/ A.S. Sec. 29.33.260.
- 41/ M.H.R.L. Sec. 33c.
- 42/ For example, some intergovernmental agreements provide that jurisdictions relinquish responsibility for the collection of user fees to the government that is delivering the service, without transferring legal authority and responsibility for service provision. Intergovernmental contracts and agreements involving recreation and transit services often result in a fiscal shift of this kind.
- 43/ A recent attempt to privatize fire services in Dover, NH, was voted down by voters on two separate occasions. Similarly, an effort to transfer responsibility for sewage collection to a private vendor in Marin County, CA, failed to meet with approval of the county board, despite considerable public support in favor of the transfer.
- 44/ James Bennett and Manuel Johnson, "Tax Reduction Without Sacrifice," pp. 372-80.



## Chapter 4

### INTERGOVERNMENTAL SERVICE CONTRACTS AND JOINT AGREEMENTS: PRESENT STATUS (1983) AND RECENT TRENDS (1972-83)

This section summarizes and analyzes the results of the ACIR-ICMA mail survey of the summer of 1983 on intergovernmental service contracts and joint service agreements and delineates trends by comparing those results with like data from the ACIR-ICMA survey of 1972. For information on technical aspects of the survey, and caveats on interpretation, see Appendix A.

#### Current Use (1983)

##### Intergovernmental Service Contracts

Of the 2,069 responding cities and counties, 1,084 (52%) said they have such contracts. Almost twice as many have written contracts as have unwritten ones. This finding suggests that local officials are cognizant of the possible problems that may arise when contracting for services and take care to rely on a more legally binding mechanism. The unwritten contracts were most prevalent in the cities and counties under 2,500 population.

The more populous units of government enter into service contracts more frequently than smaller units (Table 4-1). Combining the three largest population categories and the three smallest reveals that 60% of the responding cities and counties with populations of 250,000 and over report entering into contracts. In contrast, only 39% with populations under 10,000 relied on them.

Cities and counties contract for the delivery of services with about the same degree of frequency: 52% and 54%, respectively. However, differences are evident between cities and counties of comparable size. Cities of 250,000 and above report more written and unwritten contracts than counties of similar size. Cities under 10,000 population also enter into such contracts more frequently than counties of comparable size. In contrast, counties under 2,500 contract for service delivery with a higher degree of frequency than all larger governmental units as well as cities under 2,500 population.

Central cities have a slightly higher propensity to enter into contracts (61%) than suburban (56%) and independent cities (40%). Metropolitan and nonmetropolitan counties contract with about equal frequency.

Regional differences are discernible. Contracting is most prevalent in the West (especially the Pacific Coast states) and least in the Northeast (especially the New England and Mid-Atlantic states).

The form of government also is related to the incidence of contracting

Table 4-1

Intergovernmental Service Contracts,  
by Cities and Counties, 1983

	Cities			Counties			Cities and Counties		
	Respond- ing	With Contracts No.	%	Respond- ing	With Contracts No.	%	Respond- ing	With Contracts No.	%
Total	1639	853	52	430	231	54	2069	1084	52
<u>Population Category</u>									
Over 1,000,000	4	2	50	9	5	56	13	7	54
500,000-1,000,000	8	7	88	19	10	53	27	17	63
250,000-499,999	18	14	78	47	25	53	65	39	60
100,000-249,999	72	47	65	108	60	56	180	107	59
50,000-99,999	141	88	62	138	80	58	279	168	60
25,000-49,999	360	201	56	27	14	52	387	215	56
10,000-24,999	753	386	51	43	20	47	796	406	51
5,000-9,999	107	42	39	22	8	36	129	50	39
2,500-4,999	142	53	37	8	2	25	150	55	37
Under 2,500	34	13	38	9	7	78	43	20	47
<u>Geographic</u>									
Northeast	392	147	38	55	19	35	447	166	37
North Central	474	252	53	132	66	50	606	318	52
South	459	227	49	174	94	54	633	321	51
West	314	227	72	69	52	75	383	279	73
<u>Metro Status</u>									
Central	246	149	61				246	149	61
Suburban	908	510	56				908	510	56
Independent	485	194	40				485	194	40
Metro				230	126	55	230	126	55
Nonmetro				200	105	53	200	105	53
<u>Form of Government</u>									
Mayor-council	638	278	44				638	278	44
Council-manager	890	542	61				890	542	61
Commission	45	13	29				45	13	29
Town Meeting	52	17	33				52	17	33
Representative									
Town Meeting	14	3	21				14	3	21
Without									
Administrator				240	114	47	241	114	47
With Administrator				190	117	62	190	117	62

Source: ACIR-ICMA, 1983.

(Table 4-1). Cities with council-manager governments clearly do more contracting than their counterparts with other city forms. This result seems logical because central cities had the highest proportion of contracts and the council-manager form is by far the most popular form among the central cities responding to the survey. The high incidence of the council-manager form among cities in the West may help explain why that region leads the others in cities' use of contracting.

Among counties, those with the appointed or elected executive forms (shown as "with administrator" in the table) do more intergovernmental contracting than counties with other forms.

#### Services Purchased by Contract

Jail and detention home services are the most frequently purchased contractual services for both cities and counties. The next in order of frequency for cities are sewage disposal, tax assessing, animal control, and water supply; for counties, fire prevention/suppression, computer and data processing, animal control, and solid waste disposal. The ten most frequently contracted-for services are shown in Table 4-2, for cities, for counties, and for the two combined. (For volume of reported contracting for all services, see Appendix Tables B-1 and B-2).

#### Service Providers

Cities contracted most frequently with counties to deliver services. For 35 of the 42 services listed in the questionnaire, counties were the cities' primary supplier. For three services (sewage disposal, water supply, and mass transit system operation), other cities were the primary contractor; for two (recreational facilities and buildings and grounds maintenance), it was the school district; and for one (traffic signal installation/maintenance), the state government. Cities contracted for library services about equally with other cities and counties.

Counties divided their contracting evenly between other counties and cities, with the former serving as the prime contractor for 16 of the 42 services and the latter for 15 services. The state government was the principal supplier of crime lab and identification, mental health, child welfare, and insect/rodent control services. Counties contracted most frequently with regional and other special districts for mass transit services and with school districts for recreational services.

Differences in cities' and counties' reliance on the several groups of service providers are seen from another perspective in Table 4-3, which shows services by general category. (For data on providers by individual service, see Appendix Tables B-1 and B-2). The dominance of the county as cities' main supplier under intergovernmental contracts stands out in general government and finance (71%), health and welfare (70%), education and culture (70%), and public safety and corrections (63%). Cities use other cities mostly for public works and utilities (35%), school districts mostly for parks and recreation (29%), regional and other special districts for trans-

Table 4-2

Ten Most Frequently Purchased Contract Services,  
by Cities, Counties, and Total, 1983

Rank	Cities		Counties		Total Cities and Counties	
	Service	Number of Cities	Service	Number of Coun- ties	Service	Number of Cities and Counties
1	Jails/Detention Homes	257	Jails/Detention Homes	70	Jails/Detention Homes	327
2	Sewage disposal	243	Fire Prevention/ Suppression	50	Sewage Disposal	267
3	Tax Assessing	187	Computer and Data Processing	46	Animal Control	218
4	Animal Control	175	Animal Control	43	Tax Assessing	210
5	Water Supply	173	Solid Waste Disposal	43	Solid Waste Disposal	209
6	Solid Waste Disposal	166	Police/Fire Communications	38	Water Supply	201
7	Police/Fire Communications	148	Libraries	36	Police/Fire Communications	186
8	Tax/Utility Bill Processing	134	Mental Health Service	33	Fire Prevention/ Suppression	159
9	Traffic Signal Installation/ Maintenance	131	Emergency Medical/ Ambulance	33	Tax/Utility Bill Processing	157
10	Sanitary Inspection	130	Water Supply Police Patrol	28	Sanitary Inspection	150

Note: For reported volume of contracts for all services, see Appendix Tables B-1 and B-2.

Source: ACIR-ICMA, 1983.

portation (42%), and state government for public safety and corrections (12%) and public works and utilities (13%).

Counties' equal use of other counties and cities as contractors is evident, but so is their leaning toward counties for health and welfare, parks and recreation, and general government and finances, and toward cities for public works and utilities, and education and culture services. Counties also rely significantly on school districts for parks and recreation services, on special districts for transportation, and on the state for health and welfare and for public safety and corrections services.

Table 4-3

Services Delivered to Cities and Counties through  
Intergovernmental Service Contracts, by  
Service Category and Provider, 1983

	Total Number of Contracts	Number and Percent* of Contracts for Delivery of Services by --									
		County		City		School District		Special District		State	
		No.	%	No.	%	No.	%	No.	%	No.	%
Total, Cities and Counties	4328	2403	56	1306	30	111	3	491	11	457	11
<u>Categories of Services Delivered to CITIES</u>	3419	1929	56	870	25	78	2	402	12	295	9
Public Safety and Corrections	805	507	63	199	25	10	1	33	4	99	12
Public Works and Utilities	955	361	39	337	35	3		157	16	126	13
Health and Welfare	785	547	70	145	18	6	1	79	10	36	4
Transportation	170	48	28	44	26	1	1	71	42	9	5
Parks and Recreation	93	33	35	25	27	27	29	7	7	7	7
Education and Culture	119	84	70	31	26	3	2	16	2	3	2
General Government and Finance	492	349	71	89	18	28	6	39	8	15	3
<u>Categories of Services Delivered to COUNTIES</u>	909	474	52	436	50	33	4	89	10	162	18
Public Safety and Corrections	234	122	52	125	52	3	1	8	3	44	19
Public Works and Utilities	189	94	50	120	63	0	0	11	6	24	13
Health and Welfare	261	131	50	86	33	5	2	40	15	78	30
Transportation	30	10	33	11	37	0	0	13	43	1	3
Parks and Recreation	22	11	50	19	41	6	27	1	4	2	9
Education and Culture	40	17	42	24	60	3	7	6	15	4	10
General Government and Finance	133	89	67	61	46	16	12	10	7	9	7

\*Percentages add to more than 100 because some contracts involve more than one provider. For detail by individual service, see Appendix Tables B-1 and B-2.

Source: ACIR-ICMA, 1983.

### Interstate Contracting

Contracting for the purchase of services from another governmental unit across state lines is negligible. Only 2.5% of the responding cities and 2.4% of the responding counties reported such contracts.

### Joint Service Agreements

Responses from the survey indicate that joint service agreements are another common approach to delivering local public services, and are actually slightly more popular than contracting. Of the 2,039 responding cities and counties, 1,132 or 55% have such agreements with other governmental entities (Table 4-4).

As in contracting, the more populous units of government tend to enter into agreements more frequently than smaller units. Combining the three largest population categories and the three smallest for both cities and counties reveals that 72% of the respondents with populations of 250,000 and over have such agreements compared to 41% of the respondents with populations under 10,000.

Counties have a slightly greater tendency to enter into joint service agreements than cities, 60% and 54%, respectively. However, cities with populations of 250,000 and over enter into agreements more frequently than counties of comparable size.

Joint agreements are more common among central cities than among suburban and independent cities, and among metropolitan counties than among non-metropolitan counties. Regional differences also are evident. Localities in the West tend to utilize joint agreements more frequently than their counterparts in other regions. In both these regards -- metro status and geographic region -- the pattern of joint agreements is similar to localities' contracting practices.

As with service contracts, cities with council-manager governments have a higher percentage of joint agreements than cities with other forms of government, and counties with an elected or appointed executive enter into joint agreements more frequently than those without this form of government.

### Joint Services Provided

Police and fire communications and libraries are the most frequently provided services to cities under joint agreements (Table 4-5) (for reported volume of joint service agreements for all services, see Appendix Tables B-3 and B-4). The next in order of frequency are sewage disposal, fire prevention and suppression, and jails and detention homes. Counties use joint agreements most often to obtain mental health services, library services, police and fire communications, jails and detention homes, and solid waste disposal, in that order.

There seems to be a tendency among both cities and counties to enter

Table 4-4

Joint Service Agreements, 1983

Classification	Total Cities			Total Counties			Total Cities and Counties		
	Respond- ing	With		Respond- ing	With		Respond- ing	With	
		Agree- ments	%		Agree- ments	%		Agree- ments	%
No.	No.	%	No.	No.	%	No.	No.	%	
Total	1619	879	54	420	253	60	2039	1132	55
<u>Population Category</u>									
Over 1,000,000	4	2	50	9	7	78	13	9	69
500,000-1,000,000	8	8	100	20	14	70	28	22	79
250,000-499,999	16	15	94	47	29	62	63	44	70
100,000-249,999	69	42	61	105	67	64	174	109	63
50,000- 99,999	140	87	62	130	77	59	270	164	61
25,000- 49,999	360	226	63	26	17	65	386	243	63
10,000- 24,999	742	385	52	42	23	55	784	408	52
5,000- 9,999	106	44	42	24	9	38	130	53	41
2,500- 4,999	141	58	41	8	4	50	149	62	42
Under 2,500	33	12	36	9	6	67	42	18	43
<u>Geographic Region</u>									
Northeast	385	157	41	54	27	50	439	184	42
North Central	473	262	55	128	72	56	601	334	56
South	451	228	51	169	106	63	620	334	54
West	310	232	75	69	48	70	379	280	74
<u>Metro Status</u>									
Central	241	160	66	...	...	...	241	160	66
Suburban	897	471	53	...	...	...	897	471	53
Independent	481	248	52	...	...	...	481	248	52
Metro	...	...	...	225	140	62	225	140	62
Nonmetro	...	...	...	195	113	58	195	113	58
<u>Form of Government</u>									
Mayor-Council	633	295	47	...	...	...	633	295	47
Council-Manager	876	545	62	...	...	...	876	545	62
Commission	45	16	36	...	...	...	45	16	36
Town Meeting	51	18	36	...	...	...	51	18	35
Representative									
Town Meeting	14	5	36	...	...	...	14	5	36
Without									
Administrator	...	...	...	131	233	56	233	131	56
With									
Administrator	...	...	...	122	187	65	187	122	65

Source: ACIR-ICMA, 1983.

Table 4-5

Ten Services Most Frequently Provided under Joint Agreements to  
Cities, Counties, and Total, 1983

Rank	Cities		Counties		Total Cities and Counties	
	Service	Number of Cities	Service	Number of Counties	Service	Number of Cities & Counties
1	Police/Fire Communications	149	Mental Health	48	Libraries	195
2	Libraries	149	Libraries	46	Police/Fire Communications	193
3	Sewage Disposal	138	Police/Fire Communications	44	Fire Prevention/ Suppression	165
4	Fire Prevention/ Suppression	134	Jails/Detention Homes	42	Sewage Disposal	160
5	Jails/Detention Homes	107	Solid Waste Disposal	41	Jails/Detention Homes	149
6	Solid Waste Disposal	106	Programs for Elderly	40	Solid Waste Disposal	147
7	Emergency Medical/ Ambulance	100	Emergency Medical/ Ambulance	38	Emergency Medical/ Ambulance	138
8	Animal Control	95	Public Health Clinics	37	Animal Control	122
9	Recreational Facilities	89	Planning/Zoning	35	Recreational Facilities	113
10	Water Supply	78	Fire Prevention/ Suppression	31	Programs for the Elderly	102

Note: For reported volume of joint agreements for all services, see Appendix Tables B-3 and B-4.

Source: ACIR-ICMA, 1983.

into joint agreements for the same types of services for which they contract. Six of the ten services that cities contracted for most frequently were also among the ten services which they acquired most frequently under joint agreements: jails and detention homes, sewage disposal, animal control, water supply, solid waste disposal, and police and fire communications. For counties, there were seven services that appeared in the top ten on both lists: jails and detention homes, fire prevention and suppression, solid waste disposal, police and fire communications, libraries, mental health, and emergency medical and ambulance services. The common pattern may suggest that, despite the different rights and obligations involved in the two approaches, localities tend to use them rather interchangeably.



The frequent use of both joint agreements and contracts for obtaining jail and detention services raises an interesting point. A recent ACIR study on jails 1/ found persuasive reasons for small communities to resort to such approaches for obtaining jail services, chief among them being economies of scale. It found, however, that such arrangements were fewer than expected, particularly among smaller localities as shown by the continued existence of an inordinate number of small, inefficient jails. Yet, the 1983 ACIR-ICMA survey found that jails and detention homes are among the leading services obtained under intergovernmental agreements. This finding suggests that the "adequacy" or "inadequacy" of localities' use of intergovernmental agreements to handle jail problems depends on the point of reference: perhaps inadequate in reference to the need as seen by criminal justice experts, but above par in relation to localities' use of such agreements for public services generally. The survey also indicates 2/ that smaller counties are making proportionately greater use of joint service agreements for jail and detention services than larger counties, which seems desirable inasmuch as the small counties acting alone are the primary units maintaining small, inadequate jail and detention facilities.

#### Participants in Joint Agreements

Although cities enter into joint agreements with counties less frequently than they enter into contracts with them, counties still are the most common governmental partner in cities' joint agreements. They were cities' principal joint participant in 24 of the 42 services, and other cities were the principal partners in 12 services. State government had the leading role in two services (traffic signal installation and maintenance and engineering and architectural services) and school districts and special districts in one each (recreational facilities and mass transit system operation, respectively).

As with intergovernmental contracts, counties' partners in joint agreements were fairly evenly divided between other counties and cities. Counties were the principal partner for 19 services and cities for 15. Regional and other special districts were the primary joint participant in agreements for paratransit operations. Cities and counties were equally involved as participants in six services.

Table 4-6 shows which participants in joint agreements were dominant when the 42 services are clustered into seven functional categories. For cities' joint agreements, counties dominated in the health and welfare, education and culture, and general government and finance categories, and other cities in public safety and corrections and public works and utilities. Regional and other special districts were well-represented in transportation services agreements. School districts were most prominent as participants in the parks and recreation agreements. State governments did not dominate any category but showed most strongly in public works and utilities, chiefly because of road and bridge-related services.

For counties' joint agreements, other counties also were dominant participants in parks and recreation agreements, general government and finance, and education and culture; cities played the leading role in public safety

Table 4-6

Services Delivered to Cities and Counties under  
Joint Agreements, by  
Service Category and Participant, 1983

	<u>Number and Percent* of Agreements for Delivery</u> <u>of Services by Joint Participation with --</u>										
	Total Number of Agreements	<u>County</u>		<u>City</u>		<u>School District</u>		<u>Special District</u>		<u>State</u>	
		<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>
Total, Cities and Counties	3319	1703	52	1492	45	142	4	511	15	374	11
<u>Categories of Services</u> <u>Received by CITIES</u>	2432	1177	48	999	41	118	5	397	16	248	10
Public Safety and Corrections	565	273	48	275	49	8	1	61	11	69	12
Public Works and Utilities	543	202	37	258	47	6	1	102	19	82	15
Health and Welfare	569	333	59	178	31	9	1	93	16	61	11
Transportation	153	49	32	59	39	0	0	58	38	6	4
Parks and Recreation	144	44	30	57	40	62	43	12	8	3	2
Education and Culture	165	107	65	54	33	6	4	24	14	13	8
General Government and Finance	293	169	58	118	40	27	9	47	16	14	5
<u>Categories of Services</u> <u>Received by COUNTIES</u>	887	526	59	493	56	24	3	114	13	126	14
Public Safety and Corrections	184	107	58	142	77	3	2	6	3	17	9
Public Works and Utilities	135	76	56	89	66	1	1	14	10	15	11
Health and Welfare	304	173	57	115	38	2	1	49	16	79	26
Transportation	55	32	58	27	49	1	2	18	33	4	7
Parks and Recreation	47	32	68	29	62	4	8	4	8	1	2
Education and Culture	52	31	60	35	67	2	4	6	11	5	10
General Government and Finance	110	75	68	56	51	11	10	17	15	5	4

\*Percentages add to more than 100 because some agreements are with more than one other party.

Note: For detail by individual service, see Appendix Tables B-3 and B-4.

Source: ACIR-ICMA, 1983.

and corrections, public works and utilities, and education and culture. As in the case of cities' joint agreements, regional and other special districts were prominent participants in counties' joint agreements for transportation services. State government's major participant role was in health and welfare.

#### Reasons for Entering into Intergovernmental Contracts and Joint Service Agreements

Respondents were asked to indicate which of seven specified reasons best explained their government's decision to engage in intergovernmental arrangements in delivering public services. Of the 4,328 reported contracts, 52% were entered into to take advantage of economies of scale (Table 4-7 and Appendix Tables B-1 and B-2). "More logical to organize services beyond jurisdictional or area limits" (abbreviated in the table as "need larger area") was the next most frequently cited reason for entering into service contracts (38%). These were also the dominant reasons given for entering into joint service agreements, 53% and 46%, respectively (Table 4-8 and Appendix Tables B-3 and B-4).

"Economies of scale" was cited as the most dominant reason for both contracts and joint agreements in all but a few service categories as reported by both cities and counties. The exceptions are:

- + For cities, "need for larger area" was the dominant reason for transportation agreements and was as important as "economies of scale" for contracts in transportation and in the education and culture area.
- + For counties, "need for larger area" was the primary reason for transportation contracts and agreements and for parks and recreation agreements; "eliminate service duplication" was the dominant reason for parks and recreation contracts and just as important as "economies of scale" in joint agreements for public safety and corrections services.

The general dominance of "economies of scale" as the motivating factor is consistent with findings reported in the majority of the literature in the field. However, a four-state comparison of municipal service delivery systems conducted in late 1978 and early 1979 found the lack of facilities and personnel to be almost as important incentives for contracting out as cost savings.<sup>3/</sup> The data in Tables 4-7 and 4-8 indicate that "lack of qualified personnel" showed up frequently as reasons for cities to enter into contracts and agreements for health and welfare services and for counties' contracts for general government and finance services. Similarly, "lack of facilities" was a prominent reason for both cities and counties to contract for public safety and corrections services. A further examination of the data (not shown in the text tables) reveals that lack of facilities in the public safety function centered on the crime laboratory and the jail and detention home areas.

Table 4-7

## Reasons for Entering into Intergovernmental Service Contracts, 1983

	Total Number of Con- tracts	Reasons*													
		Lack Quali- fied Person- nel		Lack Facil- ities		Achieve Econo- mies of Scale		Elimi- nate Dupli- cation		Need Larger Area		Remove Politics		Citizen Demand	
		No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Total, Cities and Counties	4328	873	20	1386	32	2257	52	1325	31	1662	38	81	2	179	4
<u>Cities, by Service Category</u>	3419	688	20	1115	33	1797	53	1032	30	1363	40	60	2	97	3
Public Safety and Corrections	805	162	20	355	44	453	56	245	30	297	37	5	1	13	2
Public Works and Utilities	955	147	15	349	37	472	49	246	26	386	40	20	2	19	2
Health and Welfare	785	228	29	200	25	391	50	255	32	325	41	20	3	23	3
Transportation	170	27	16	48	28	97	57	52	31	95	56	7	4	20	12
Parks and Recreation	93	7	8	38	41	39	42	26	28	36	39	0	0	11	12
Education and Culture	119	16	13	28	24	61	51	38	32	59	50	4	3	12	10
General Government and Finance	492	101	21	97	20	284	58	170	35	165	34	4	1	4	1
<u>Counties, by Service Category</u>	909	185	20	271	29	460	51	293	32	299	33	21	2	77	8
Public Safety and Corrections	234	44	19	91	39	112	48	73	31	62	27	1	..	14	6
Public Works and Utilities	189	35	19	56	30	99	52	51	27	57	30	2	1	10	5
Health and Welfare	261	54	21	59	23	132	51	90	35	106	41	10	4	33	13
Transportation	30	4	13	9	30	15	50	6	20	19	63	2	7	6	20
Parks and Recreation	22	3	14	6	27	8	37	10	46	5	23	1	5	7	32
Education and Culture	40	4	10	10	25	24	60	22	55	19	48	3	8	5	13
General Government and Finance	133	41	31	40	30	90	69	41	31	31	23	2	2	2	2

\*Percentages add to more than 100 because multiple reasons were given for some contracts.

Note: For detail by individual services, see Appendix Tables B-1 and B-2.

Source: ACIR-ICMA, 1983.

Table 4-8

Reasons for Entering into Joint Service Agreements, 1983

Total Number of Agreements	Reasons*													
	Lack Qualified Personnel		Lack Facilities		Achieve Economies of Scale		Eliminate Duplication		Need Larger Area		Remove Politics		Citizen Demand	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Total, Cities and Counties	3319	12	732	22	1770	53	1248	38	1539	46	83	2	150	4
<u>Cities, by Service Category</u>	2432	12	572	24	1294	53	898	37	1168	48	55	2	107	4
Public Safety and Corrections	565	12	147	26	301	53	217	38	272	48	11	2	16	3
Public Works and Utilities	543	8	146	27	302	56	166	31	260	48	13	2	12	2
Health and Welfare	569	21	149	26	282	50	219	39	266	47	14	3	37	7
Transportation	153	7	22	14	78	51	44	29	108	71	5	3	13	9
Parks and Recreation	144	4	45	31	70	49	58	40	61	42	4	3	12	8
Education and Culture	165	4	24	15	93	56	67	41	93	56	3	2	14	9
General Government and Finance	293	14	39	13	168	57	127	43	108	37	5	2	3	1
<u>Counties, by Service Category</u>	887	11	160	18	476	54	350	39	371	42	28	3	43	5
Public Safety and Corrections	184	11	44	24	102	55	102	55	73	40	6	3	8	4
Public Works and Utilities	135	13	29	22	75	55	44	33	54	40	2	1	5	4
Health and Welfare	304	14	47	16	154	51	99	33	116	38	6	2	20	7
Transportation	55	5	11	20	27	49	15	27	33	60	6	11	3	5
Parks and Recreation	47	2	6	13	27	57	20	43	28	60	2	4	3	6
Education and Culture	52	6	14	27	25	48	22	42	15	29	0	0	3	6
General Government and Finance	110	10	9	8	66	60	48	44	52	47	6	5	1	1

\*Percentages add to more than 100 because multiple reasons were given for some agreements.  
 Note: For detail by individual services, see Appendix Tables B-3 and B-4.

Source: ACIR-ICMA, 1983.

The prominence of "economies of scale" as a motivator also helps explain the survey's findings regarding the major providers of services and the types of services provided, under both contracts and agreements. Cities depend most heavily on counties for services under both types of arrangement. Counties generally are larger than cities in area and therefore are more able to offer economies of scale by themselves. In addition, many of the services most frequently provided to cities under both contracts and agreements involve substantial capital investment: jails and detention homes, sewage disposal, water supply, solid waste disposal, and police and fire communications. Economies of scale generally are associated with capital-intensive activities.

Negotiation and Evaluation of Contracts and Agreements

Different groups of local officials are involved in negotiating service contracts and agreements. Among the responding cities, managers or other appointed executives are the most active, being involved in 62% of the cases (Table 4-9). Other participants are the manager's staff, 29% of the time, the mayor and council -- each 28%, and other officials 10%. Among the counties, negotiating responsibility tends to be slightly more concentrated in the commissioners (or supervisors). They participate in 45% of the cases, appointed executives 43%, elected executives 24%, and other officials 25%.

The different patterns in cities and counties reflect, of course, the different organizational structures of cities and counties, with cities tending toward more concentration of executive power in the elected mayor or

Table 4-9

Officials Who Negotiate Service Contracts and  
Joint Agreements, 1983\*

	Total Respond- ing to Question	Mayor/ Elected Executive		Council/ Commission		Manager/ Adminis- trator		Manager's/ Adminis- trator's staff		Other	
		No.	%	No.	%	No.	%	No.	%	No.	%
		<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>
Total, Cities and Counties	1638	449	27	510	31	947	58	436	27	216	13
Cities	1293	366	28	355	28	800	62	370	29	130	10
Counties	345	83	24	155	45	147	43	66	19	86	25

\*Percentages add to more than 100 because more than one category of officials are involved in negotiations in many jurisdictions.

Source: ACIR-ICMA, 1983.

the appointed manager or chief administrator. A breakdown of the survey results by cities and counties and governmental forms within each group indicates that in 55% of the mayor-council cities, the mayor participates in the negotiations, and in 80% of the council-manager cities the manager is involved. In counties without an administrator, the commission participates in 58% of the negotiations as against 21% for an administrative officer; yet in counties with an administrator, the comparable figures are 30% and 67%.

All but a few of the responding localities report that approval by their governing boards is required before entering into service contracts (cities 96%, counties 95%) and joint agreements (cities 96%, counties 96%). Three percent of the municipalities and fewer than 1% of the counties require voter approval of these arrangements. The higher figure for municipalities is due to the 28 "town meeting" towns grouped under municipalities. Forty-three percent of those towns responding indicated the need for voter approval, which doubtless meant a vote at the town meeting.

The citizens' level of satisfaction with public services was reported by 60% of the cities and 61% of the counties as the principal method for evaluating the performance of intergovernmental service arrangements. The next most common methods were periodic inspection by appropriate personnel (cities 58%, counties 56%) and cost-benefit analysis (cities 56%, counties 52%).

The close similarity of the cities' and counties' responses on the issues of approval and evaluation probably demonstrates how similar to cities many large counties have become in policy control and management.

#### Adverse Factors that Inhibit Service Contracts and Joint Agreements

Respondents indicate that the main inhibition to entering into intergovernmental service arrangements is the limitation that the arrangements place on local autonomy (Table 4-10). One would expect such an inhibition might be more common to joint agreements than to contracts because joint agreements often require the consent of more parties than contracts (as shown by the number of providers in Tables 4-3 and 4-6). Yet, just about as high a percentage of localities reported inhibitions on local autonomy by contracts (57%) as by joint agreements (59%). Municipalities and counties report this factor with about the same degree of frequency for joint agreements, but relatively more cities found it a problem in service contracts than did counties.

The fear of loss of control was echoed in one response by a village manager in Florida who wrote that "history, politics, and preference to retain autonomy steers our government away from agreements of all types." Similar concerns were expressed by other respondents. This finding is also consistent with the literature in the field. According to Beth Walter Honadle, an economist for the U.S. Department of Agriculture, "[s]ome officials feel that they are giving up local prerogatives when they agree to cooperate with another jurisdiction. . . . This is particularly true when the service is relatively controversial or unstandardized."<sup>4</sup> A study of public service delivery structures conducted by the Institute of Government and Public

Table 4-10

Adverse Factors Inhibiting  
Intergovernmental Service Arrangements, 1983\*

	Total Respond- ing	Limita- tions on Inde- pendence		Inequitable Apportion- ment of Cost		Adverse Public Reaction		Termina- tion Restric- tions		Other	
		No.	%	No.	%	No.	%	No.	%	No.	%
<u>Service Contracts</u>											
Total, Cities and Counties	1216	698	57	416	34	188	16	91	8	103	9
Cities	983	574	58	326	33	156	16	67	7	81	8
Counties	233	124	53	90	39	32	14	24	10	22	9
<u>Joint Service</u>											
<u>Agreements</u>											
Total, Cities and Counties	1145	670	59	386	34	152	13	80	7	90	8
Cities	908	527	58	297	33	124	14	60	7	73	8
Counties	237	143	60	89	38	28	12	20	8	17	7

\*Percentages add to more than 100 because respondents marked more than one "most adverse factor."

Source: ACIR-ICMA, 1983.

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Affairs at the University of California found an inverse relationship between the use of service contracts and preference for local control -- as the "value" attached to local control goes down, the use of service contracts increases.<sup>5/</sup>

Inequitable apportionment of cost was the next most frequently cited factor inhibiting service contracts and joint agreements. Counties found this factor more of a problem than cities did.

Localities of 500,000 population and over report that joint service agreements place more limitations on local autonomy than service contracts. This fact, however, does not appear to deter them from negotiating joint agreements, inasmuch as they enter into such agreements more often than service contracts. Officials apparently are willing to accept the tradeoffs sometimes associated with joint service agreements. One assistant manager in Pennsylvania commenting in the survey on the impact of joint service agreements indicated "[o]verall, excellent experience. [We] give up some control, but receive a higher level of service in a more efficient manner." And another assistant manager in Indiana wrote that "[joint service agreements are] often difficult to negotiate in terms of equitable distribution of costs, but by and large have provided uniform and satisfactory service levels."



State and Federal Encouragement of  
Contracts and Agreements

Only a handful of the responding cities and counties feel that state laws restrict their ability to enter into either form of service arrangement. Eight percent of the cities report restrictions on contracts, 7% on joint agreements; the comparable figures for counties are 12% and 13%. For both cities and counties, the principal type of limitations concern the kinds of service that may be provided.

In contrast, 57% of the reporting cities and 64% of the counties indicate that their state governments encourage using these arrangements. Encouragement involves technical assistance in 64% of the cities and 58% of the counties responding, grants-in-aid in 38% of the cities and 40% of the counties, and financial assistance for planning in 36% of the cities and 37% of the counties (Table 4-11). Twenty-three percent of the respondents reported that the other major form of encouragement is the states' enabling legislation allowing them to cooperate with other units of government.

Regional differences are evident. Localities in the Northeast more frequently reported that their state governments restricted using contracts and agreements by limiting the types of services that could be provided, but

Table 4-11

Types of State Encouragement of  
Intergovernmental Service Arrangements,  
by Region, 1983

	Total Respond- ing	Incentive Grant		Financial Assistance to Planning		Technical Assistance		Other	
		No.	%	No.	%	No.	%	No.	%
Total, Cities and Counties	861	334	39	309	36	537	62	198	23
<u>Cities</u>	658	253	38	234	36	419	64	147	22
Northeast	204	93	46	86	42	147	72	28	14
North Central	185	67	36	62	34	112	61	46	25
South	163	54	33	52	32	108	66	39	24
West	106	39	37	34	32	52	49	34	32
<u>Counties</u>	203	81	40	75	37	118	58	51	25
Northeast	33	14	42	11	33	24	73	6	18
North Central	54	20	37	18	33	25	46	13	24
South	86	31	41	34	45	50	67	18	24
West	41	16	39	12	29	19	46	14	34

Source: ACIR-ICMA, 1983.

somewhat paradoxically they also reported a higher incidence of state encouragement than in any region.

Fewer than 2% of the reporting cities and counties believe that federal statutes and regulations restrict their ability to enter into intergovernmental arrangements. Approximately 20% report federal encouragement of service contracts and joint agreements, with counties feeling somewhat more so than cities. Respondents were asked to describe such encouragement, but few did.

#### Survey Respondents' General Comments

Survey respondents were asked at the conclusion of the questionnaire to comment on the impact intergovernmental service contracts, joint service agreements and functional transfers had on their jurisdiction, with a separate space allocated to each type of approach. Out of the 2,089 total respondents, approximately 394 responded to the question.<sup>6/</sup> Their comments varied considerably. They may be grouped into seven categories:

1. Positive Comments -- advantages of intergovernmental arrangements were specifically listed. Example: "Our joint service agreements have eliminated service duplication, increased efficiency in delivery of services, and lowered costs." (Illinois City)
2. Negative Comments -- disadvantages of intergovernmental arrangements were specifically listed. Example: "The joint service agreements, many of which are informal, have resulted in the city providing more of its fair share for support of these services." (Texas City)
3. Positive/Negative Comments -- respondents indicated trade-offs; advantages and disadvantages were specifically listed. Example: "While joint service agreements have reduced the cost per unit of service delivered, there is a certain amount of control which is lost by the municipality in planning and meeting the city's goals." (Texas City)
4. General Comments -- respondents did not indicate the type of impact the arrangements had on their jurisdiction, only that they utilized such arrangements or were considering using them. Example: "We are about to enter into an agreement ... for maintenance of radio and all communication equipment." (Ohio City)
5. General Negative Comments -- respondents only indicated general dissatisfaction with the arrangements but did not list any specific reasons; or listed barriers which hampered usage of such arrangements. Example: "I think this is of no value." (Iowa City) "The

Table 4-12

Local Officials' Open-Ended Comments on  
Impact of Service Contracts and Joint Agreements, 1983

	<u>Service Contracts</u>		<u>Joint Agreements</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Positive Comments/Advantages	123	31	100	25
Negative Comments/Disadvantages	16	4	18	5
Positive-Negative Comments/ Advantages-Disadvantages	39	10	25	6
General Statements	42	11	63	16
General Positive Statements	39	10	32	8
General Negative Statements	12	3	5	1
No Response-N/A	123	31	151	39
 TOTAL RESPONDING	 394	 100	 394	 100

Source: ACIR-ICMA, 1983.

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city and county have, historically, not communicated very well." (Missouri City)

6. General Positive Comments -- respondents only indicted satisfaction with the arrangements but did not list any specific reason. Example: "Seem to work very well . . . ." (Washington City)
7. No Response -- the majority of respondents commented on one or two but not all three sections of the open-ended question. Some sections were left blank or the respondent indicated a particular type of arrangement was not used in his or her jurisdiction.

Table 4-12 shows the distribution of responses in each of the above categories for service contracts and joint agreements. Responses relative to service transfers are analyzed in a later section.

A substantial majority of the officials cited positive experiences: the ratio of positive to negative was almost eight to one for service contracts and over five to one for joint agreements.

Eight reasons for utilizing these arrangements predominated: (1) lower costs and economies of scale, (2) better management, (3) better services and higher levels of service, (4) avoiding or eliminating duplication, (5) more uniform services, (6) increased efficiency, (7) obtaining services or personnel not available to government or only at high costs, and (8) useful in adjusting to cutbacks and recession (Table 4-13).

Table 4-13

Reasons for Positive Responses to the  
Open-Ended Question, 1983\*

	<u>Service Contracts</u>		<u>Joint Agreements</u>	
	<u>Number of Comments</u>	<u>As Percent of 123 Respondents</u>	<u>Number of Comments</u>	<u>As Percent of 100 Respondents</u>
Lower Costs/Economies of Scale	94	76	78	78
Better Management	16	13	12	12
Better Service/ Higher Level of Services	42	34	36	36
Avoid/Eliminate Duplication	23	19	21	21
More Uniform Services	10	8	7	7
Increased Efficiency	9	7	16	16
Obtain a Service/Personnel Not Available to Government or Only at High Cost	27	22	12	12
Useful in Adjusting to Cutbacks/ Recession	5	4	5	5

\*Percentages add up to more than 100 because of multiple responses.

Source: ACIR-ICMA, 1983.

Obviously, these reasons overlap: "avoid or eliminate duplication" implies "lower costs," as do "increased efficiency" and "useful in adjusting to cutbacks and recession." In any case, "lower costs" stands out, cited specifically by over 75% of the respondents commenting on both contracts and joint agreements, and implicit in some of the other categories. "Better services and higher levels of service" ranks next highest. In view of the widespread emphasis given these alternative approaches in making the adjustments necessitated by economic recession, it is noteworthy that only about 5% of the respondents explicitly gave that as a major reason for turning to contracts and agreements.

Of the five major problems identified in the relatively few negative responses to the open-ended question, "loss of control" was most frequently cited: by 56% of the commenters on service contracts and 33% of those commenting on joint agreements (Table 4-14). In light of the fact that "lower costs" was the principal reason for favoring these arrangements, it is ironic that "increased costs and inequitable costs" are the second most cited negative reasons. Perhaps the respondents meant to lay more emphasis on "inequitable" than "lower," but considering the many jurisdictions using these approaches and the variety of experiences they encounter, undoubtedly some have found them more costly than their previous arrangements for service delivery.

Some officials indicated that the intergovernmental arrangements had

Table 4-14

Reasons for Negative Responses to the  
Open-Ended Question, 1983\*

	<u>Service Contracts</u>		<u>Joint Agreements</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Loss of Control	9	56	6	33
Increased Costs/Inequitable Costs	3	19	5	28
Politically Infeasible	1	6	3	17
Inequitable Service Levels	3	19	2	11
Reduction in Service Levels/ Quality of Services	1	6	1	6

\*Percentages add up to more than 100 because of multiple responses.

Source: ACIR-ICMA, 1983.

both positive and negative results for their jurisdiction. For example, several respondents said that joint agreements yielded substantial cost savings for the participating localities, despite the fact that they were difficult to manage. Comments such as, "Costs have been higher; however, we believe there is better management and more uniform service delivery," made by an official of a Wisconsin city, suggest that officials are willing to accept the trade-offs sometimes associated with such intergovernmental arrangements.

In general, the open-ended comments reflect the same pattern of reaction as that given by the respondents when asked earlier in the questionnaire to indicate which of seven specified reasons best explained their government's use of service contracts and joint agreements. Certainly, the leading reason was the same: economies of scale.

Recent Trends (1972-83)

As noted at the outset, comparison with ACIR surveys of municipal contracting and joint agreement activity in the early 1970s offers an opportunity to see if any trends have developed over the past decade. Trend data are available only for municipalities (cities), however; the earlier survey did not provide comparable data on counties. Moreover, the data on joint agreements is confined to the magnitude of such activity, because ancillary data concerning such matters as the reasons for entering into agreements and evaluation and approval procedures were obtained only for contracting activity in the previous surveys.

Intergovernmental Service Contracts

Comparison of the 1972 and 1983 survey data indicates a decline in intergovernmental service contracting by cities over the past decade. In 1972,

59% of the responding cities said they had such contracts; in 1983, the proportion had dropped to 52%. Considering the mounting interest in, and publicity about contracting as a more cost-effective method of service delivery in recent years, this finding may be surprising. A number of factors may explain the apparent decline.

One is the increase in cities' contracting with private firms rather than with other governments, reported widely in the literature and documented in ICMA's 1982 survey. Data from the latter show that for 23 comparable services, cities' contracting with private firms relative to their contracting with governments was substantially greater in 1982 than in 1972.<sup>7/</sup> Another factor is cities' increased use of joint service agreements, reported later in this section. Such agreements probably were used in 1983 in situations where contracts were used in the earlier year. A third possible explanation is the expanded role of counties as performers of urban services.<sup>8/</sup> To the extent that counties perform such services, there is no need for city action, either directly or via intergovernmental contracts. Finally, some part of the difference between the figures for 1972 and 1983 may be due to the 5% plus or minus statistical error that is present in all such data.

In other respects, the findings from the 1983 survey on the incidence of city contracting are similar to those documented by ACIR in 1972. In both years the more populous units of government tended to enter into service contracts more frequently than smaller units, and central and suburban cities did noticeably more contracting than independent cities (i.e., cities outside SMSAs). Western cities led those of the other regions, but whereas cities of the South did the least contracting in 1972, this role fell to Northeastern cities in 1983. As in 1972, cities with the council-manager form of government in 1983 contracted more frequently than those with the mayor-council, commission, or town meeting forms of government.

#### Services Purchased by Contract

Table 4-15 lists in rank order the ten services that cities contracted for most frequently in 1972 and 1983, according to the two surveys.

Discerning trends from this table is complicated by differences in the list of services used in the two questionnaires. The 1972 survey listed 72 services. For several reasons, including an effort to encourage a greater response, the 1983 survey reduced the number to 42, eliminating some items and combining others while trying to maintain as much similarity as possible. As a consequence, the two lists, although generally comparable, are not exactly alike. Despite this problem, however, three points stand out in Table 4-15:

- + Jails and detention homes clearly are the dominant service for which cities contracted in both years.
- + Sewage disposal and animal control services appeared in the top ten also in both years.

Table 4-15

Ten Most Frequently Purchased Contract Services,  
by Cities, 1972 and 1983

<u>Rank</u>	<u>Contracted Service</u>	
	<u>1972</u>	<u>1983</u>
1	Jails/Detention Homes	Jails/Detention Homes
2	Police Training	Sewage Disposal
3	Libraries	Tax Assessing
4	Crime Laboratory	Animal Control
5	Police Communications	Water Supply
6	Public Health Services	Solid Waste Disposal
7	Sewage Disposal	Police/Fire Communication
8	Civil Defense	Tax/Utility Bill Processing
9	All Fire Services	Traffic Signal Installation/Maintenance
10	Animal Control Services	Sanitary Inspection

Source: ACIR-ICMA, 1972 and 1983.

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+ The primary functional emphasis in the top ten shifted from public safety in 1972 to public works and utilities in 1983. The extent to which this shift reflects a national change in city emphasis from criminal justice to physical infrastructure is, of course, a question.

Service Providers

The problem of service comparability also complicates the task of identifying changes, if any, in the use of different service providers under intergovernmental contracts. This problem can be met to some extent by limiting the service comparison to the 25 that are unequivocally the same in both years. Reducing the overall number of services in this fashion limits broad-based comparative analyses of certain parts of 1972 and 1983 survey data, but it is a fairly reliable method of controlling for the variations between service listings in the two surveys.

A second difficulty in identifying changes in the use of different providers arises because the 1972 survey did not distinguish between cities and counties as providers -- they were lumped in the single category of "local governments," which actually meant general purpose local governments. This problem can be dealt with by similarly combining city and county providers in the 1983 survey into the "local government" category.

Using these modifications, the comparison of the survey results of the two years shows that:

+ In 1972, general purpose units of local government were

providers under 68% of all service contracts and were the primary providers in 24 of the 25 services examined. Transportation services were the single exception; regional and other special districts or authorities were the dominant providers in this area. By 1983, cities and counties constituted 83% of all providers of contractual services. Of the 25 services, general purpose localities still were the primary providers in 24. Once again, transportation was the exception, being primarily provided by regional and other special districts.

- + In 1972, 4% of the service contracts were entered into with local school districts, 19% with regional and other special districts, and 10% with state governments. In contrast, in 1983, 2% of the service contracts were with school districts, 12% with special districts, and 9% with state governments.

Clearly, a major shift occurred in cities' intergovernmental contracting -- a shift toward contracting with general-purpose units and away from regional and other special districts.

#### Reasons for Entering into Intergovernmental Service Contracts

During this 11-year period, "economies of scale" remained the dominant reason cited by the cities for engaging in intergovernmental service contracts. It was cited overwhelmingly in 1972 for contracts involving financial services, general government services, public safety and corrections services, and education and cultural services. In 1983, it was the primary incentive for the majority of contracts for public safety and corrections, public works and utilities, health and welfare, and general government and finance services.

It might be assumed that the high rating of "economies of scale" in that year reflects heightened interest in the value of contracting as a way of adjusting to service cutbacks necessitated by the recession of the early 1980s. Yet few respondents to the open-ended question cited cutbacks as a major reason for turning to contracts and agreements. Perhaps the infrequent mention of "cutback adjustments" in the open-ended question was because it was not among the seven options presented explicitly in an earlier question as a reason for contracting.

"Need for larger area" was almost equally as important as "economies of scale" for education and cultural services contracts. In both the 1972 and 1983 surveys, transportation contracts were the major exception where "economies of scale" did not dominate as the main motivating factor. Here, too, in 1983, the need for larger area was a prime motivator.

#### Negotiation and Evaluation of Contracts

The 1972 and 1983 surveys both addressed the question, "Which officials



negotiate intergovernmental service contracts?" In 1972, the mayor and council as a team were the most frequent participants in negotiations (36%). The manager or administrator (34%) was next, followed by the manager and council as a team (26%). The 1983 survey found managers or other appointed executives to be the primary negotiators (62%). Participation rates of other officials were: the manager's staff (29%) and the mayor and the council (each 28%). If the data show any kind of trend, it is toward placing more negotiating responsibility in executive or administrative officials and less in the council or commission.

During this period, however, the legislative body dominated in approving service contracts. Ninety-six percent of the responding cities in 1983 reported that their governing boards' approval was required, as against 93% in 1972. Only a few cities in either survey indicated that voter approval of contracts was required.

Cities have made a significant shift in the way they evaluate service contracts (Table 4-16). Use of performance measures was the principal method

Table 4-16

Cities' Methods of Evaluating Intergovernmental Service Contracts, 1972 and 1973\*

Year	Total Responding	Periodic Inspection		Cost Benefit Analysis		Levels of Citizen Satisfaction		Performance Measures		Other	
		No.	%	No.	%	No.	%	No.	%	No.	%
1972	1383	670	48	512	37	754	55	768	56	56	4
1983	1150	661	58	643	56	684	60	497	43	43	6

\*Percentages add to more than 100 because respondents used more than one method.

Source: ACIR-ICMA, 1972 and 1983.

in 1972 (56%) followed by reliance on the level of citizen satisfaction with service delivery (55%), and periodic inspection by local personnel (48%). In contrast, 60% of the responding cities reported citizens' level of satisfaction as the principal method of evaluation in 1983. Periodic inspection by local personnel (58%) and cost-benefit analysis (56%) were the next most common methods.

It is risky to draw firm conclusions about what these shifts mean. They might mean, for example, some disenchantment with performance measures offset by heightened interest and improvement in cost-benefit analysis. The slight rise in reliance on citizen reaction, on the other hand, may reflect a spread-

ing conviction that the worth of a service depends in the final analysis on the citizens' response.

#### Adverse Factors Inhibiting Service Contracts

Cities' concern for retaining control over service delivery persisted throughout the period between surveys. Fifty-eight percent of the responding cities in 1983 reported that limitations on independence (the potential to lose control of the service) was the major factor inhibiting their entering into service contracts; in 1972, 49% had expressed such concern (Table 4-17).

Table 4-17

#### Adverse Factors Inhibiting Cities' Intergovernmental Service Contracts, 1972 and 1983\*

Year	Total Responding	Limitations on Independence		Inequitable Apportionment of Cost		Adverse Public Reaction		Restrictions on Terminating Arrangement		Other	
		No.	%	No.	%	No.	%	No.	%	No.	%
1972	1463	718	49	339	23	137	9	29	2	247	17
1983	983	574	58	326	33	156	16	67	7	81	8

\*Percentages add to more than 100 because respondents marked more than one adverse factor.

Source: ACIR-ICMA, 1972 and 1983.

The fear of loss of control increased most among cities of 250,000 population and over. In 1972, 39% of these cities reported such concern, in contrast to 54% in 1983. No change occurred during this period among cities under 10,000 population.

Inequitable apportionment of cost was the next most frequently cited factor inhibiting service contracts in both years. Thirty-three percent of the officials in 1983 reported this factor, an increase from 23% in 1972.

Perhaps the most noteworthy differences between the two years is that the official responding was inclined to cite appreciably more "adverse factors" in 1983 than in 1972: an average of 1.22 in 1983 compared to 1.0 in 1972.

#### State and Federal Impact on the Use of Service Contracts

Only a small percentage of responding cities in 1972 and 1983 felt that state laws restricted their ability to enter into service contracts. On the

contrary over half of the respondents in both surveys indicated that their state government encouraged using service contracts. However, there has been a decrease in the proportion of cities reporting such encouragement: from 76% in 1972 to 57% in 1983 (Table 4-18).

Table 4-18

State Encouragement of Service Contracts, 1972 and 1983\*

<u>Cities</u>	<u>Total Responding</u>	<u>Reported State Encouragement</u>		<u>Type of Encouragement</u>							
				<u>Incentive Grants-In-Aid</u>		<u>Financial Assistance for Planning/Studies**</u>		<u>Technical Assistance</u>		<u>Other</u>	
		<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>
1972	1904	1440	76	685	48	601	42	812	56	160	11
1983	1315	744	57	253	38	234	36	419	64	147	22

\*Percentages add to more than 100 because respondents marked more than one factor.

\*\*This factor was listed as financial assistance for planning in the 1983 survey and financial assistance for studies in the 1972 survey.

Source: ACIR-ICMA, 1972 and 1983.

No obvious reason comes to mind for this decline. The literature in the field, to the contrary, indicates that state governments have been assisting local governments in recent years by publishing procedural manuals to facilitate intergovernmental contracting.<sup>9/</sup> In some states, moreover, constitutional provisions and statutes have been enacted to give local officials increased discretion and flexibility in contracting. It may be, however, that narrow legal interpretations of these authorizations by judges and attorneys general are constraining factors.<sup>10/</sup>

The types of encouragement offered by states to local governments also have changed. In 1972 they consisted primarily of technical assistance (56%) and grants-in-aid (48%). In 1983, the number of cities that reported technical assistance as the major form of encouragement increased to 64%, but grants-in-aid declined to 38%. This finding may reflect the financial strain experienced by numerous states in the 1981-83 economic recession.

There has been little change in the proportion of cities believing that federal statutes and regulations restrict their ability to engage in intergovernmental contracts -- less than 2% in both years. On the other hand, the number of cities that report federal encouragement decreased from 49% in 1972

to 20% in 1983. The few respondents who specified the type of federal encouragement in 1983 mentioned grants-in-aid most frequently. The decline in federal grants, particularly those that encouraged an areawide approach to service delivery, may be one possible explanation for the decline in the number of cities reporting federal encouragement.

Joint Agreements

From 1972 to 1983, the number of cities participating in joint service agreements increased markedly: from 35% to 55% of the responding cities. Inasmuch as joint agreements are an alternative to service delivery by contract, this increase probably accounts for at least part of the slight decline in the use of contracts during the same period.11/

Aside from this major finding, few appreciable changes occurred in the use of joint agreements, and those that did were similar to the trends in cities' use of contracts. Data from both years indicate that the tendency to enter into agreements is directly related to population size. In addition, central cities participate more frequently than suburban and independent communities. Cities in the West continued to participate in joint agreements more frequently than their counterparts in other regions.

In 1972, Southern cities utilized agreements less often than cities in other regions, but in 1983, Northeastern cities showed the lowest regional participation. Cities with council-manager forms of government remained more likely to engage in agreements than cities with other forms of government.

As Table 4-19 reveals, the type of services most frequently provided

Table 4-19

Ten Services Most Frequently Provided to Cities  
Under Joint Agreements, 1972 and 1983

<u>Rank</u>	<u>Joint Agreement Service</u>	
	<u>1972</u>	<u>1983</u>
1	Sewage Disposal	Libraries
2	Fire Service	Police/Fire Communications
3	Recreation	Sewage Disposal
4	Libraries	Fire Prevention/Suppression
5	Solid Waste Disposal	Jails/Detention Homes
6	Planning	Solid Waste Disposal
7	Public Health	Emergency Medical/Ambulance
8	Ambulance	Animal Control
9	Police	Recreational Facilities
10	Water Supply	Water Supply

Source: ACIR-ICMA, 1972 and 1983.

through joint agreements remained almost identical. Seven of the ten leading services in the surveys are the same in both years, although there were shifts in their relative position.

\* \* \* \* \*

#### FOOTNOTES

1/ ACIR, Jails: Intergovernmental Dimensions of a Local Problem, A-94, Washington, DC, U.S. Government Printing Office, 1984, p. 126.

2/ Not shown in text tables.

3/ David R. Morgan and others, "Alternative to Municipal Service Delivery: A Four-State Comparison," in Southern Review of Public Administration, Vol. 5, No. 2, Summer 1981, p. 194.

4/ Beth Walter Honadle, "Providing Community Services: The Cooperation Factor," National Civic Review, Vol. 70, No. 7, July 1981, pp. 353-54.

5/ Sidney Sonenblum, John C. Ries and John J. Kirlin, Selecting Structures for Providing Municipal Services, Los Angeles, CA, Institute of Government and Public Affairs Publications, UCLA, 1975, p. 50.

6/ A few additional questionnaires with comments were received after this analysis was completed but the comments did not change the general sense of those summarized here.

7/ See section below, "Private Sector Approaches to Delivery of Public Services," subsection on "Trend in Private Contracting: A Cautious Comparison."

8/ ACIR, State and Local Roles in the Federal System, A-88, Washington, DC, U.S. Government Printing Office, 1982, pp. 236-40.

9/ Ibid., p. 331.

10/ Ibid., p. 331; see also Illinois Commission on Intergovernmental Cooperation, Barriers to Intergovernmental Cooperation: An Interpretation of Article VII, Section 10, of the Illinois Constitution, Research Memorandum No. 71, September 1982.

11/ It is important to note that the design of the joint agreement section of the 1983 questionnaire was more likely to elicit a response than that of its 1972 counterpart. This change may have contributed to the reported increase in intergovernmental activity in this area. However, much of the relevant research by others found similar increases.



## Chapter 5

### INTERGOVERNMENTAL TRANSFERS OF SERVICES: PRESENT STATUS (1983) AND TRENDS (1975-83)

This section summarizes and interprets the results of the 1983 ACIR-ICMA mail survey of cities' and counties' service transfers, and traces trends by comparing those results with similar data from the ACIR-ICMA survey of 1975.

#### Current Incidence (1983)

The 1983 survey sought information on two kinds of service transfers: transfers from cities and counties and transfers to cities and counties. The two types are treated here in that order.

Care must be taken in interpreting the survey data on transfers, because the questionnaire defined intergovernmental service transfers narrowly as the permanent transfer of total responsibility for providing a service. It also differentiated between providing a service and delivering a service, defining the former as taking responsibility for deciding that a service should be made available and then arranging for and funding the delivery of that service. This emphasis on "permanent" and "providing" was intended mainly to alert the respondents to the distinction between merely contracting for services -- in which the contracting unit does not surrender responsibility for seeing that the service is provided -- and actually surrendering that responsibility to another entity. It is not altogether clear that the respondents always made this distinction, and to the extent that they did not, some unknown number of "transfers" probably actually were contracts. This question comes up in particular reference to transfers to private firms and nonprofit agencies, because it seems unlikely that city or county governments could have given up responsibility for some of the services reported to have been transferred to such entities, for example, engineering/architectural services. Further comment on this point is made at appropriate places in the following analysis.

#### Transfers FROM Cities and Counties

Since 1976, 710 or 40% of the 1,786 responding cities and counties transferred the responsibility for a service to another governmental unit, to a private firm, or to a nonprofit agency (Table 5-1).

The responses indicate that the tendency to transfer a service is related to a jurisdiction's population size. Of the localities with of 250,000 or more people, 58% report transfers, in contrast to 25% of the respondents with populations below 10,000.

Cities and counties transferred services with about the same degree of frequency: 40% and 39%, respectively. However, larger cities have a greater

Table 5-1

Service Responsibilities Transferred FROM Cities and Counties Since 1976

<u>Classification</u>	<u>Cities Responding</u>	<u>Service Transfers From Cities</u>		<u>Counties Responding</u>	<u>Service Transfers From Counties</u>		<u>Total Number Responding</u>	<u>Total Number of Service Transfers</u>	
		<u>No.</u>	<u>%</u>		<u>No.</u>	<u>%</u>		<u>No.</u>	<u>%</u>
Total, Cities and Counties	1413	565	40	373	145	39	1786	710	40
<u>Population Category</u>									
Over 1,000,000	3	3	100	9	4	44	12	7	58
500,000-1,000,000	7	6	86	17	7	41	24	13	54
250,000-499,999	15	12	80	39	20	51	54	32	59
100,000-249,999	66	36	55	98	53	54	164	89	54
50,000-99,999	121	49	41	122	42	34	243	91	37
25,000-49,999	324	152	47	26	5	19	350	157	45
10,000-24,999	645	247	38	31	9	29	676	256	38
5,000-9,999	90	28	31	16	3	19	106	31	29
2,500-4,999	112	24	21	6	0	0	118	24	20
Under 2,500	30	8	27	9	2	22	39	10	26
<u>Geographic Region</u>									
Northeast	325	109	34	47	19	40	372	128	34
North Central	408	155	38	109	35	32	517	190	37
South	394	176	45	154	59	38	548	235	43
West	286	125	44	63	32	51	349	157	45
<u>Metro Status</u>									
Central	217	133	61	...	...	...	217	133	61
Suburban	783	289	37	...	...	...	783	289	37
Independent	413	143	35	...	...	...	413	143	35
Metro	...	...	...	208	98	47	208	98	47
Nonmetro	...	...	...	165	47	29	165	47	29
<u>Form of Government</u>									
Mayor-Council	523	177	34	...	...	...	523	177	34
Council-Manager	801	357	45	...	...	...	801	357	45
Commission	35	14	40	...	...	...	35	14	40
Town Meeting	43	13	30	...	...	...	43	13	30
Representative									
Town Meeting	11	4	36	...	...	...	11	4	36
Without Administrators	...	...	...	198	71	36	198	71	36
With Administrators	...	...	...	175	74	42	175	74	42

Source: ACIR-ICMA Survey, 1983.



propensity to transfer than counties of similar size: 84% of the cities with populations of 250,000 and above made transfers, compared to 48% of counties of comparable size. Cities below 10,000 also had a greater tendency to transfer functions than similar-sized counties.

Over 60% of the central cities report functional transfers in comparison to 37% of the suburban cities and 35% of the independent cities. Metropolitan counties engage in transfers more frequently (47%) than nonmetropolitan counties (29%).

The rate of transfers is greater in the West and South (45% and 43% of the localities) than in the North Central and Northeast regions (37% and 34%).

Council-manager cities transfer functions more frequently than cities with other forms of government, and counties with administrators are similarly more active in transfers than counties without a chief administrator.

The greater incidence of transfers among larger cities than larger counties, among central cities than their suburban and rural counterparts, and among metropolitan counties than nonmetropolitan counties -- all these may well relate to greater diversity and complexity of service responsibility of the larger jurisdictions and perhaps greater readiness to undertake the major step of a transfer to ease fiscal pressures. The greater incidence of transfers among council-manager cities and counties with administrators possibly reflects -- among governments presumably more oriented toward modern management -- a greater openness toward, and willingness to undertake unconventional measures like transfers to reduce costs and improve delivery.

Services Most Frequently Transferred Away. Since 1976, a total of 1,412 functional transfers were made from the 710 cities and counties that reported such transfers. These included 1,168 transfers by 565 cities and 244 by 145 counties. The service most frequently transferred by cities was refuse collection, followed by solid waste disposal, animal control, and jail/detention homes. Counties most often transferred emergency medical/ambulance services, alcohol and drug rehabilitation, refuse collection, and jail/detention home services. The ten services most frequently transferred by cities, counties and the two combined are shown in Table 5-2. (For data on all services, see Appendix Tables B-5 and B-6.)

Localities in the four population groups of 50,000 population and over made most of their transfers in the health and welfare category of services; those between 10,000 and 49,999 population shifted mostly public works and utilities services, as did localities under 5,000 population; and those in the 5,000-9,999 population class concentrated on transfers of general government and financial services.

Recipients of Services Transferred Away. Over this seven year period, cities transferred services most frequently to counties. For 20 of the 42 services listed in the survey, counties were the primary recipients.

Ten services went primarily to private firms (including chiefly refuse

Table 5-2

Ten Services Most Frequently Transferred  
FROM Cities and Counties Since 1976

Rank	From Cities		From Counties		From Cities and Counties	
	Service	Number	Service	Number	Service	Total
1	Refuse Collection	124	Emergency Medical/Ambulance	16	Refuse Collection	139
2	Solid Waste Disposal	99	Alcohol and Drug Rehabilitation	16	Solid Waste Disposal	118
3	Animal Control	62	Refuse Collection	15	Animal Control	72
4	Jails/Detention Homes	61	Jails/Detention Homes	10	Jails/Detention Homes	71
5	Tax Assessing	55	Animal Control	10	Tax Assessing	58
6	Sewage Disposal	49	Street and Bridge Construction/Maintenance	10	Sewage Disposal	55
7	Police/Fire Communications	43	Recreational Facilities	10	Emergency Medical/Ambulance	54
8	Computer and Data Processing	42	Mental Health Services	10	Police/Fire Communications	52
9	Tax/Utility Bill Processing	41	Police/Fire Communications	9	Computer and Data Processing	50
10	Emergency Medical/Ambulance	38	Computer and Data Processing	8	Tax/Utility Bill Processing	44
			Hospitals	8		

Note: For data on all services, see Appendix Tables B-5 and B-6.

Source: ACIR-ICMA Survey, 1983.

collection, solid waste disposal, engineering/architectural services, and computer and data processing services), six went primarily to nonprofit agencies (including mainly recreational facilities and programs for the elderly), and two to regional units (mass transit system operation and water supply). For four services, no single recipient was the clear leader. In no cases were the state or other cities the primary recipient of a service transferred by a city.

Counties transferred 11 of the listed services primarily to cities, eight primarily to private firms (including mainly refuse collection and solid waste disposal services), seven to nonprofit agencies (including chiefly alcohol and drug rehabilitation and mental health services), six primarily to state government (including mainly jails/ detention homes), and the re-

mainder were transferred without any clear primary recipient. Other counties were never the primary recipients of services transferred by counties.

In interpreting these figures on the recipients of transfers, attention is directed to the question raised at the outset of this section: whether respondents properly distinguished between contracting with an outside agency for delivering a service and transferring responsibility for delivery to such an agency, despite the distinction spelled out in the survey instrument. Doubt rises because of the size of the reported number of certain services transferred to private firms and nonprofit organizations. For example, engineering and architectural services, building and grounds maintenance, and street lighting are among the services for which private firms were reported as the primary recipients of transfers. Conventional practice seems to indicate that, although the services may not actually be delivered by city or county personnel, most cities and counties would not be likely to turn over to private firms all responsibility for seeing that they are supplied.

Support for skepticism about the reported magnitude of transfers of these services to private firms and nonprofit organizations comes from the ICMA's 1982 survey on alternative delivery systems.<sup>1/</sup> That survey did not ask for information about functional transfers but did inquire about other alternatives to service provision than by cities' and counties' own employees, including contracting with private firms and nonprofit organizations. It found that 38% of the cities contracted with private firms for street lighting and 18% for building and grounds maintenance. ACIR's 1972 survey yielded similar information: 79% of the city respondents contracted for street lighting with private firms, and 86% contracted for engineering services.

Table 5-3 gives another perspective on differences between cities and counties in targeting their service transfers, showing how the transfers are distributed by major service category among the seven types of recipients. Details by individual service are shown in Appendix Tables B-5 and B-6.

The pattern of transfers to the several types of recipients is apparent: private firms tended to take on mechanized and production-type services (refuse collection, solid waste disposal, computer services), nonprofit agencies received human service activities (mental health, alcohol and drug rehabilitation, recreation, and programs for the elderly), and regional units took over services of an areawide nature (water supply, mass transit operation). The pattern seems logical in light of the particular characteristics or capabilities of each of these three types of provider.

Reasons for Transfers Away. Achievement of economies of scale was the primary reason given by the respondents for transferring services to other governmental units and to the private sector (Table 5-4 and Appendix Tables B-5 and B-6). Of the 1,412 reported service transfers, 50% were made for this reason. "More logical to organize beyond jurisdictional boundaries" (need for larger area) (28%) and elimination of duplication (21%) were the next most frequently cited explanations.

Although both cities and counties indicated that they transferred ser-

Table 5-3

Services Transferred FROM Cities and Counties, by Service Category and by Recipient

Total Number of Transfers	Number and Percent* of Services Transferred to ---													
	County		City		Special District		Regional Organization		State		Private Firm		Nonprofit Organization	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Total, Cities and Counties	469	33	140	10	75	5	112	8	92	7	392	28	163	12
<u>Categories of Services Transferred From CITIES</u>														
Public Safety and Corrections	106	65	22	13	5	3	11	7	11	7	7	4	6	4
Public Works and Utilities	74	19	23	6	15	4	31	8	28	7	198	52	10	3
Health and Welfare	127	49	16	6	10	4	12	5	13	5	26	20	57	22
Transportation	62	8	13	5	11	18	16	26	0	0	7	11	12	19
Parks and Recreation	51	10	20	0	8	16	0	0	2	4	14	27	13	25
Education and Culture	43	30	70	1	3	7	2	5	2	5	2	5	5	12
General Government and Finance	210	81	32	8	15	7	12	7	12	6	76	36	4	2
<u>Categories of Services Transferred From COUNTIES</u>														
Public Safety and Corrections	5	13	20	51	2	5	2	5	8	21	2	5	4	10
Public Works and Utilities	10	16	19	31	4	7	5	8	4	7	24	39	5	8
Health and Welfare	15	17	13	14	4	4	8	9	11	12	17	21	34	37
Transportation	8	1	13	3	0	0	2	25	0	0	2	25	4	50
Parks and Recreation	15	0	0	5	0	0	3	20	0	0	4	27	4	27
Education and Culture	7	1	14	3	1	14	1	14	0	0	0	0	2	28
General Government and Finance	22	1	4	2	0	0	4	17	1	4	13	57	3	13

\*Percentages add to more than 100 because some transfers involve more than one recipient.  
 Note: For detail by individual service, see Appendix Tables B-5 and B-6.

Source: ACIR-ICMA Survey, 1983.

Table 5-4

Reasons for Transferring Services, by Service Category, by Cities and Counties

	Total Number of Trans- fers	Number and Percent* of Reasons for Transferring Service													
		Lack Qualified Personnel		Lack Facili- ties		Achieve Economy of Scale		Eliminate Dupli- cation		Need Larger Area		Remove Politics		Citizen Demand	
		<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>
Total, Cities and Counties	1412	252	18	289	20	711	50	301	21	393	28	48	3	49	3
<u>CITIES, by Service</u>															
<u>Categories</u>	1168	194	17	240	21	607	52	249	21	331	28	36	3	39	3
Public Safety and Corrections	164	17	10	39	24	85	52	58	35	59	36	0	0	3	2
Public Works and Utilities	381	53	14	98	26	222	58	31	8	72	19	10	3	10	3
Health and Welfare	257	58	23	58	23	98	38	71	28	86	33	7	3	12	5
Transportation	62	4	6	6	10	30	48	13	21	33	53	10	16	6	10
Parks and Recreation	51	7	6	4	8	22	43	7	14	12	24	0	0	5	10
Education and Culture	43	2	5	5	12	17	40	17	40	29	67	1	2	2	5
General Government and Finance	210	53	25	30	14	133	63	52	25	40	19	8	4	1	-
<u>COUNTIES, by Service</u>															
<u>Categories</u>	244	58	24	49	20	104	43	52	21	62	25	12	5	10	4
Public Safety and Corrections	39	4	10	10	26	13	33	11	28	13	33	0	0	1	3
Public Works and Utilities	61	12	20	13	21	30	49	12	20	17	28	2	3	4	7
Health and Welfare	92	27	29	19	21	34	37	16	21	22	24	8	9	4	4
Transportation	8	1	13	1	13	6	75	3	38	2	25	1	13	0	0
Parks and Recreation	15	4	27	1	7	4	27	4	27	4	27	0	0	0	0
Education and Culture	7	4	57	2	29	2	29	1	14	1	14	1	14	1	14
General Government and Finance	22	6	27	3	14	15	68	5	23	3	14	0	0	0	0

- = less than 0.5.

\*Percentages add to more than 100 because some transfers were made for more than one reason.

Source: ACIR-ICMA Survey, 1983.

vinces principally to take advantage of economies of scale, some differences between the two are evident. Cities tended to cite economies of scale as the primary incentive more often (52%) than counties (43%). The only city transfers for which this was not the major reason were transportation and education and cultural services, where the need for a larger area was the chief motivator. In contrast, counties overwhelmingly (75%) transferred transportation services to take advantage of economies of scale. Counties also reported that economies of scale and lack of facilities were equally strong (29%) causes of their transferring education and culture services.

#### Transfers TO Cities and Counties

Cities and counties were queried about transfers to their jurisdictions as well as transfers away from them. Of the 1,533 responding localities, 514 or 34% reported transfers to their jurisdictions from other governmental units, private firms, and nonprofit agencies (Table 5-5 and Appendix Tables B-7 and B-8).

As might be expected, the more populous cities and counties are more likely to assume functional responsibility than smaller units. Sixty-six percent of the respondents with populations of 250,000 and over took on services, compared to 19% of those with populations below 10,000. The volume of the total transfers to localities, however, was greater among the smaller cities and counties simply because those units are more numerous.

Counties have a higher propensity to assume responsibility for a service via transfer (48%) than cities (29%). The 167 responding counties received 421 service transfers, an average of 2.5 per county; the 347 cities received 608, an average of 1.75.

Differences in the rate of functional assumptions for both counties and cities are slight among three of the regions (West, North Central, and South), but the rate is notably lower in the Northeast (26%), where New England's counties are nonexistent or minimal service providers.

Central cities reported service transfers to their jurisdictions more frequently (46%) than suburban (27%) and independent municipalities (25%). Approximately 55% of the metropolitan counties reported assumption of functional take-overs compared to 39% of nonmetropolitan counties. These differences may be a reflection of size as much as any other factor.

Consistent with the findings on service transfers away from local units, cities with council-manager governments most frequently assumed responsibility for services. Similarly, counties with the council-administrator or elected executive forms of government had services transferred to them more frequently than counties without a chief administrator.

Services Most Frequently Transferred to Localities. The service most frequently transferred to cities was emergency medical/ambulance service, followed by police/fire communications and traffic signal installation/maintenance. Counties most often received jails/detention homes, solid waste

Table 5-5

Services Transferred TO Cities and Counties Since 1976

Classification	Cities Respond- ing	Service Trans- fers To Cities		Counties Respond- ing	Service Trans- fers To Counties		Total Number Respond- ing	Total Number of Service Transfers	
		No.	%		No.	%		No.	%
Total, Cities and Counties	1186	347	29	347	167	48	1533	514	34
<u>Population Category</u>									
Over 1,000,000	3	2	67	8	4	50	11	6	55
500,000-1,000,000	5	3	60	18	14	78	23	17	74
250,000-499,999	11	7	64	40	26	65	51	33	65
100,000-249,999	61	23	38	96	53	55	157	76	48
50,000-99,999	96	37	39	108	45	42	204	82	40
25,000-49,999	290	110	38	21	7	33	311	117	38
10,000-24,999	529	132	25	28	10	36	557	142	26
5,000-9,999	74	20	27	14	6	43	88	26	30
2,500-4,999	93	6	7	6	0	0	99	6	6
Under 2,500	24	7	29	8	2	25	32	9	28
<u>Geographic Region</u>									
Northeast	277	65	24	45	20	44	322	85	26
North Central	349	113	32	100	48	48	449	161	36
South	312	92	30	142	61	43	454	153	34
West	248	77	31	60	38	63	308	115	37
<u>Metro Status</u>									
Central	184	84	46	...	...	...	184	84	46
Suburban	663	180	27	...	...	...	663	180	27
Independent	339	83	25	...	...	...	339	83	25
Metro	...	...	...	198	109	55	198	109	55
Nonmetro	...	...	...	149	58	39	149	58	39
<u>Form of Government</u>									
Mayor-Council	523	177	34	...	...	...	523	177	34
Council-Manager	801	357	45	...	...	...	801	357	45
Commission	35	14	40	...	...	...	35	14	40
Town Meeting	43	13	30	...	...	...	43	13	30
Representative Town Meeting									
Without Adminis- trators	...	...	...	198	71	36	198	71	36
With Adminis- trators	...	...	...	175	74	42	175	74	42

Source: ACIR-ICMA Survey, 1983.

disposal, and police/fire communications. The ten services most frequently transferred to cities, counties, and the two combined are shown in Table 5-6. Information on individual services is shown in Appendix Tables B-7 and B-8.

Of the 608 service transfers to cities, 30% involved public works and utilities, 23% health and welfare, and 20% public safety and corrections. Of the 421 transfers to counties, 28% were in the health and welfare category, 25% public safety and corrections, and 20% public works and utilities.

Units Transferring Services. Cities and counties were about equally involved in transferring services to cities. Each was the primary transferring agency for 12 of the 42 services listed in the questionnaire. The state was the primary agency for four services (mainly in the health and welfare field) and private firms for three (emergency medical/ambulance, paratransit, and refuse collection).

Cities were clearly the most important source of service transfers to counties, ranking as primary transfer agency for 28 of the 42 services. The state government was next, leading in six services, all but one of which was in the health and welfare group. Some of these transfers may have been mandated by the state legislature, but the extent is not known. Counties, special districts, private firms, and nonprofit agencies were the primary transfer agency for only one service each.

Table 5-7 offers another perspective on the role of the different types of agency in transferring services to cities and counties, showing how the transfers are distributed by major service category among the seven types of transferring agency. For similar data by individual service, see Appendix Tables B-7 and B-8.

Reasons Services Were Transferred to Cities, Counties. Cities and counties that had services transferred to them from other governments, private firms, and nonprofit agencies ventured their views on why the transferring agencies made the shifts. As might be expected, these explanations for "transfers-in" are quite similar to the reasons detailed earlier for "transfers out."

Economies of scale was the predominant reason for 42% of all the transfers-in: 42% for transfers of public safety and corrections services, 47% for public works/utilities, 42% for transportation, 22% for parks and recreation, 39% for education and culture, 40% for health and welfare, and 49% for general government and finance. The next two most frequently cited reasons for "transfers in" were the need for larger area (26%) and lack of facilities (25%).

Achievement of economies of scale was the primary reason given by both cities (41%) and counties (45%) (Table 5-8 and Appendix Tables B-7 and B-8). However, although cities reported that this rationale dominated in all service categories, counties reported that it dominated in only four of their seven service categories -- public safety and corrections, public works/utilities, health and welfare (each 45%), and general government and finance (52%). Counties cited economies of scale and the need for larger area with the same degree of frequency (41%) for transferring transportation services.



Table 5-6

Ten Services Most Frequently Transferred  
TO Cities and Counties Since 1976

Rank	To Cities		To Counties		To Cities and and Counties	
	Service	Num- ber	Service	Num- ber	Service	Total
1	Emergency Medical/ Ambulance	46	Jails/Detention Homes	35	Police/Fire Communications	75
2	Police/Fire Communications	45	Solid Waste Disposal	34	Emergency Medical/ Ambulance	64
3	Traffic Signal Installation/ Maintenance	45	Police/Fire Communications	30	Solid Waste Disposal	50
4	Sewage Disposal	32	Police Patrol	24	Computer and Data Processing	50
5	Fire Prevention/ Suppression	30	Computer and Data Processing	21	Traffic Signal Installation/ Maintenance	49
6	Computer and Data Processing	29	Emergency Medical/ Ambulance	18	Police Patrol	44
7	Street and Bridge Construction/ Maintenance	26	Animal Control	17	Jails/Detention Homes	42
8	Recreational Facilities	25	Mental Health Services	16	Street and Bridge Construction/ Maintenance	41
9	Water Supply	23	Tax/Utility Bill Processing	16	Animal Control	39
10	Animal Control	22	Street and Bridge Construction/ Maintenance	15	Fire Prevention/ Suppression	36
			Public Health Clinics	15	Sewage Disposal	36
			Programs for the Elderly	15		

Note: For data on all services, see Appendix Tables B-7 and B-8.

Source: ACIR-ICMA Survey, 1983.

Table 5-7

Services Transferred TO Cities and Counties, by  
Service Category and by Transferring Agency

	Total Number of Transfers	Number and Percent* of Services Transferred From --														
		County		City		Special District		Regional Organi- zation		State		Profit Firm		Nonprofit Organi- zation		
		No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	
Total, Cities and Counties	1029	272	26	446	43	68	7	46	5	139	14	102	10	57	6	
<u>Categories of Services</u>																
<u>Transferred To CITIES</u>	608	192	32	214	35	49	8	24	4	51	8	79	13	40	7	
Public Safety and Corrections	123	47	38	55	45	9	7	6	5	4	3	2	2	3	2	
Public Works and Utilities	185	52	28	82	44	11	6	3	2	18	10	22	12	3	2	
Health and Welfare	139	42	30	41	30	4	3	4	3	24	17	25	18	16	1	
Transportation	31	7	22	8	26	2	6	3	10	4	13	11	35	3	1	
Parks and Recreation	38	10	26	5	13	10	26	1	3	0	0	4	11	7	1	
Education and Culture	17	10	60	5	29	1	6	0	0	0	0	0	0	4	2	
General Government and Finance	75	24	32	18	24	12	16	7	9	1	1	15	20	4	5	
<u>Categories of Services</u>																
<u>Transferred to COUNTIES</u>	421	80	19	232	55	19	5	22	5	88	21	23	5	17	4	
Public Safety and Corrections	107	27	25	68	64	4	4	8	7	19	18	3	3	4	4	
Public Works and Utilities	86	14	16	58	67	3	3	2	2	20	23	2	2	0	0	
Health and Welfare	119	18	15	46	39	3	3	5	4	39	33	11	9	11	9	
Transportation	17	4	24	6	35	0	0	3	18	2	12	3	18	0	0	
Parks and Recreation	11	1	9	9	82	1	9	1	9	0	0	1	9	0	0	
Education and Culture	16	3	19	10	63	2	13	0	0	2	13	0	0	1	6	
General Government and Finance	65	13	20	35	54	6	9	3	5	6	9	3	5	1	2	

\*Percentages add to more than 100 because some transfers involve more than one transferring agency.

Note: For data by individual service, see Appendix Tables B-7 and B-8.

Source: ACIR-ICMA Survey, 1983.

Table 5-8

Reasons for Transferring Services TO Cities and Counties, by Service, by Cities and Counties

	Total Number of Trans- fers	Number and Percent* of Reasons for Accepting Transfer														
		Lack Qualified Personnel		Lack Facili- ties		Achieve Economy of Scale		Eliminate Dupli- cation		Need Larger Area		Remove Politics		Citizen Demand		
		No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	
Total, Cities and Counties	1029	183	18	258	25	437	42	233	23	263	26	29	3	91	9	
<u>CITIES, by Service</u>																
Categories	608	110	18	162	27	248	41	127	21	135	22	7	1	49	8	
Public Safety and Corrections	123	26	21	45	37	47	38	27	22	36	29	0	0	4	3	
Public Works and Utilities	185	24	13	47	25	88	48	42	23	44	24	2	1	6	3	
Health and Welfare	139	35	25	37	20	49	35	29	21	21	15	1	1	21	15	
Transportation	31	4	13	8	26	13	42	6	19	6	19	2	6	9	29	
Parks and Recreation	38	3	8	4	11	9	24	4	11	7	18	1	3	6	16	
Education and Culture	17	4	24	6	35	8	47	3	18	4	24	1	6	2	12	
General Government and Finance	75	14	19	15	20	34	45	16	21	17	23	0	0	1	1	
<u>COUNTIES, by Service</u>																
Categories	421	73	17	96	23	189	45	106	25	128	30	22	5	42	10	
Public Safety and Corrections	107	25	23	35	33	49	45	33	31	19	18	5	5	4	4	
Public Works and Utilities	86	11	13	17	20	39	45	17	20	28	33	2	2	6	7	
Health and Welfare	119	17	14	20	17	53	45	33	28	47	39	9	8	22	18	
Transportation	17	1	6	1	6	7	41	1	6	7	41	2	12	2	12	
Parks and Recreation	11	2	18	3	27	2	18	0	0	3	27	1	9	3	27	
Education and Culture	16	0	0	1	6	5	31	5	31	8	50	0	0	1	6	
General Government and Finance	65	17	26	19	29	34	52	17	26	16	25	3	5	4	6	

\*Percentages add to more than 100 because more than one reason was given for some transfers.

Note: For data by individual service, see Appendix Tables B-7 and B-8.

Source: ACIR-ICMA Survey, 1983.

Education and culture services were transferred primarily for two equally strong reasons: economies of scale and eliminate duplication (31%). Similarly, parks and recreation services were shifted primarily because the transferring unit lacked the facilities, citizen demand, and a larger jurisdiction was needed (each 27%).

Survey Respondents' General Comments

The open-ended question at the conclusion of the questionnaire solicited respondents' comments on the impact of service transfers on their jurisdictions. These reactions were classified according to their positive or negative thrust, and the reasons given for positive and negative reactions were tabulated. Of the 126 who answered, 45 responded positively and 18 negatively, while the remainder made general statements. The distribution of explanations for the positive and negative statements is summarized in Table 5-9.

More than twice as many officials made positive comments as made negative, not nearly the overwhelming difference that was registered in comments on service contracts and joint agreements. As with contracts and agreements,

Table 5-9

Service Transfers: Reasons for Positive and Negative Responses to The Open-Ended Question

<u>Positive</u>	<u>Number of Comments</u>	<u>As Percent of 45 Respondents</u>
Lower Costs/Economies of Scale	33	73%
Better Management	5	11
Better Services/Higher Level of Services	12	27
Avoid/Eliminate Duplication	2	4
More Uniform Services	1	2
Increased Efficiency	5	11
Obtain a Service/Personnel Not Available to Government or Only at High Cost	3	7
Useful in Adjusting to Cutbacks/Recession	1	2
		<u>As Percent of 18 Respondents</u>
<u>Negative</u>		
Loss of Control	6	33%
Increased Costs/Inequitable Costs	6	33
Politically Infeasible	2	11
Reduction in Service Levels/Quality of Services	4	22

Source: ACIR-ICMA Survey, 1983.

however, "lower costs/economies of scale" dominated the positive reasons, with the related rationale of "better services/higher level of services" next in line. Also paralleling the comments on contracts and agreements was the high ranking on the negative side of "loss of control" and "increased costs/inequitable costs" (each 33%).

#### Summary Comment

In concluding this summary of findings on the 1983 survey of transfers-in, attention is redirected to the earlier finding that counties receive more transfers-in than cities. This finding is not surprising if for no other reason than counties' generally larger area. That intuitive conclusion is supported by the results of the question on reasons for transfers-in. Two of those reasons reflect areal size: economies of scale and "more logical to organized service beyond jurisdictional or areal limits." Respondents cited these reasons noticeably more frequently for transfers to counties than for transfers to cities. The relative geographic size of the transfer recipient also figured in the survey findings on the sources of transfers. Counties drew a much larger percentage of their transfers from cities (generally a smaller jurisdiction) than did cities.

#### Recent Trends (1976-83)

The trend analysis in this section covers the time between 1976 -- when ACIR published the results of its previous nationwide survey of functional transfers -- and 1983. The earlier survey inquired about transfer activity for the previous ten years (1965-75). The data relate only to transfers by municipalities (cities) to other governmental units, inasmuch as the earlier survey did not cover transfers by counties or transfers to private firms and nonprofit agencies. Also for reasons of comparability, the analysis includes only transfers away from the responding cities and does not include transfers to them.

#### A Decline

The data indicate that city transfers of service responsibility to other governments declined over the seven-year period. In 1975, 31% of the responding cities reported such transfers; in the 1983 survey, this figure had dropped to 25%.

Part of the explanation for the decline lies, of course, in the shorter time span covered in the 1983 survey. The financial stress experienced in recent years by many localities also may have been a contributing factor. Such pressure would be likely to make governments more eager to give up a service responsibility by transfer, but at the same time would make other governments less willing to accept such a responsibility.<sup>2/</sup> Inasmuch as transfers usually require the consent of both parties, the latter would be the decisive force. Another explanation for fewer transfers may be cities' increased use of joint agreements over the past decade, which also was cited earlier as a reason for their lesser reliance on intergovernmental contracting. An additional factor probably is the cities' mounting use of private

firm or nonprofit agencies, either as contractors or recipients of transferred services. The 1975 ACIR survey found that about one-third of the cities expressed a preference for contracting with a private firm over transferring responsibility for a service to another governmental unit, probably reflecting their uneasiness over surrendering complete control over performance of a service.<sup>3/</sup> The 1983 survey found a significant volume of transfers of service responsibility to the private sector, even though there was some question whether its magnitude was somewhat overstated because of the failure of some respondents to differentiate between contracts and transfers.

Reference to increased reliance on the private sector appeared in responses to the open-ended question in the 1983 survey. A Florida city manager, for example, in commenting on service transfers, stated: "[t]he greatest potential rests with transfers to the private sector." A New Jersey administrator reported that "[i]ntergovernmental service transfers to the private nonprofit and private sectors have . . . resulted in better management, better services and lower costs. . . . They have also resulted in an atmosphere that encourages the serious exploration of additional service transfers."<sup>4/</sup> As a final possible explanation of the decline in cities' intergovernmental transfers, attention again must be given to the 5% plus or minus statistical variation that is present in all such data.

Other aspects of cities' intergovernmental transfers remained generally unchanged over the 1975-83 period. Larger cities in both years had a greater propensity to shift services away from their jurisdictions than smaller units. Consistent with population size, central cities transferred services more frequently than suburban and independent cities in both years. Geographical differences were slight in 1983, as they were in 1975. One noticeable change was that in 1975, little variation was found in the relation between the form of a city government and transfers, but in 1983, council-manager cities clearly tended to transfer services with the greatest frequency.

#### Services Most Frequently Transferred Away

As with intergovernmental contracts, the problem of service comparability between the two surveys complicates identifying changes that may have occurred in the types of services most frequently transferred. To address this problem, 16 multiservice categories were created by subsuming individual services listed in the 1983 survey into the broad categories used in the 1975 survey. In addition to these categories, several services that were clearly identical in both years were compared. As mentioned earlier, reducing the overall number of services in this fashion limits broad-based comparative analysis of certain parts of the survey data, but it is a fairly reliable method of controlling for the variations between the service listings in the two surveys.

The comparison indicates that the types of services most often transferred to other units of government in both periods were similar. In 1975, cities reported transferring solid waste collection/disposal most frequently. This group was followed in order of frequency by law enforcement, public

Figure 5-1

Five Services Most Frequently Transferred from Cities

<u>Rank</u>	<u>1975 Service</u>	<u>1983 Service</u>
1	Solid Waste Collection/Disposal	Public Health
2*	Law Enforcement	Taxation and Assessment
3*	Public Health	Solid Waste Collection/Disposal
4	Sewage Collection/Disposal	Law Enforcement
5	Taxation and Assessment	Transportation

Note: The service names in this table do not necessarily represent the same services as similar names in other tables because of adjustments made for comparability. See text for explanation.

\*In 1975, an equal number of transfers were made for law enforcement and public health services.

Source: ACIR-ICMA Surveys, 1975 and 1983.

health, sewage collection/disposal, and taxation and assessment services. In 1983, public health services were the dominant services transferred, followed by taxation and assessment, law enforcement, solid waste collection/disposal and transportation service (Figure 5-1).

The shift from solid waste collection/disposal in 1975 to public health in 1983 as the service most often transferred should come as no surprise. In the past few years, the literature in the field indicates that local governments are increasingly relying on contracts with private firms to provide solid waste collection/disposal services to their citizens.

The expanding role of counties as providers of public health services may account for the increase in service transfers in this area. A survey conducted in the mid-70s reported that the increased role of counties in providing public services was most prevalent in the health care field.<sup>5/</sup> In 1975, public health transfers to counties constituted 11% of all transfers; by 1983, they increased to 23%.

Recipients of Service Transfers

In both years, counties were the primary recipient of cities' transfers in the 16 service categories. In 1975, 55% of the transfers were made to counties, which were primary recipients in 11 of the service areas. The exceptions were recreation, sewage collection/treatment, water supply and transportation services -- all transferred to special districts -- and social services, assumed by the states. In 1983, 54% of all transfers were made to counties. Of the 16 services, counties were the primary recipient of 11 and

shared the primary position with other governmental units for two other services. The three remaining services were public works -- which went most frequently to state governments -- water supply, and transportation -- which were transferred most often to regional bodies.

Special districts experienced the greatest decline as recipients of service transfers. They assumed responsibility for 19% of the transfers in 1975, and only 9% in 1983. On the other hand, councils of government or other regional bodies were on the receiving end of 14% of the city transfers in 1983 as compared to 4% in 1975. These findings mainly reflect the shift in responsibility from special districts to councils of government or other regional bodies for transfers of sewage collection/treatment, water supply, and transportation services. This conclusion, however, should be viewed with some caution, because respondents may not have been clear in differentiating between transfers that went to special districts and those that went to regional bodies, since most regional bodies have the single function responsibility that is a key characteristic of most special districts. Confusion on that score as well as inconsistency of practice between the two surveys might account for some of the decline in transfers to special districts and of the increase in transfers to regional bodies. On the other hand, it might have caused an understatement of the actual differences.

#### Reasons for Transfers Away

Paralleling the findings on service contracts, achievement of economies of scale was the primary reason cited for transferring services to other governmental units in both years. In 1975, it was the reason for over 50% of all transfers made in ten of the 16 services examined. Similarly, in 1983, it was the most frequently cited reason in 12 of the 16 service areas.

In 1975, elimination of duplication and lack of facilities were the next most frequently cited reasons. Need for larger area and elimination of duplication were the next in order of frequency in 1983.

\* \* \* \* \*

#### FOOTNOTES

1/ Carl F. Valente and Lydia D. Manchester, Rethinking Local Services: Examining Alternative Delivery Approaches, Washington, DC, International City Management Association, 1984.

2/ Allegheny Conference on Community Development, To Cooperate or Not to Cooperate: A Report on Intergovernmental Cooperation in Allegheny County, Allegheny Conference on Community Development and Consortium for Public Administration Field Services, 1972, pp. 13-14.

3/ Advisory Commission on Intergovernmental Relations (ACIR), Pragmatic Federalism: The Reassignment of Functional Responsibility, M-105, p. 56.

4/ Harry Hatry identified "encouragement of private agencies to take over an activity or service" as one of the principal private sector approach-



es that can have major impacts on government cost. A Review of Private Approaches for Delivery of Public Services, Washington, DC, The Urban Institute Press, 1983, p. 93.

5/ Carolyn B. Lawrence and John M. DeGrove, "County Government Services," in The County Year Book, Washington, DC, NACO and ICMA, 1976, p. 91.



## Chapter 6

### PRIVATE SECTOR APPROACHES TO DELIVERY OF PUBLIC SERVICES

For reasons stated at the outset, this report focused on the present status of intergovernmental contracts, joint service agreements, and functional transfers -- three specific intergovernmental approaches to improving the delivery of public services. At the same time, it took cognizance of the recent and growing popularity of private sector approaches to public service delivery, particularly when those approaches seem to affect and explain changes in the use of the intergovernmental alternatives. Before drawing final conclusions from the preceding analysis, it is appropriate to review briefly the nature, extent, rationale, and impact of the private approaches by examining pertinent literature and data from surveys.

Two recent works in the extensive literature on private sector alternatives stand out for their comprehensiveness, currency, and balance: The Urban Institute's 1983 report by Harry P. Hatry, A Review of Private Approaches for Delivery of Public Services,<sup>1/</sup> and the International City Management Association's 1984 report by Carl F. Valente and Lydia D. Manchester, Rethinking Local Services: Examining Alternative Delivery Approaches.<sup>2/</sup> Hatry, a widely recognized expert on improving the capability of state and local government, was a special adviser and participant in the ICMA study.

The Urban Institute report is a brief work that succinctly identifies and explains the private sector approaches, describes their rationales and methods of evaluation, and suggests ways that communities can use them to achieve cost savings and service improvements. The ICMA report, developed under a grant from the Department of Housing and Urban Development, is a thick volume which, although not a "how-to manual," provides information to help elected and administrative officials decide whether any of the private alternatives will be beneficial to their communities. It covers the same general ground as the Urban Institute report, with considerable additional detail on applying each of the alternatives to specific local services. A central part of the study consists of findings from an ICMA mail survey of cities and counties between March and June 1982 showing how they provide services, and particularly highlighting their use of private sector alternatives.<sup>3/</sup> The summary of private sector approaches that follows relies mainly on the Urban Institute (Hatry) report, with supplemental reference to the ICMA volume.

#### The Urban Institute Report

Hatry identifies 11 alternatives to delivery of basic services by local government employees -- "actions involving privatization."<sup>4/</sup>

1. Contracting Out/Purchase of Service. The local government contracts with private firms (profit or nonprofit) to provide goods or de-

liver services. The local government may contract to have all, or a portion, of a service provided by the private firm. This approach does not include contracting with governmental bodies.

2. Franchises. The local government awards either an exclusive or nonexclusive franchise to private firms to provide a service within a certain geographical area. Under a franchise agreement, the citizen directly pays the firm for the service. Examples: solid waste disposal (many small jurisdictions), curb replacement (St. Paul).

3. Grants/Subsidies. The local government makes a financial or in-kind contribution to a private organization or individuals to encourage them to provide a service so the government does not have to provide it. Examples: cultural program grants, transit subsidies.

4. Vouchers. The government provides vouchers to citizens needing the service. The citizens are then free to choose from which organization -- whether public or private -- to buy the goods or services. The citizen gives the voucher to the organization, which obtains reimbursement from the government. Examples: housing, day care (Hennepin Co., MN).

5. Volunteers. Individuals in the jurisdictions provide free help to a government agency. For Hatry's report, this approach is limited to volunteers working directly for a local government. It does not include individuals doing volunteer work for private (e.g., charitable) agencies. Examples: libraries, recreation programs, fire departments.

6. Self-Help. The government encourages individuals or groups, such as neighborhood associations, to undertake for their own benefit, activities that the government has previously been undertaking. This results in a reduction in government activity that otherwise would be required. Examples: car pools, curbside solid waste collection.

7. Use of Regulatory and Taxing Authority. The government uses its regulatory (deregulatory) or taxing authority to encourage members of the private sector (organizations or individuals) to provide a service or at least to reduce the need for public services. Examples: taxicab deregulation, New York City dog regulation.

8. Encouragement of Private Organizations to Take Over an Activity (service shedding). Here the government actually gives up responsibility for an activity but works with a private agency (profit or nonprofit) willing to take over responsibility. (This might involve a one-time grant or subsidy.) Examples: hospitals, building inspections (France).

9. "Demarketing" to Reduce Demand for Service. The government attempts to reduce the need and demand for a government service through a variety of reverse marketing techniques. Examples: water conservation, anti-litter campaigns.

10. Obtaining Temporary Help from Private Firms. Private firms loan personnel, facilities, or equipment, or even provide funds to the local government. Example: loaned-executive program.

11. User Fees and Charges to Adjust Demand. Users of a service are charged a fee based on their amount of use of the government-supplied activity. Hatry's report is not concerned with the use of fees and charges for the sake of raising revenues. Examples: recreational fees, mass transit fares.5/

Hatry identifies a complex of reasons for localities' choosing one or more of these private sector alternatives.6/ Leading his list is the existence of "(a)n important new philosophy . . . that city and county officials should take on a new role." Instead of acting as service producers, they should become overseers, brokers, facilitators, or -- described elsewhere 7/ -- entrepreneurs, concerned with seeing that services are provided regardless of how they are delivered. In that role, they need to consider the range of alternatives to service delivery.

A major reason for considering those alternatives is that local governments traditionally have been viewed as the sole source for delivering services and therefore lack incentive to reduce costs or improve performance. Moreover, excessive professionalism in some government agencies, especially in the human services, has produced additional service requirements, leading to higher costs not warranted by need or community wishes.

A further argument is that the private sector inherently can do a better job of service delivery than the public sector. Local government managers' flexibility is limited by bureaucratic restrictions and regulations. Also, the public sector lacks motivational incentives, such as the profit motive in the private sector. (Hatry notes that these arguments favoring private sector performance are balanced by countercharges about such private sector failings as productivity declines, slackening investment in research and development, a tendency to focus on short-term benefits, service delays, cost overruns, sometimes fraud, occasional bankruptcies and work stoppages, and anti-competitive tendencies.)

Local agency managers aspiring to cut costs sometimes are blocked by councils that are reluctant to provide funds to upgrade equipment and facilities because that may mean raising taxes and fees. Many local officials find it politically more attractive to contract to private industry in the hope that competition will yield lower cost.

A final popular rationale, according to Hatry,

is the view that -- regardless of cost and performance implications -- less government is better and citizens should be able to make more choices for themselves rather than have public managers make choices for them. Although this view is partly a philosophical issue, it is also an appropriate question for systematic examination.8/

The bottom-line question for local governments considering alternative approaches is how well they have worked in past trials. The answer is not very clear at this point, according to Hatry.

Unfortunately, little systematic, objective evaluation of most of these alternatives is available. Most available information is descriptive, anecdotal, and advocacy or public-relations oriented. Information on the consequences of the use of these approaches, when mentioned at all, is usually provided by the government that undertook the action, and such information is usually limited to assessments in the first year of the activity -- before longer-term consequences have been identified. Estimates of cost savings that are provided are often estimates of expected savings. One, therefore, may have to rely on highly limited evidence or on personal judgements for evaluations.9/

Hatry concludes that it is vital that localities carefully assess alternatives before making changes. He suggests eight criteria for making such an assessment: (1) the cost of the government service, (2) the financial cost to citizens, (3) the degree of choices available to service clients, (4) the quality/effectiveness of the service, (5) the potential distributional effects, (6) the staying power and potential for service disruption, (7) its feasibility (ease of implementation), and (8) overall impact.10/ Hatry explains each criterion, and then devotes the bulk of the report to defining and justifying the 11 approaches, citing current examples, and evaluating each approach against the eight criteria. He summarizes his evaluation in a table (see Table 6-1) -- which, he reminds the reader, is "based on the highly limited evidence" -- and in the following sentences:

Probably the options that can have major impacts on government costs are use of franchises, encouragement of private agencies to take over an activity or service, and use of regulatory and tax authority. But these are major actions requiring major effort to implement. And these will not necessarily reduce significantly the costs of services to clients. Contracting and self-help also can be quite attractive as cost-reduction opportunities.11/

As Hatry says in his introduction:

There is . . . danger that claims made for [private sector approaches] will greatly exceed what they can accomplish and the ease with which they can be successfully used. Nevertheless, these new approaches to service delivery warrant serious attention by public officials.12/

Table 6-1

Evaluation of Impacts of 11 Private Approaches for Delivery of Public Services

Approach	Reduce Cost of Government	Reduce Cost of Clients	Increase Client Choice	Improve or Maintain Service Quality	Likelihood of Major Disruptive Effects	Added Likelihood of Disruption of Service	Difficulty in Implementation	Overall Impact
<u>Government Agencies Retain the Primary Responsibility</u>								
Contracting(a)	2(b)	2	0	?	N(e)	Y	Some	2
Volunteers	1(b)	1	0	?	N	N	Little	1
Demarketing	1	0(c)	0	2	N	N	Little	1
Temporary Help	1	1	0	1	N	N	Little	1
Fees and Charges to Adjust Demand	1	?(d)	2	1	Y(e)	N	Some	
<u>Private Units Take Primary Responsibility</u>								
Franchise(a)	3(b)	?	2	?	Y	Y	Considerable	?
Grants/Subsidies	1	?	?	?	?	Y	Some	?
Vouchers	?	?	3	1	Y	Y	Great	?
Self-Help Regulation	2	1	2	2	?	Y	?	1
(deregulation)	1	2	1	2	?	N	Considerable	2
Encouraging Private Takeover								
Nonprofit Profit	3	1	?	2	N	?	Some	2
Organizations (a)	3	?	?	?	Y	Y	Considerable	?

(a) For these approaches, the extent of cost savings to the government and/or citizens will depend considerably on whether there are multiple suppliers. If there are multiple suppliers, cost savings are more likely to develop.

(b) 1,2,3 = the effort is likely, on the average, to have a small (1), medium (2), large (3) impact.

(c) 0 = the approach is, in general, likely to have a neutral impact.

(d) ? = impact not all clear; largely depends on the specific application.

(e) Y/N = yes/no.

Source: Harry Hatry, A Review of Private Approaches for Delivery of Public Services, Washington, DC, The Urban Institute Press, 1983, p. 94.

## The ICMA Report

Valente and Manchester include the first seven alternative approaches in Hatry's list in their roster of alternatives, leaving out service shedding, demarketing, obtaining temporary help from private firms, and use of fees and charges to adjust demand. For each approach, the authors describe the variations in form, the kinds of local government usage, and the basic steps in using it. Then they evaluate performance by applying criteria similar to those used by Hatry, discuss factors that must be considered in implementing the approach, and draw general conclusions.

As with the Urban Institute report, the conclusions vary with the individual approach and generally draw a mixed picture of the problems involved with each and the effectiveness demonstrated so far. The conclusions are too lengthy to quote here, but their tone and scope can be indicated by excerpts from the statements on private purchase of service contracting, franchise agreements, subsidy arrangements, and vouchers:

On purchase of service contracting:

Local governments appear to be contracting an increasing number of services, but with considerable variance by service area. . . . (T)angible services for which outputs can be specified clearly (solid waste collection, custodial services) are more likely to be contracted than intangible services (recreation). New services . . . (or those) with a large number of providers . . . (or)

that require specialized skills ... and equipment ... or are seasonal . . . are also likely candidates for contracting.

Is there a shift under way from local government provision of services to local government contracting? It is difficult to know. Surveys are ad hoc, questions and respondents differ from survey to survey, and most response rates fall below 50%.

. . . only a few (services) . . . are unlikely candidates for contracting: health and safety services such as police, fire, health inspections. The remaining services have good or great potential for contracting. Probably the greatest opportunity rests in contracting parts of services . . . , not entire services.13/

On franchise agreements:

The potential of franchising as an alternative service delivery approach is mixed. On the one hand, few services meet the criteria for franchising: the individ-



ual citizen can receive and pay for the service directly. Even those services that could be franchised might not be out of concern that the poor will be unable to pay for what may be an essential service. Some type of voucher or other payment system, however, would overcome this problem.

On the other hand, franchising can be an extremely attractive approach in that it substantially reduces a government's costs, shifting them directly to consumers. This is appealing for those who believe that the role of government is to see that services are provided to citizens, but that actual delivery of service should be left to the private sector whenever possible.14/

On subsidy arrangements:

. . . subsidies have the potential for utilizing private sources of supply in those circumstances where the precision of formal contracts cannot be achieved and where service provision cannot be left to the operation of a marketplace negotiated by individual consumers. This potential seems fairly strong in the public safety, human, and cultural service areas where performance is difficult to specify but where "trustworthy" nonprofit or other supply organizations can be found. There is a significant amount of use of subsidies in these service areas.

. . . for the use of subsidies to increase in services for which they are appropriate, local officials need to regard subsidies in a positive light, not as a bailout for a poorly performing service provider. If subsidies are viewed as a means of increasing the availability and diversity of services available or a means of reducing local government involvement in the delivery of services, their use may become more widespread.15/

On vouchers:

Except for some transit and human services programs, vouchers have not been used extensively by local governments as a means to engage the private sector in providing public services. There do appear, however, to be many possibilities for experimentation with vouchers, although few prospects emerge that satisfy the ideal conditions under which vouchers presumably work best....

Nevertheless, there appears to be ample potential to support a closer look at vouchers, especially as a way to assure that low-income groups have access to services that have user fees of some kind. . . .

Part of the difficulty of discussing voucher arrangements in recent years has been that sometimes they have been put forth as panaceas. Viewed more realistically, however, voucher systems may still prove to be helpful in inserting at least some of the benefits of consumer choice into public service delivery.<sup>16/</sup>

Extent of Use of Private Approaches

As already noted, an important feature of the ICMA volume is the data from a 1982 survey of local governments' service delivery practices. The survey asked city and county officials to indicate for 59 listed services whether their government provided the service with its own employees, by contracting with another government, or by one or more of the seven private alternatives. The volume of responses varied among the 59 services, from 361 for hospital services to 1,720 for payroll support services with an average (mean) of 1,188. ICMA tabulated for each service the percentage of respondents whose government reported using the alternatives.<sup>17/</sup> For each of the private alternatives the mean and interquartile range (encompassing the middle 50% of the cases) of the percentages for all the services was as follows:

	<u>Mean</u>	<u>Interquartile Range</u>
Contracting		
-- Profit Firms	16.2%	6% - 25%
-- Neighborhood Groups	1.0	0 - 1
-- Nonprofit Agencies	8.5	0 - 10
Franchises	2.4	0 - 3
Subsidies	3.1	0 - 4
Vouchers	0.3	0 - 0
Volunteers	4.0	0 - 6
Self-Help	0.9	0 - 1
Incentives (regulatory and tax)	0.2	0 - 0

Thus, for example, an average of 16.2% of the responding jurisdictions contracted with for-profit firms for delivery of the 59 services, and the middle half of the localities fell between 6% and 25%. Clearly, the most frequently used private sector approaches were contracting with private firms and contracting with nonprofit agencies, and the least used were vouchers and regulatory and tax incentives. The service with the highest percentage for private firm contracting was vehicle towing and storage (80%) and for nonprofit agency contracting, drug/alcohol treatment programs (41%).

A Private Sector Approach: Rand Corporation's Beneficiary-Based  
Financing and the St. Paul Program

A basic objective of the Urban Institute and ICMA in examining private sector alternatives for delivering public services was to appraise their potentials for easing the fiscal pressure on local government. Recently the Rand Corporation has proposed an innovative approach using market-oriented mechanisms to help the City of St. Paul, MN, meet its future fiscal needs. The proposal has two principal features: beneficiary-based financing (BBF) -- user charges, fees, and special assessments; and revenue centers -- city agencies organized into entities that pursue market strategies in providing services.

The approach is based on analyzing all services and grouping them into public good, private good, and merit good services. Public good services are those for which benefits are largely indivisible among individual consumers. They include crime prevention, law enforcement, fire prevention, land use control, suppressing communicable diseases, and facilitating and controlling street traffic. Indivisibility means that there are no identifiable individual consumers and thus no one to charge. These services are the least amenable to beneficiary-based financing.

Private good services are those in which beneficiaries are identifiable and separable from other persons. Ordinarily such services would be provided by the private sector but are provided by the government because of their monopolistic characteristics -- such as water supply and sewer systems -- or because they are an adjunct to or a joint product with another service which does have high public good content. Adult recreation and athletic programs conducted in city parks and emergency medical services provided by firefighters are examples.

Merit good services have mixed public and private good components. Prime examples are parks and libraries, producing benefits simultaneously for individual consumers and for the wider community.

The Rand project proposes that cities apply BBF to the private good services and the private good component of merit good services, recognizing that it is not easy to segregate and set a charge for the portion of a merit good that is the private good component.

BBF is said to have a number of attractions for local governments:

- ° It is a source of revenue.
- ° By imposing cost burdens on the consumer, it makes him more prudent and therefore is a force against waste.
- ° It improves operating efficiency by focusing attention on consumer satisfaction and cost recovery.
- ° It also accords with the general notion of fairness: he who benefits

pays, including nonresidents who usually escape local taxes.

BBF's disadvantages (which Rand Corporation insists are remediable through proper planning and design) are that:

- It imposes fiscal burdens on the disadvantaged.
- With its market emphasis, it tends to make government too much like business, with the ethic of "let the buyer beware."
- It is not applicable to purely public goods.

Rand maintains that BBF may take care of the disadvantaged in several ways. First, the more that mixed and private-type services are supported by beneficiaries charges, the more tax resources are available to finance basic services. These include public-good type services -- such as law enforcement and fire prevention, and redistributive type services -- such as public assistance, health clinics, and social services. These services are the first line of defense of the disadvantaged.

Second, even where fees and charges are imposed, it is often possible to adjust them so as to reduce their inequitable impacts. One approach is to provide a minimum level of consumption at a low cost. Beyond this "lifeline" level the price per unit rises. Another approach is a group discount, as on public transit systems, where residents are asked to pay a fee at the point of use. Identifiable disadvantaged groups are the aged, children, and the disabled. Still another alternative is the use of rebates in low-income neighborhoods for local facilities such as libraries and health clinics, or for such services as recreation and street sweeping. Finally, for services financed through special assessments -- for instance, street lighting and maintenance and local parks -- governments can allow disadvantaged homeowners the option of deferring payment so that the assessments accumulate as a lien on the property.

Beyond these approaches, Rand suggests that the most comprehensive and accurate method for maintaining access to city services for the disadvantaged under beneficiary-based finance is a system of supervouchers, financed from the jurisdiction's general revenues. This scheme would make available lump sum grants in the form of vouchers that members of disadvantaged groups could use to purchase a wide range of public services subject to charge or assessment. The household would select among the array of available services until it exhausted its grant. The supervoucher fund would compensate government departments for services provided to eligible users.

Under a BBF system, city departments and agencies would go on providing public services as they always have but would apply beneficiary charges to the private good services and the private good component of merit good services. In general, beneficiary charges would cover the full cost of private good services; for merit good services, they would cover full cost less the subsidy for the public good portion, which would come from general revenue.

To facilitate the charging system, and to exploit the BBF potential for turning public agencies into consumer-responsive, revenue-generating enterprises, Rand proposes organizing some city agencies into "revenue centers." These are groupings of service units that use similar means of production -- such as various aspects of recreation -- or that are devoted to particular constituencies -- for instance, the elderly. Revenue centers combine the features of an enterprise fund in public administration and those of a profit center in a large corporation. They conduct a number of selected functions, collect various kinds of revenues, and operate in a semi-autonomous fashion. They strive for self-support, or even an excess of revenues over costs which leads to an earned surplus.

Revenue centers are not limited to providing private good or mixed services. They use their skill in production or marketing to offer a range of related services in which they have the comparative advantage. These may include public goods and redistributive goods that share inputs (or customers) with their marketed goods.

Different kinds of services produce different kinds of revenues. Private good services and the private component of mixed services derive revenues from charges, fees, assessments or other levies imposed on beneficiaries. Some revenue centers would collect earmarked taxes and some would collect the subsidies from the general fund that cover public good and redistributive objectives. The latter constitutes a "contracting-in" process, wherein the central administration directs the revenue center to produce an agreed-upon level of service in exchange for a multiyear grant.

Finally, revenue centers can earn additional income from business ventures, including in many cases sales of service to other governmental jurisdictions. Thus, center employees and managers, if provided the right incentives, will develop such opportunities as marketing parking meter maintenance, providing forensic lab services, or conducting a firefighter training course for neighboring municipalities or for the county.

Producing the right marketing incentives requires that revenues generated by the centers accrue to their own budgets. The centers must see themselves as revenue-producing enterprises, fulfilling the demands for service in the market they operate in. They will then begin to treat residents more as consumers and less as clients. Revenue expansion, cost containment and capital preservation become management goals and budgetary politics recede in importance.

Surpluses retained in revenue centers go for a variety of purposes calculated to enhance the center as an enterprise: to finance new equipment, to provide seed capital for new ventures, for employee training and staff development programs, and as merit pay for deserving employees. Even so, some agreed-upon share of surpluses should be periodically returned to the general fund so as to prevent uncontrolled growth in the function performed by the center.

Revenue centers should develop in agencies where expertise and the need

to be responsive to consumer desires promise more efficiency and more citizen satisfaction. Yet accountability to elected officials need not be compromised. The chief executive and legislative body will still control and provide leadership. This outcome is assured because the "contracting-in" agreements will govern the providing of public good services and affect the supply of mixed services; central authorities will regulate prices charged by the monopoly services; arrangements for sharing revenue center surpluses will change as underlying conditions shift; revenue center borrowing from the general fund or other revenue centers will require elected officials' approval; and the reserve authority of the central administration will continue to prevail, including the power to approve budgets and the threat of intervention in any aspect of center relations.

#### Current (December 1984) Status of BBF in St. Paul

The Rand Corporation developed the BBF proposal in an 18-month cooperative venture with the City of St. Paul, MN. In late 1984, it was applying the BBF concepts to two pilot revenue centers in the city government, one in the Division of Traffic and Lighting, and the other in the Division of Parks and Recreation. The design for the Traffic and Lighting Revenue Center projected a reduction in annual general revenue requirements of almost \$2.5 million. Once it was fully operational, the recreation bubble (in the municipal athletic facility) was estimated to generate an annual operating surplus of almost \$250,000.

Rand saw the potential benefits of revenue centers extending well beyond the two pilots:

This style of operation could -- and, we think, should -- spread throughout Saint Paul. Almost every branch of city government has some revenue potential. Most branches have lacked the incentive or the opportunity to develop that potential. Encouraging a more entrepreneurial style of management could produce dramatic results citywide. Even if the typical city department could develop new own source revenue equal only to 5% of its operating budget, this would make an enormous difference in the city's finances.

Perhaps more important, revenue centers have the potential to bring about significant improvements in the quality of the city's day-to-day operation and management. They provide an environment that encourages responsiveness to citizen demands, efficiency in the conduct of work, and innovation in management. Citizens will be offered a broader array of services; workers will enjoy a richer and more satisfying work environment; managers will have a chance to try out new approaches in an environment that provides more autonomy while demanding a higher level of responsibility.<sup>18/</sup>

### Trend in Private Contracting: A Cautious Comparison

The Urban Institute and ICMA reports and much of the other literature on private approaches give the clear impression that cities and counties have substantially expanded their use of private sector alternatives in recent years. As the two reports indicate, however, there is a paucity of hard data to document the impression. Some measure of documentation is available using data from the 1972 ACIR-ICMA survey on intergovernmental agreements <sup>19/</sup> and the 1982 ICMA survey, even though the data are limited to only one private sector approach, albeit the most popular one -- contracting.

Matching data from the two surveys must be approached with caution, as is evident from comparing key elements:

	<u>1972 Survey</u>	<u>1982 Survey</u>
Central Focus:	Intergovernmental Contracting	Private Sector Approaches
Cities Surveyed:	5,900 -- all those over 2,500 population	3,130 -- all those over 9,999 population and a 1-in-8 sample of the rest
Cities Responding:	40%	46%
Services Listed:	76	59

The forms of the questions on private contracting differed somewhat in the two surveys, but essentially aimed to find out how many cities contracted with private firms to deliver services to their citizens. In the 1972 survey "private firms" were one of seven possible contracting organizations; the other six were various types of governmental units. The 1982 survey asked whether the city provided the service with its own employees, by intergovernmental contracting, or by one or more of seven private sector approaches of which private contracting was one (divided into three parts).

There are also obvious differences in the two lists of services, yet 16 services bear similar titles in both lists and seven others are only slightly different (e.g., snow removal/sanding vs. snow removal, traffic control/parking enforcement vs. traffic control). From the survey results it is possible to determine the relative use of private contracting in the two years by comparing it with the total of public and private contracting. The results are shown in Table 6-2.

All but one of the 23 services showed an increase in the private contracting share from 1972 to 1982. The one exception was street lighting, which dropped from 80% to 66%. Substantial increases occurred in housing (5% to 42%), recreational facilities (4% to 72%), parks (3% to 75%), museums (20% to 74%), personnel services (8% to 80%), crime prevention/patrol (2% to 71%), public health (2% to 57%), and drug/alcohol treatment (7% to 60%).

Table 6-2

Cities' Use of Private Contracting as a  
Percentage of Their Use of  
All (Public & Private) Contracting:  
23 Selected Services, 1972 and 1982

	<u>1972 Survey, 2,375 Cities Responding</u>	<u>1982 Survey, 1,439 Cities Responding</u>
<u>Services with Similar Names in Both Surveys</u>		
Solid Waste Disposal	44%	48%
Street Lighting	80	66
Utility Billing	56	62
Ambulance Services	57	68
Animal Control	31	44
Housing	5	42
Hospitals	38	75
Recreational Facilities	4	72
Parks	3	75
Museums	20	74
Legal Services	84	91
Payroll	56	86
Tax Assessing	14	24
Personnel Services	8	80
Public Relations	67	90
<u>Services with Slightly Different Names in Both Surveys</u>		
Snow Plowing	30	83
Crime Prevention/Patrol	2	71
Traffic Control	4	33
Insect Control	8	42
Public Health	2	57
Drug/Alcohol Treatment	7	60
Mental Health	18	57

Source: ACIR staff calculations using ACIR, The Challenge of Local Governmental Reorganization (A-44), Washington, DC, U.S. Government Printing Office, 1974, Appendix Table III-A; and an unpublished printout on the cities part of Table B in Carl F. Valente and Lydia D. Manchester, Rethinking Local Services: Examining Alternative Delivery Approaches, Washington, DC, International City Management Association, 1984.



These figures do not necessarily justify a hasty conclusion that the volume of private contracting exploded over the ten-year period. Aside from the comparability concern already noted, the data are related to the amount of total contracting, rather than to absolute terms. This difference is significant because this report's earlier analysis of intergovernmental contracting concluded that such contracting declined between 1972 and 1983. Thus, some of the increase in the share of total contracting represented by private sector activity is attributable to a decline in intergovernmental contracting.

When all these caveats are weighed, however, the 1972-82 comparison is so striking as to warrant the considered conclusion that private contracting among cities certainly did not diminish in the ten years and very likely increased.

\* \* \* \* \*

#### FOOTNOTES

1/ Hatry, Harry P., A Review of Private Approaches for Delivery of Public Services, Washington, DC, The Urban Institute Press, 1983. The original version of the report was prepared for the Greater Washington Research Center's "Task Force on Local Government Response to Fiscal Pressure." The report also drew from Hatry's work on the ICMA study.

2/ Valente, Carl F. and Lydia D. Manchester, Rethinking Local Services: Examining Alternative Delivery Approaches, Washington, DC, International City Management Association, 1984. For references to other works on private sector delivery of public services, see citations in the Urban Institute and ICMA studies and the special appendix of this report.

3/ Cited in other sections of this report.

4/ Although "privatization" is used by Hatry and many others to encompass the range of private sector approaches, some writers apply the term only to a government's turning over to the citizens the responsibility for obtaining and paying for a service. An example is a city's abandonment of responsibility for trash collection, leaving each property owner to make his or her own arrangements. See Citizens League, A Positive Alternative: Redesigning Public Service Delivery, Minneapolis, MN, 1982, p. 10.

5/ Ibid., pp. 5-11.

6/ Ibid., pp. 8-9.

7/ Citizens League, op. cit., p. 2. The Public Services Redesign Project at the Hubert H. Humphrey Institute of Public Affairs, University of Minnesota, under Ted Kolderie, former executive director of the Twin Cities Citizens League, is dedicated to propounding this new philosophy and to developing strategies for carrying it out. Kolderie also participated in the ICMA study.

8/ Ibid., p. 9.

9/ Ibid., p. 9.

10/ Ibid., p. 10.

11/ Ibid., p. 93.

12/ Valente and Manchester, op. cit., pp. 22-23.

13/ Ibid., p. 30.

14/ Ibid., p. 1

15/ Ibid., p. 41.

16/ Ibid., pp. 52-53.

17/ Valente and Manchester, op. cit., Table B. The survey was sent to chief administrative officers of 4,700 local governments. 1,443 cities (46%) and 347 counties (24%) responded. ICMA, Alternative Approaches for Delivering Public Services, Urban Data Service Report, Vol. 14, No. 10, October 1982, p. 17.

18/ Kevin Neels, Michael Caggiano, The Enterpreneurial City, Innovations in Finance and Management for Saint Paul, Santa Monica, CA, The Rand Corporation, October 1984, p. 66.

19/ ACIR, The Challenge of Local Governmental Reorganization, A-44, p. 35 and Appendix Table III-A.

## Chapter 7

### MAJOR FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

In this study the Commission has reexamined three intergovernmental alternatives to delivering public services by a local government's own employees -- intergovernmental service contracts, joint service agreements, and service transfers. The study was prompted by the Commission's continuing interest in these arrangements as important intergovernmental mechanisms for improving governmental performance; by recent heightened interest in ways to ease local fiscal pressures; and by growing emphasis on using private as well as public sector alternatives for providing local public services. Four aspects of these intergovernmental approaches were examined: (1) their legal (constitutional and statutory) basis, (2) the current (1983) extent and nature of their use, (3) the trends in their use in the past decade, and (4) their relationship to localities' use of private sector contracting. The major findings may be summarized under these four headings.

#### Constitutional and Statutory Authorization

In the past decade the states as a group have made notable progress in expanding localities' legal authority to enter into joint agreements and intergovernmental contracting.

Forty-two states had authorizations for general cooperative action in 1972; in 1983 all states were covered. In 1972, 30 states had separate authorizations for contracting; 11 years later their number had increased to 45. Twenty-six of these laws also explicitly empower localities to contract with private firms to purchase services.

In 1972, the laws of 26 states permitted localities to enter into contracts or joint agreements only for services which all participating governments had authority to provide on their own (mutuality of powers provision). In 1983 this number was down to 18 states. The comparable figure for contracts dropped from four to three. Over the same time span, states permitting joint agreements where just one of the participants had the authority (power of one unit) rose from eight to 19; those permitting similar action on contracts went from two to 19.

Intergovernmental contracting laws tend to impose more procedural requirements and stricter approval conditions than laws governing joint agreements. Moreover, contracting requirements and conditions tend to be even more rigorous when the laws apply to contracting with private firms as well as with other governments.

The shift from the mutuality-of-powers to the power-of-one-unit proviso has made it possible for localities to be more innovative in their strategies for delivering public service, including wider use of the private sector.

States as a group also have become more liberal in authorizing transfers of service responsibility by local governments. The number of states authorizing such transfers rose from ten to 18 between 1974 and 1983. At the same time, legal requirements for transfers were tightened: the number of states mandating voter approval of voluntary transfers increased from five to nine. In addition, 17 of 18 states now require the governing bodies of both the recipient and transferring jurisdictions to approve all transfers. The voter and governing body approval requirements along with the reluctance of localities and their citizens to surrender responsibility for a service combine to make transfers to the private sector a rarity (basically confined to certain public works activities) and thus transfers are a predominantly intergovernmental service alternative.

### Current (1983) Extent and Nature of Use

#### Intergovernmental Service Contracts and Joint Agreements

Over half of the cities and counties provide services through intergovernmental contracts. The proportion is much higher among the larger than the smaller jurisdictions. Although cities in the aggregate use contracting in about the same amount as counties, the larger population cities use them more than their county counterparts.

Contracting is most prevalent in the West, in cities with the council-manager form of government, and in counties with an administrator. The services most frequently acquired by contract are jail and detention homes, sewage disposal, animal control, and tax assessing. Cities contract most frequently with counties to provide services; counties divide their contracting evenly between other counties and cities.

Over half of the cities and counties also obtain services through joint service agreements with other governments. Again, the practice is noticeably more common among the larger than the smaller jurisdictions. Other patterns are similar to those for contracting: the tendency for greater use in central cities, in metropolitan rather than nonmetropolitan counties, and in the Western states. Unlike contracting, counties use joint agreements more than cities. Cities and counties differ somewhat in the types of service they obtain by joint agreement, but for the two together library, police and fire communications, fire prevention and suppression, and sewage disposal stand at the top of the list in frequency. Overall, both cities and counties tend to enter into joint agreements for the same types of services that they contract for.

Although cities enter into joint agreements with counties less frequently than they enter into contracts with them, counties still are the most common governmental partner in cities' joint agreements. Counties' partners in joint agreements were fairly evenly divided between other counties and cities, as in intergovernmental contracts.

"Economies of scale" was the preeminent reason that cities and counties entered into both intergovernmental contracts and joint agreements. "Need

for larger area" was next most important, particularly for joint agreements.

The prominence of "economies of scale" helps explain cities' primary use of counties for intergovernmental provision of services, given that counties generally have larger areas. It also helps explain localities' frequent use of these arrangements for capital-intensive activities.

Managers or other appointed executives are the most active city officials in negotiating service contracts and agreements. Among the counties, negotiating responsibility tends to be slightly more concentrated in the commissioners (or supervisors). The different city and county patterns reflect the tendency to concentrate executive power more in the city than in the county.

Both cities and counties rely on the citizens' level of satisfaction as the principal method for evaluating performance on intergovernmental service arrangements.

The main constraint on entering into intergovernmental service arrangements is their limitation on local autonomy. This inhibition is equally powerful for both contract and joint agreements, although one might think it would be stronger in joint agreements, which require the consent of more parties. Inequitable apportionment of cost was the next most cited deterrent.

Consistent with the broadening of state authorizations, few cities and counties feel that state laws restrict their ability to enter into either form of service arrangement. Such restrictions as exist are mainly the limits on the kinds of services that may be provided. Almost two-thirds of the cities and counties report that their states encourage using intergovernmental arrangements, mostly in the form of technical assistance but also through general grants-in-aid and financial assistance for planning. The Northeastern states are the most active in restricting the use of contracts and agreements as well as in providing encouragement. Not unexpectedly, the federal government appears to have little impact on the level of local contracting and joint agreements, either as a restrictive or promotional force.

The generally favorable attitude toward intergovernmental contracting and joint provision of services reflected in the answers to specific questions was confirmed in respondents' volunteered open-ended comments. The ratio of positive to negative comments was almost eight to one for service contracts and five to one for joint agreements. The comments also reinforced respondents' answers to the specific question about reasons for their actions: "lower costs/economies of scale" was offered as the main reason for utilizing these arrangements. Other written comments implied overriding concern with lowering costs, although in different words. Also confirming their earlier responses to another question, respondents volunteered that "loss of control" was the major problem with intergovernmental agreements.

### Transfers

Over the past seven years, 40% of the cities and counties transferred

responsibility for a service to another government, to a private firm, or to a nonprofit agency. Again, the action was greatest among the larger jurisdictions, particularly the cities. Overall, cities and counties transfer with the same degree of frequency. Central cities transfer more than their suburbs or nonmetropolitan counterparts, and metropolitan counties more than nonmetropolitan counties. Regionally, transfers occur more in the West and South than in the Northeast and North Central regions.

The greater incidence of transfers among larger, central cities and metropolitan counties may stem from the greater diversity and complexity of their service responsibilities and their concomitant greater readiness to consider unconventional steps to ease fiscal pressures. A high transfer rate among council-manager cities and administrator-headed counties may reflect more such willingness among management-oriented professionals.

Cities most often transferred refuse collection, solid waste disposal, animal control, and jail and detention home services; counties -- emergency medical and ambulance services, alcohol and drug rehabilitation, refuse collection, and jail and detention home services.

Cities transferred services most frequently to counties, but ten of 42 services went primarily to private firms and nonprofit agencies. Chief among the private transfers were refuse collection, solid waste disposal, engineering and architectural services, and computer and data processing services; and among the nonprofit agency shifts, recreational facilities and programs for the elderly.

County transfers went primarily to cities (11 services), private firms (eight), nonprofit agencies (seven) and the state government (six). A question remains whether the extent of reported service transfers to private firms and nonprofit agencies represents the actual situation or a failure by survey respondents to distinguish between contracting with an outside agency for delivering a service and transferring responsibility for delivery to such an agency. Results of an ICMA 1982 survey on private sector service provision tends to support skepticism on this point.

The pattern of the reported transfers seems to accord with the particular strengths or capabilities of the several types of recipient: private firms tending to take on mechanized and production-type services, nonprofit agencies assuming human service activities, and regional units taking over services of an areawide nature. As with contracts and joint service agreements, economies of scale and the need for larger service area were the prime reasons for making such transfers.

About one-third of the reporting cities and counties reported assuming services transferred from other governments and private and nonprofit agencies. Assumption was more common among the larger jurisdictions, and more frequent among counties than cities. Regionally, there is little variation except in the Northeast states where counties are nonexistent or of lesser importance (New York and New Jersey excepted) than elsewhere. As with the other forms of intergovernmental arrangement, central cities, metropolitan

counties, council-manager cities, and single administrator counties are more active in assuming functions than other classes of jurisdiction.

Cities most frequently assumed emergency medical and ambulance services, police and fire communications, and traffic signal services. Counties most often took on jail and detention home services, solid waste disposal, and police and fire communications responsibilities. Cities and counties were about equally involved as the source of the transfers. States mostly transferred health and welfare services.

The reasons for transfers to cities and counties, as seen by the recipient cities and counties, were similar to the reasons given for transferring services away: economies of scale were predominant.

More than twice as many respondents made positive comments about transfers as made negative comments in the open-ended part of the questionnaire -- not nearly as large a favorable ratio as for contracts and agreements. Otherwise the pattern of comments was similar to that on contracts and agreements: regarding the major positive (lower cost and economies of scale) and negative (loss of control) reasons and the confirmation of the general tenor of answers to the specific survey questions.

#### Major Recent Trends

Delineation of trends must be approached with caution because of problems of data comparability. In any case, the trend data are limited to cities' activities because counties were not covered in previous surveys.

#### Contracts and Joint Agreements (1972-83)

Intergovernmental service contracting by cities declined from 59% of the responding cities in 1972 to 52% in 1983. This finding is unexpected given the presumed growing interest in contracting as a cost-effective approach to service delivery. Various factors combine to produce a possible explanation:

- + Cities' increased contracting with private firms rather than with other governments.
- + Cities increased their use of joint service agreements.
- + Counties expanded their role as performers of urban services.

In other respects, the incidence of cities' contracting remains much as it was in 1972. Larger cities and central cities contract more than smaller and noncentral cities; Western cities do more contracting than cities of other regions, and council-manager cities more than cities with other governmental forms; and the list of services most frequently provided under contract remains generally the same. Two exceptions to the pattern of similarity are apparent in 1983: on a regional basis, Northeastern rather than Southern cities did the least contracting, and the primary functional emphasis in the ten most frequently acquired services via contract shifted from public safety to public works and utilities.

In cities' selection of other types of governmental units with which to contract, a major shift occurred toward contracting with general purpose units and away from regional and other special districts.

Respondents' stated reasons for entering into intergovernmental contracts were primarily the same in 1983 as 11 years earlier: economies of scale and need for larger area. Economies of scale probably reflects the effect of budgetary cutbacks; however, spending cutbacks as such received relatively little mention in the open-ended comments, perhaps because they were not explicitly listed in an earlier question on reasons for contracting.

In 1983, contracting cities tended to place more negotiating responsibility with executive officials and less with legislative officials. In approving contracts, however, the legislative body was, if anything, more dominant than 11 years earlier.

Changes occurred in the ways cities evaluate performance under contracts. Emphasis shifted away from use of performance measures and toward use of periodic inspection by local personnel and, particularly, cost benefit analysis. Reliance on levels of citizen satisfaction also increased and became the most frequently used evaluation measure.

Cities' concern for retaining control over service delivery remained the single greatest inhibiting factor in intergovernmental contracting during the period. In neither year were state laws an important restrictive factor. At the same time, there was a noticeable drop in the proportion of respondents reporting that their states provided encouragement for contracting. Some observers suggest that narrow legal interpretation by judges and attorneys general may be responsible.

A negative influence by the federal government was reported as negligible in both years, but federal encouragement dropped appreciably, possibly traceable to the decline in federal grants-in-aid.

From 1972 to 1983, the proportion of cities participating in joint service agreements increased markedly: from 35% to 55% of the respondents. This increase may account for at least part of the slight decline in the use of contracts, since there are indications that localities tend not to discriminate in describing usage of the two. Aside from this major finding, few appreciable changes occurred in the use of joint agreements, and those that did were like the trends in cities' use of contracts.

#### Service Transfers (1965-75 vs. 1976-83)

City service transfers to other governments (including transfers to the private sector) declined from 1975 to 1983. In 1975, 31% of the responding cities reported such transfers during the preceding ten year period; in 1983 25% reported such transfers for the previous seven years. Part of the decline was due to the shorter time span covered in the 1983 survey (seven years as against ten). Other explanations may lie in:



- + The financial stress of recent years, make willing transfer recipients more difficult to find.
- + Cities' increased use of joint agreements as an alternative.
- + Their mounting use of private firms or nonprofit agencies for contracting.

Other aspects of the incidence of cities' intergovernmental transfers were generally unchanged between the two surveys. One exception was that, unlike the earlier period, council-manager cities stood out in making transfers.

The types of service most frequently transferred away in both periods were quite similar. However, the leading service in the 1965-75 period was solid waste collection and disposal, but in the 1976-83 era it was public health services.

In both periods, counties were the primary recipients of cities' transfers of the 16 service categories that were compared. Special districts experienced the greatest decline as recipients, but councils of government or other regional bodies registered a marked increase. These trends may be offsetting, because many regional bodies are unifunctional like most special districts.

Paralleling the chief reason for service contracts, achievement of economies of scale was the primary explanation cited for transferring services to other governmental units reported in both surveys.

#### Intergovernmental Service Arrangements and Localities' Use of Private Contracting

Local governments' use of the private sector for providing public services takes many different forms, ranging from contracting out and purchase of services through franchising, use of vouchers, enlistment of volunteer help, and adopting user fees and charges. Interest in the widest range of these alternatives has been heightened by certain groups promoting an approach that focuses on the goals of public service delivery while retaining an open mind on how best to reach them, regardless of conventional practice. According to recent comprehensive reviews of these alternatives by the Urban Institute and the International City Management Association, localities have used private sector approaches with varying degrees of success, although even that conclusion is based on evaluations that are not exhaustive nor always unbiased.

This study's interest in the public-private relationship has focused on one of these private sector alternatives -- contracting out with private firms and nonprofit agencies -- and how the use of this approach has affected localities' intergovernmental contracting, joint agreements, and service transfers. The influence of private sector contracting is clearly evident in state laws authorizing and restricting localities' use of the three intergovernmental mechanisms:

- + In 26 states, the laws that authorize intergovernmental contracting

also authorize local governments to have private purchase-of-service contracts.

- + States tend to place rigorous requirements on the use and mechanisms of private contracting and to make the requirements applicable to public contracting correspondingly more rigorous.
- + The shift in state laws from the mutuality-of-powers to the power-of-one provision for intergovernmental contracting has enabled localities to explore more innovative ways of obtaining service delivery, and this development has tended to increase the popularity of private contracting.

A comparison of data on the extent of private contracting from a 1972 ACIR-ICMA survey and a 1982 ICMA survey -- despite its problems of comparability -- indicates fairly conclusively that local governments substantially expanded their use of private sector contracting in the ten-year period. This finding tends to support other more intuitive conclusions in the analysis, including the key development that the expansion of private sector contracting accounts in part for the modest decline in cities' and counties' use of intergovernmental service contracts and service transfers in the past decade. Regarding the latter, many cities expressed a higher preference for contracting with a private firm than for transferring responsibility for a service to another governmental unit.

#### Concluding Observations

Intergovernmental contracting, joint agreements, and transfers of functions continue to be workable methods for local governments to discharge their responsibility for providing and delivering public services. The continued widespread use of all three mechanisms; their appeal as means of achieving economies of scale and enabling services to be performed on a larger-area basis without resort to drastic structural reorganization; and the dominantly positive comments volunteered by local officials on their usefulness -- all point to this conclusion. Their above-average use by the larger, more urbanized jurisdictions indicates that they are useful tools in meeting problems in the more complex local situations. The greater incidence of their use among localities with the more professionally-oriented administrations -- council-manager cities and single executive counties -- suggests their value as effective, efficient means of lowering costs and improving performance. As such, they were helpful in localities' adjusting to revenue cutbacks induced by the recession of the early 1980s.

From an intergovernmental perspective, it is notable that states have been responsive to localities' needs for these mechanisms and to some degree have been responsible for the positive record of accomplishment. In the past decade, they have broadened localities' legal authority to employ these arrangements, although they also have moved to tighten some of the performance requirements, such as procedures for contracting and approval terms for functional transfers.

This generally positive overall picture of the status of intergovernmental contracting, joint agreements, and transfers emerges even though trend data indicate a modest decline in the rate of contracting and service transfers over the past decade. As the analysis reveals, the exact dimensions of those declines are problematical, and in any case may be explained by the increasing use of other mechanisms, specifically, joint agreements (which localities seem to use somewhat interchangeably with contracts) and contracting with private firms and nonprofit agencies.

With all the recent attention focused on public use of the private sector, it may be that localities' future use of the three intergovernmental arrangements will hinge to some extent on their use of the private sector alternatives. As is apparent from this study, private contracting already has had an influence on how states authorize localities to engage in intergovernmental contracting. Moreover, the mere availability of private contracting has an influence on the use of the intergovernmental alternatives. Thus, survey respondents indicated that they preferred contracting with private firms to transferring a service to another jurisdiction. Moreover, the efforts of private-sector advocates to get the public to consider any alternatives to the conventional delivery of public services by public employees may well induce some communities for the first time to look seriously at the three intergovernmental alternatives.

In the final analysis, probably the most important factor determining the impact of the private sector on the public sector alternatives may be the extent to which the promoters of public service redesign -- these who encourage consideration of the widest array of service delivery mechanisms -- succeed in selling their approach to elected officials and the public. As The Urban Institute and ICMA reports on private sector alternatives to public service delivery indicate, however, much more evidence remains to be gathered and evaluated before definitive judgments can be reached on the viability of the broad spectrum of private-sector approaches.

### Recommendations

The Commission has made policy recommendations on intergovernmental agreements and functional transfers on several occasions going back as far as 1961. The recommendations made here supplement those earlier proposals, based upon the most recent research on the law and practice of these intergovernmental mechanisms.

#### Recommendation 1.

##### Broadening, Clarifying Transfer Authority

In 1974, the ACIR recommended that states, through statutory and, where necessary, constitutional action, authorize procedures for transferring functions among municipalities, counties, and multicounty regional bodies. It further recommended that, at a minimum, such procedures should: (a) involve repealing state constitutional and statutory provisions that require voters to approve proposed transfers, (b) authorize revoking a transfer when its

performance falls below standards initially agreed to in the transfer, and (c) empower a jointly agreed-upon body to determine whether a transferred function has not met such performance standards. From its current study of the law and practice of intergovernmental transfers the Commission finds that: (a) in 32 states political subdivisions still lack authority from the legislature or constitution to make interlocal functional transfers, and (b) many states that authorize transfers by political subdivisions do not explicitly authorize transfers to the state government. Hence,

The Commission reiterates its recommendation urging states to authorize functional transfers among their political subdivisions, and further recommends that such authorization be broadened to include transfers to the state government.

Furthermore, upon reconsideration of its earlier recommendation, the Commission concludes that, when initiated by petition of the voters, proposed functional transfers should be referred to the voters for approval. Therefore,

The Commission amends its earlier position to recommend that proposed transfers require approval by the voters of all jurisdictions involved when the transfer is initiated by petition of the voters.

If functional transfers were "a basic way to meet shifting service demands" in 1961, they are equally or more so in 1984, according to our survey results. About 40% of the responding cities and counties indicated that they had made transfers since 1976. The reasons cited by respondents indicate why transfers are so common: economies of scale, the need for a larger area to perform effectively, and eliminating duplication. This positive response, and the fact that 32 states still lack explicit statutory or constitutional authorization for interlocal functional transfers, prompts the Commission to reiterate its recommendation that all states give their localities such power.

The survey also showed that about 7% of the services transferred by cities and counties went to state governments, indicating that local-state transfers -- as well as city-county, county-city, or other interlocal transfers -- can produce salutary service adjustments for local governments. Yet the absence of explicit authorization in the laws of many states may constitute a barrier to more extensive use of this variant of the intergovernmental functional transfers. We therefore urge that, as necessary, states remedy this situation by explicitly authorizing such transfers along with interlocal transfers.

In spelling out in greater detail its recommendation on service transfers, the Commission in 1974 reemphasized its view that to promote the fullest use of functional transfers as a way of meeting shifting service demands, more states needed to enact broad permissive legislation as they have done for intergovernmental contracts and joint service provision. In this vein, the Commission specifically proposed that

Such legislation should leave the decision making author-

ity regarding the transfer up to the governing bodies of the governments involved. Voter approval provisions, especially when coupled with the concurrent majority requirement, more times than not, serve minority interests, given the usual low level of turnout in such referenda. Moreover, the judgment, knowledge and political accountability of the people's elected representatives deserve greater weight in matters of this sort.\*

The Commission therefore recommended that states repeal constitutional and statutory provisions requiring voter approval of proposed transfers.

Further research indicates that in some circumstances it is desirable to modify the general rule against voter referral. This situation arises when a transfer is initiated by petition of the voters pursuant to state law. The Commission believes that, in keeping with the idea of citizen initiative, an initiative proposal should not be subject to approval or disapproval by any authority other than the voters themselves. We therefore modify our earlier position and recommend that proposed transfers require approval by the voters of all jurisdictions involved when the transfer is initiated by voter petition.

#### Recommendation 2.

##### Removing Unnecessary Restrictions from Contracting Laws

Unlike state laws that apply to cooperative or joint service agreements state laws governing contractual arrangements between local units of government tend to establish firmly the procedural requirements for negotiation and approval. In part at least, these more rigorous requirements are included because these laws often cover contracting with private parties as well as with other governments. The requirements relate to liabilities; termination or revocation procedures or both; financial arrangements; and the powers of the parties involved in negotiating and implementing the contract. Sometimes they spell out terms for hiring and managing labor. Although these requirements ultimately give participating jurisdictions firmer legal ground to stand on, they also make the process of negotiating intergovernmental and public-private contracts more time-consuming and complicated, and thus more costly.

The Commission believes that states need to encourage rather than inhibit local governments in their contracting for the delivery of local public services. They need to make certain that requirements for contracting -- both intergovernmental and public-private -- are only those that are essential to safeguarding the public interest. Therefore,

The Commission recommends that states examine their laws authorizing local governments to contract for service delivery with other governments and with private parties and eliminate any stringent procedures and conditions that are unnecessary to protect the public interest.

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\*ACIR, The Challenge of Local Governmental Reorganization, A-44, p. 164.



## Appendix A

### Methodological Note on Mail Survey

This study examines the current status of intergovernmental service arrangements used in the delivery of public services. It also documents changes which have occurred since the two previous ACIR reports on the subject: The Challenge of Local Government Reorganization 1/ and Pragmatic Federalism: The Reassignment of Functional Responsibility.2/

Data for this study are derived from the results of a mail survey conducted jointly by the ACIR and the International City Management Association (ICMA) during the summer of 1983. The survey instrument is similar in structure and content to those used in the two earlier ACIR reports. It was mailed to all cities over 9,999 in population and to counties with over 49,999 in population. In addition, it was sent to a one-in-eight sample of cities 2,500 to 9,999 in population and to counties with populations under 50,000. Finally, any cities with populations below 2,500 that are recognized as city manager cities by the ICMA were also sampled on a one-in-eight basis. In all, 3,140 cities and 1,067 counties were canvassed in the 1983 survey. Of that number, responses were received from 49.7%: 1,654 or 52.7% of the cities and 435 or 40.8% of the counties. Table A-1 shows the distribution of responses by population, geographic region, metropolitan status and government form. The general breakdown into these four categories, as they are defined in Table A-1, are used to analyze certain segments of the survey data.

In interpreting the survey results, several methodological caveats should be borne in mind. First, much of the relevant literature indicates that using mail questionnaires to measure the extent of intergovernmental cooperation can result in underreporting.3/ This is largely because most local governments do not keep a central file on all written and unwritten agreements. Thus, it is often difficult for a single official to present a complete assessment of all the intergovernmental activity that might be occurring in a given jurisdiction. The 1974 and 1976 ACIR reports both suggested that the number of intergovernmental agreements and transfers was probably somewhat higher than actually indicated by respondents because of underreporting. It is not unreasonable to assume that a comparable degree of underreporting affects the data presented in this report.

Second, several researchers have noted that the comparison of survey results from one time period to another can be difficult if the questionnaires used are not identical.4/ With this in mind, the 1983 ACIR/ICMA survey instrument was designed to incorporate as many aspects of the earlier ACIR questionnaires on intergovernmental service arrangements as was possible. Yet replicating the original surveys in their entirety would have produced a questionnaire that was long and complicated and this could have lowered the response rates.5/ Moreover, several of the questions asked in the ACIR's previous efforts had lost much of their contemporary relevance.

Thus, it was necessary to abbreviate and update the 1983 survey by altering the basic format of the questionnaire and by excluding questions that had become "dated" by developments in local service production and delivery during the last decade.

Great care was taken to edit and revise survey questions in a manner that would preserve the intent of the original questionnaires. As a general rule any questions that elicited statistically weak responses in the 1974 and 1976 studies were not included in the 1983 survey. In addition, the list of public services was shortened by first eliminating any that were outdated or duplicative and then by combining those that were similar under one functional heading or service grouping. This shortening and regrouping also reflected a desire to make the survey consistent with ICMA's 1982 survey on private sector alternatives to local service delivery and thus facilitate comparison of data on those alternatives with data on intergovernmental arrangements. Finally, the section on joint service agreements was merged with the section on interlocal contracts and, as a consequence, expanded to include a wider array of services and potential deliverers than had been used in the earlier survey.

The remainder of the 1983 survey closely approximates the original ACIR questionnaires. It is not possible to measure if and how the changes have affected the comparability of the data derived from the 1983 survey. However, the differences between the questionnaires should be taken into consideration when evaluating the sections of this report that focus on trends in public service arrangements. Any specific implications these alterations have on the findings that are immediately apparent are more fully explained, where appropriate, in the text of the report.

Lastly, the 1974 and 1976 ACIR reports pointed out that respondents often had difficulty differentiating between the various kinds of intergovernmental service arrangements. To compound the problem further, the current interest in alternative service delivery systems has spawned an unprecedented amount of literature on the subject in recent years, much of which is confusing and in some cases even contradictory. In order to help respondents distinguish intergovernmental service arrangements from other private and public service alternatives, the 1983 survey provided specific and detailed definitions of intergovernmental service contracts, joint service agreements and functional transfers, which are reproduced in the Introduction. Explicit definitions such as these had not been included in either of the two earlier ACIR questionnaires. Despite these efforts, however, the data from the 1983 survey suggests that respondents continued to misinterpret or confuse certain aspects of the various intergovernmental service arrangements with one another and with other private and public service production and delivery mechanisms. Although several statistical techniques were used to minimize the potential impact of this problem, it may still have influenced some of the findings included in this report. Again, instances in which respondent confusion had an obvious and significant effect on the findings are duly noted in the text.

In sum, the results of the 1983 ACIR survey comprise a data set that is both unique and comprehensive. The methodological caveats discussed in this



section, while worthy of mention, are neither serious nor widespread enough to detract from the overall utility of the data and findings.

\* \* \* \* \*

#### FOOTNOTES

1/ Advisory Commission on Intergovernmental Relations (ACIR), A-44, Washington, DC, U.S. Government Printing Office, 1974.

2/ ACIR, M-105, Washington, DC, U.S. Government Printing Office, 1976.

3/ See H. Paul Friesma, Metropolitan Political Structures, Iowa City, University of Iowa Press, 1971, Ch. 3, for a more thorough discussion of the problem of underreporting.

4/ D.A. Dillman, Telephone and Mail Surveys, New York, NY, Wiley Publishing, Co., 1978.

5/ Dillman, Ibid., points out that longer surveys have low response rates.

Table A-1

## ACIR-ICMA SURVEY RESPONSE, 1983

Classification**	Cities Surveyed*	Total Number of Cities Responding		Counties Surveyed*	Total Number of Counties Responding		Total Number Surveyed	Total Number Responding	
		No.	%		No.	%		No.	%
Totals	3140	1654	52.7	1067	435	40.8	4207	2089	49.7
<u>Population Category</u>									
Over 1,000,000	6	4	66.7	22	9	40.9	28	13	46.4
500,000-1,000,000	17	8	47.1	56	20	35.7	73	28	38.4
250,000-499,999	34	18	52.9	94	47	50.0	128	65	50.8
100,000-249,999	113	73	64.6	228	108	47.4	341	181	53.1
50,000-99,999	278	143	51.4	375	138	36.8	653	518	79.3
25,000-49,999	613	365	59.5	77	28	36.4	690	393	57.0
10,000-24,999	1535	759	49.4	116	43	37.1	1651	802	48.6
5,000-9,999	227	108	47.6	64	25	39.1	291	133	45.7
2,500-4,999	268	142	53.0	18	8	44.4	286	150	52.4
Under 2,500	49	34	69.4	17	9	52.9	66	43	65.1
<u>Geographic Region 1/</u>									
Northeast	904	393	43.5	141	55	39.0	1045	448	42.9
North Central	905	478	52.8	313	136	43.4	1218	614	50.4
South	830	463	55.8	452	175	38.7	1282	638	49.8
West	501	320	63.9	161	69	42.9	662	389	58.8
<u>Metro Status 2/</u>									
Central	432	248	57.4	...	...	...	432	248	57.4
Suburban	1808	919	50.8	...	...	...	1808	919	50.8
Independent	900	487	54.1	...	...	...	900	487	54.1
Metro	...	...	...	543	231	42.5	543	231	42.5
Nonmetro	...	...	...	524	204	38.9	524	204	38.9
<u>Form of Government 3/</u>									
Mayor-Council	1436	647	45.0	...	...	...	1436	647	45.0
Council-Manager	1409	896	63.6	...	...	...	1409	896	63.6
Commission	111	45	40.5	...	...	...	111	45	40.5
Town Meeting	137	52	38.0	...	...	...	137	52	38.0
Representative									
Town Meeting	47	14	29.8	...	...	...	47	14	29.8
Without Administrator	...	...	...	660	244	37.0	660	244	37.0
With Administrator	...	...	...	407	191	46.9	407	191	46.9

(Table A-1, Cont.)

- 1/ GEOGRAPHIC REGIONS: NORTHEAST-Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont; NORTH CENTRAL-Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin; SOUTH-Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia and West Virginia; WEST-Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming.
- 2/ METRO STATUS: CENTRAL-the city(ies) actually appearing in the SMSA title; SUBURBAN-the city(ies) located within an SMSA; INDEPENDENT-the city(ies) not located within an SMSA; METRO-a county located within an SMSA; NONMETRO-a county located outside the boundaries of an SMSA.
- 3/ FORMS OF GOVERNMENT: FOR CITIES: MAYOR-COUNCIL-an elected council serves as the legislative body with a separately elected head of government; COUNCIL-MANAGER-the mayor and council make policy and an appointed administrator is responsible for the administration of the commissioner is responsible for administration of one or more departments; TOWN MEETING-qualified voters meet to make basic policy and choose a board of selectmen to carry out the policy; REPRESENTATIVE TOWN MEETING-representatives selected by citizens vote at meetings, which may be attended by all town citizens. FOR COUNTIES: WITHOUT ADMINISTRATOR-includes counties with the commission form of government; WITH ADMINISTRATOR-includes counties with the council-elected executive form.

\*The jurisdictions surveyed included all cities over 9,999 population, all counties over 49,999 population, and a one-in-eight sample of cities between 2,500 and 9,999 population, cities under 2,500 population recognized by the ICMA as council-manager cities, and counties under 50,000 population.

\*\*Definitions based on ICMA classifications.

Source: ACIR-ICMA Survey, 1983.



Appendix B

TABLES

Table B-1

Intergovernmental Service Contracts for Delivery of Services TO Cities, 1983

<u>Service</u>	<u>Number of Contracts</u>	<u>Delivering Agency 1/</u>					<u>Reasons for Contracting 1/2/</u>						
		<u>County</u>	<u>City</u>	<u>School District</u>	<u>Special 3/ District</u>	<u>State</u>	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>
<u>Public Safety and Corrections</u>													
Police Patrol	63	43	14	3	0	7	15	13	44	8	14	1	2
Crime Lab and Identification	121	56	15	0	8	43	50	65	65	35	39	0	1
Police/Fire Communications	148	86	61	0	7	5	9	33	99	58	65	1	0
Police/Fire Training	107	39	22	6	10	37	35	51	72	29	48	0	1
Fire Prevention/ Suppression	109	55	46	1	8	1	26	30	52	22	56	1	8
Jails/Detention Homes	257	228	41	0	0	6	27	163	121	93	75	2	1
<u>Public Works and Utilities</u>													
<u>Street and Bridge Construction/ Maintenance</u>													
Traffic Signal Instal- lation/Maintenance	75	45	17	1	0	33	12	14	38	25	19	2	1
Building, Electrical, and Plumbing Inspec- tion/Code Enforcement	131	43	27	0	0	65	48	20	66	32	34	2	2
Refuse Collection	81	57	14	0	4	9	39	4	46	20	19	4	0
Solid Waste Disposal	12	6	4	0	2	0	1	2	8	1	3	1	0
Sewage Disposal	166	98	54	1	19	0	5	82	87	53	69	2	2
Street Lighting	243	55	114	1	70	4	14	118	129	64	126	4	4
Water Supply	32	10	7	0	9	2	5	6	9	6	12	1	1
Air Pollution Control	173	27	96	0	45	4	9	93	77	37	82	4	9
	42	20	4	0	8	9	14	10	12	8	22	0	0
<u>Health and Welfare</u>													
Public Health Clinics	99	70	19	1	8	6	27	24	45	35	43	3	1
Hospitals	14	6	1	0	5	1	7	4	6	4	8	1	1
Sanitary Inspection	130	98	18	2	9	9	55	18	68	46	56	2	2
Alcohol and Drug Rehabilitation	34	23	2	1	8	1	9	4	14	13	13	1	1
Emergency Medical/ Ambulance Services	89	58	36	0	6	0	21	17	47	25	48	2	5
Mental Health Services	44	28	2	0	12	4	15	13	16	14	17	1	0
Child Welfare	20	16	1	0	0	2	5	6	7	7	11	0	0
Day Care Facilities	11	5	2	0	2	0	2	3	2	2	6	0	2
Programs for the Elderly	37	18	6	1	10	6	3	6	14	15	14	0	3



## Intergovernmental Service Contracts for Delivery of Services TO Counties, 1983

Service	Number of Contracts	Delivering agency 1/			Reasons for Contracting 1/2/									
		County	City	School District	Special District	State	A	B	C	D	E	F	G	
Public Safety and Corrections														
Police Patrol	28	20	11	0	1	4	10	4	14	5	5	0	4	
Crime Lab and Identification	26	6	9	0	0	15	10	14	9	9	5	0	0	
Police/Fire Communications	38	20	29	2	3	4	5	10	20	15	16	0	3	
Police/Fire Training	22	6	12	0	0	6	7	11	10	7	4	0	0	
Fire Prevention/Suppression	50	16	36	1	3	9	8	12	31	17	19	0	6	
Jails/Detention Homes	70	54	28	0	1	6	4	40	28	20	13	1	1	
Public Works and Utilities														
Street and Bridge Construction/Maintenance	31	13	18	0	1	9	2	3	14	9	4	0	2	
Traffic Signal Installation/Maintenance	16	7	5	0	0	9	6	3	10	5	1	0	0	
Building, Electrical, and Plumbing Inspection/Code Enforcement	25	18	17	0	0	0	15	1	12	7	6	0	1	
Refuse Collection	9	4	5	0	1	0	1	4	6	1	4	0	0	
Solid Waste Disposal	43	27	28	0	3	0	5	19	25	11	17	1	2	
Sewage Disposal	24	7	19	0	1	1	3	10	11	8	10	0	1	
Street Lighting	4	2	3	0	0	2	0	0	2	1	3	0	1	
Water Supply	28	12	21	0	2	1	2	14	16	7	10	0	2	
Air Pollution Control	9	4	4	0	3	2	1	2	3	2	2	1	1	
Health and Welfare														
Public Health Clinics	33	17	10	1	0	17	7	8	17	15	15	1	4	
Hospitals	8	4	1	0	1	3	3	3	3	2	3	0	2	
Sanitary Inspection	20	12	8	1	0	8	4	1	10	7	7	1	2	
Alcohol and Drug Rehabilitation	24	11	2	1	8	7	8	7	16	10	12	1	3	
Emergency Medical/Ambulance Services	33	16	21	1	3	1	6	8	13	14	20	0	3	
Mental Health Services	33	12	2	1	10	14	8	10	14	7	15	1	6	
Child Welfare	14	8	1	0	3	9	1	2	8	5	5	1	2	
Day Care Facilities	6	6	0	0	3	1	1	0	4	1	3	0	1	
Programs for the Elderly	25	11	4	0	10	5	1	2	8	6	9	2	4	



(Table B-2, Cont.)													
<u>Service</u>	<u>Number of Contracts</u>	<u>County</u>	<u>City</u>	<u>School District</u>	<u>Special District</u>	<u>State</u>	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>
<u>Health and Welfare</u>													
Public Housing Operation and Maintenance	11	4	5	0	2	2	4	2	5	4	0	1	1
Animal Control	43	25	29	0	2	4	10	15	27	16	13	1	4
Insect/Rodent Control	11	5	3	0	0	7	1	1	7	3	4	1	1
<u>Transportation</u>													
Paratransit Operation	11	3	6	0	5	0	2	6	7	2	7	1	5
Mass Transit System Operation	10	2	4	0	6	0	1	3	3	2	9	0	1
Airport Operation	9	5	1	0	2	1	1	0	5	2	3	1	0
<u>Parks and Recreation</u>													
Parks	11	6	6	0	1	1	1	2	4	5	3	1	4
Recreational Facilities	11	5	3	6	0	1	2	4	4	5	2	0	3
<u>Education and Culture</u>													
Libraries	36	15	23	2	5	4	4	10	23	21	19	3	4
Museums	4	2	1	1	1	0	0	0	1	1	0	0	1
<u>General Government and Finance</u>													
<u>Computer and Data</u>													
Processing Services	46	28	19	8	4	3	16	21	29	12	11	0	0
Planning/Zoning	20	12	12	0	3	0	7	3	4	3	8	0	1
<u>Building and Grounds</u>													
Maintenance	7	3	6	0	0	0	1	0	4	2	0	0	0
<u>Tax Assessing</u>													
Tax/Utility Bill Processing	23	17	8	4	1	4	4	1	11	11	6	1	1
<u>Engineering/Architectural Services</u>													
Engineering/Architectural Services	23	20	11	3	0	0	9	9	14	11	3	1	0
<u>Fleet Management/ Vehicle Maintenance</u>													
Fleet Management/ Vehicle Maintenance	3	1	1	0	1	0	0	0	1	0	1	0	0
<u>General Support Services (i.e., legal, personnel, secretarial)</u>													
General Support Services (i.e., legal, personnel, secretarial)	6	4	1	1	1	1	3	5	6	1	1	0	0
General Support Services (i.e., legal, personnel, secretarial)	5	4	3	0	0	1	1	1	1	1	1	0	0

1/ Number of delivery agencies and reasons for contracting add up to more than the number of contracts because of multiple agencies and multiple reasons for some contracts.

2/ A -- Lack of qualified personnel. B -- Lack of facilities. C -- Achieve economies of scale (lower unit cost)  
D -- Eliminate service duplication. E -- More logical to organize service beyond jurisdictional or areal limits. F -- Take politics out of service delivery. G -- Citizen demand for service agreement.

3/ Includes COGs and other regional organizations.

Table B-3

Joint Service Agreements for Delivery of Services TO Cities, 1983

<u>Service</u>	<u>Number of Agreements</u>	<u>Participating Agency 1/</u>					<u>Reasons for Agreement 1/2/</u>						
		<u>County</u>	<u>City</u>	<u>School District</u>	<u>Special 3/ District</u>	<u>State</u>	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>
<u>Public Safety and Corrections</u>													
Police Patrol	33	10	18	0	1	5	4	2	10	9	19	2	1
Crime Lab and Identification	72	33	22	0	8	21	18	33	41	28	30	2	2
Police/Fire Communications	149	74	85	2	22	6	10	22	93	70	81	3	4
Police/Fire Training	70	25	37	3	11	24	14	21	48	31	38	3	1
Fire Prevention/Suppression	134	40	83	3	16	7	15	21	65	36	67	0	7
Jail/Detention Homes	107	91	30	0	3	6	7	48	44	43	37	1	1
<u>Public Works and Utilities</u>													
Street and Bridge Construction/Maintenance	60	31	20	0	3	21	5	4	26	12	24	0	0
Traffic Signal Installation/Maintenance	70	25	25	0	2	42	7	3	32	21	24	2	1
Building, Electrical, and Plumbing Inspection/Code Enforcement	38	21	19	0	4	2	11	1	19	9	13	1	0
Refuse Collection	9	0	4	0	1	0	0	3	6	1	1	0	1
Solid Waste Disposal	106	57	49	0	21	3	5	47	69	44	47	1	3
Sewage Disposal	138	30	84	2	39	1	8	51	95	51	93	4	5
Street Lighting	13	3	6	0	2	3	0	2	3	2	5	0	0
Water Supply	78	16	43	4	19	4	0	31	39	16	35	3	1
Air Pollution Control	31	19	8	0	11	6	8	4	13	10	18	2	1
<u>Health and Welfare</u>													
Public Health Clinics	61	48	23	0	6	10	31	17	37	28	31	2	3
Hospitals	17	10	4	0	4	2	5	5	7	7	10	1	4
Sanitary Inspection	63	41	20	0	6	7	24	11	33	17	28	0	0
Alcohol and Drug Rehabilitation	36	19	9	1	11	3	11	11	19	18	22	0	2
Emergency Medical/Ambulance Services	100	51	51	1	15	0	9	17	46	35	45	5	10
Mental Health Services	38	23	6	1	11	8	18	12	19	16	19	0	2
Child Welfare	22	14	2	0	2	9	8	10	13	11	11	1	3
Day Care Facilities	15	7	4	2	3	5	2	5	6	6	7	1	0
Programs for the Elderly	62	25	14	3	17	10	7	11	26	21	28	1	7

(Table B-3, Cont.)

Service	Number of Agreements	County	City	School District	Special District	State	Number of Agreements						
							A	B	C	D	E	F	G
<u>Health and Welfare</u>													
Public Housing Operation and Maintenance	25	11	5	1	7	5	3	5	14	13	9	2	0
Animal Control	95	61	34	0	8	0	12	38	44	34	40	1	6
Insect/Rodent Control	35	23	6	0	3	2	9	7	18	13	16	0	0
<u>Transportation</u>													
Paratransit Operation	37	8	16	0	15	1	3	3	19	11	28	2	2
Mass Transit System Operation	73	17	22	0	40	5	5	15	46	23	51	2	7
Airport Operation	43	24	21	0	3	0	2	4	13	10	29	1	4
<u>Parks and Recreation</u>													
Parks	55	18	28	16	6	2	3	15	29	22	28	2	3
Recreational Facilities	89	26	29	46	6	1	2	30	41	36	33	2	9
<u>Education and Culture</u>													
Libraries	149	95	50	6	24	12	5	18	88	61	86	3	13
Museums	16	12	4	0	0	1	1	6	5	6	7	0	1
<u>General Government and Finance</u>													
<u>Computer and Data</u>													
Processing Services	64	23	37	9	10	1	14	15	49	24	19	1	0
Planning/Zoning	58	40	28	0	14	0	8	2	25	24	24	1	1
Building and Grounds Maintenance	7	5	2	1	1	0	0	1	4	3	3	0	1
Tax Assessing	74	57	18	8	10	6	8	4	34	41	24	3	1
Tax/Utility Bill Processing	60	34	19	8	6	3	7	12	35	24	25	0	0
Engineering/Architectural Services	5	1	1	0	1	2	1	2	1	1	2	0	0
Fleet Management/Vehicle Maintenance	2	0	1	0	1	0	0	2	1	0	0	0	0
General Support Services (i.e., legal, personnel, secretarial)	23	9	12	1	4	2	4	1	19	10	11	0	0

1/ Number of participating agencies and reasons for the agreement add up to more than the number of agreements because of multiple agencies and multiple reasons for some agreements.

2/ A -- Lack of qualified personnel. B -- Lack of facilities. C -- Achieve economies of scale (lower unit cost). D -- Eliminate service duplication. E -- More logical to organize service beyond jurisdictional or areal limits. F -- Take politics out of service delivery. G -- Citizen demand for service agreement.

3/ Includes COGs and other regional organizations.

Table B-4

Joint Service Agreements for Delivery of Services TO Counties, 1983

Service	Number of Agreements	Participating Agency 1/					Reasons for Agreement 1/2/						
		County	City	School District	Special 3/ District	State	A	B	C	D	E	F	G
<u>Public Safety and Corrections</u>													
Police Patrol	19	8	16	0	1	0	3	2	9	9	4	1	5
Crime Lab and Identification	23	13	16	1	1	8	4	7	13	12	12	1	0
Police/Fire Communications	44	26	39	0	1	1	1	4	27	28	20	1	1
Police/Fire Training	25	14	20	1	1	3	3	5	18	17	7	0	0
Fire Prevention/ Suppression	31	16	22	1	1	1	3	5	17	15	15	1	1
Jail/Detention Homes	42	30	29	0	1	4	6	21	18	21	15	2	1
<u>Public Works and Utilities</u>													
Street and Bridge Construction/ Maintenance	20	14	12	0	0	7	4	3	12	4	6	0	0
Traffic Signal Instal- lation/Maintenance	8	2	7	0	0	2	4	4	6	4	3	0	1
Building, Electrical, and Plumbing Inspec- tion/Code Enforcement	13	8	8	0	0	2	14	0	8	7	6	0	0
Refuse Collection	5	2	3	0	1	0	1	2	2	1	3	1	1
Solid Waste Disposal	41	32	26	0	5	0	1	7	26	13	16	0	1
Sewage Disposal	22	8	17	0	3	1	1	6	7	6	6	0	1
Street Lighting	2	0	2	0	0	0	0	0	1	0	1	0	0
Water Supply	15	5	11	1	3	1	0	6	9	7	6	0	1
Air Pollution Control	9	5	3	0	2	2	3	1	4	2	7	1	0
<u>Health and Welfare</u>													
Public Health Clinics	37	21	13	0	3	15	1	2	17	14	15	0	1
Hospitals	9	5	4	0	1	2	2	2	2	1	3	0	1
Sanitary Inspection	20	12	7	0	2	6	1	0	11	7	7	0	0
Alcohol and Drug Rehabilitation	28	18	7	1	7	7	2	3	14	12	14	1	1
Emergency Medical/ Ambulance Services	38	21	25	0	5	3	6	6	25	11	12	2	4
Mental Health Services	48	28	12	0	12	16	8	9	23	16	21	0	2
Child Welfare	22	14	3	0	3	12	7	8	8	3	5	0	3
Day Care Facilities	12	5	4	1	3	4	2	3	5	4	3	0	2
Programs for the Elderly	40	22	15	0	10	8	4	5	22	12	21	1	3

(Table B-4, Cont.)

<u>Service</u>	<u>Number of Agreements</u>	<u>County</u>	<u>City</u>	<u>School District</u>	<u>Special District</u>	<u>State</u>	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>
<u>Health and Welfare</u>													
Public Housing Operation and Maintenance	9	5	5	0	1	0	3	3	5	5	4	2	1
Animal Control	27	16	14	0	1	2	3	4	12	10	8	0	2
Insect/Rodent Control	14	6	6	0	1	4	2	2	10	4	3	0	0
<u>Transportation</u>													
Paratransit Operation	8	3	2	1	5	1	1	3	4	3	4	1	1
Mass Transit System Operation	26	15	15	0	9	2	1	6	15	9	17	2	2
Airport Operation	21	14	10	0	4	1	1	2	8	3	12	3	0
<u>Parks and Recreation</u>													
Parks	23	17	12	2	3	0	0	2	14	8	16	1	2
Recreational Facilities	24	15	17	2	1	1	1	4	13	12	12	1	1
<u>Education and Culture</u>													
Libraries	46	27	31	2	6	4	3	11	21	21	15	0	3
Museum	6	4	4	0	0	1	0	3	4	1	0	0	0
<u>General Government and Finance</u>													
<u>Computer and Data</u>													
Processing Services	27	18	11	6	5	1	4	4	20	9	8	2	0
Planning/Zoning	35	20	21	0	9	1	2	1	11	15	24	1	0
<u>Building and Grounds</u>													
Maintenance	6	5	3	0	0	1	1	0	5	4	1	0	0
Tax Assessing	17	15	9	3	2	0	2	0	12	8	5	1	1
<u>Tax/Utility Bill</u>													
Processing	16	11	9	1	1	0	1	4	13	7	9	1	0
<u>Engineering/Architectural Services</u>													
	4	4	1	0	0	1	1	0	1	1	2	1	0
<u>Fleet Management/</u>													
Vehicle Maintenance	1	0	0	1	0	0	0	0	1	1	0	0	0
<u>General Support Services</u>													
(i.e., legal, personnel, secretarial)	4	2	2	0	0	1	0	0	3	3	3	0	0

1/ Number of participating agencies and reasons for the agreement add up to more than the number of agreements because of multiple agencies and multiple reasons for some agreements.

2/ A -- Lack of qualified personnel. B -- Lack of facilities. C -- Achieve economies of scale (lower unit cost). D -- Eliminate service duplication. E -- More logical to organize service beyond jurisdictional or areal limits. F -- Take politics out of service delivery. G -- Citizen demand for service agreement.

3/ Includes COGs and other regional organizations.

Source: ACIR-ICMA Survey, 1983.

Table B-5

Services Transferred FROM Cities, 1983

<u>Service</u>	No. of <u>Trans.</u>	<u>Recipient Agency</u>							<u>Reasons for Transfer</u>						
		<u>County</u>	<u>City</u>	<u>Spec. Dist.</u>	<u>Region. Organ.</u>	<u>State Govt.</u>	<u>Priv. Firm</u>	<u>Non- Prof.</u>	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>
<u>Public Safety and Corrections</u>															
Police Patrol	19	11	4	2	0	3	2	2	8	5	10	1	0	0	0
Crime Lab/Identification	13	7	2	0	2	2	1	1	2	4	6	5	3	0	0
Police/Fire Communication	43	20	9	1	8	0	2	1	2	3	29	21	21	0	2
Police/Fire Training	9	4	1	0	1	4	1	0	1	1	5	3	3	0	0
Fire Prevention/Suppression	19	10	2	2	0	0	1	2	1	1	10	4	8	0	1
Jails/Detention Homes	61	54	4	0	0	2	0	0	3	25	25	24	24	0	0
<u>Public Works and Utilities</u>															
<u>Street and Bridge Construction/Maintenance</u>															
Traffic Signal	21	5	0	0	0	1	14	0	7	7	11	0	3	0	0
<u>Installation/Maintenance</u>															
Building, Electrical, and Plumbing Inspection/Code Enforcement	29	7	0	0	0	10	15	0	10	4	16	2	5	0	0
Refuse Collection	26	14	1	0	1	5	5	0	11	1	11	8	6	0	0
Solid Waste Disposal	124	3	5	1	4	4	105	1	10	24	91	2	7	4	4
Sewage Disposal	99	30	7	2	9	4	41	4	6	37	51	10	20	3	4
Street Lighting	49	10	8	8	10	1	8	3	3	12	26	7	20	2	1
Water Supply	12	0	0	0	0	2	10	0	4	3	6	0	3	0	0
Air Pollution Control	15	2	2	3	6	0	0	2	0	6	7	1	6	1	1
	6	3	0	1	1	1	0	0	2	4	3	1	2	0	0
<u>Transportation</u>															
Paratransit	16	3	1	2	3	0	2	4	0	2	11	6	7	2	1
<u>Mass Transit System</u>															
Operation	34	2	3	8	11	0	5	5	3	3	14	6	19	5	2
Airport Operation	12	3	1	1	2	0	0	3	1	1	5	1	7	3	1
<u>Parks and Recreation</u>															
Parks	22	5	0	3	0	1	10	2	2	3	14	1	4	0	2
Recreational Facilities	29	5	0	5	0	1	4	11	5	1	8	6	8	0	3
<u>Education and Culture</u>															
Libraries	37	28	0	3	2	0	1	3	1	4	17	15	26	1	2
Museums	6	2	1	0	0	2	1	2	1	1	0	2	3	0	0

(Table B-5, Cont.)

Service	No. of Trans.	County	City	Spec. Dist.	Region. Organ.	State Govt.	Priv. Firm	Non-Prof.															
									A	B	C	D	E	F	G								
<u>Health and Welfare</u>																							
Public Health Clinics	28	18	4	1	1	0	0	3	7	4	12	8	8	0	0								
Hospitals	12	2	0	1	2	0	1	6	2	3	4	4	6	1	0								
Sanitary Inspection	30	21	5	1	1	2	0	0	7	3	11	8	8	1	1								
Alcohol and Drug Rehabilitation	12	7	0	0	1	1	0	4	3	4	2	5	6	0	0								
Emergency Medical/Ambulance Services	38	13	2	0	0	0	12	11	8	8	18	10	16	1	4								
Mental Health Services	13	6	0	0	2	3	0	2	5	2	2	5	5	0	0								
Child Welfare	8	3	0	1	0	2	0	1	2	1	2	3	2	0	0								
Day Care Facilities	7	1	0	0	0	2	2	3	2	1	4	1	2	0	0								
Programs for the Elderly	19	7	0	0	2	1	0	9	6	5	3	8	7	1	1								
Public Housing Operation and Maintenance	15	4	1	2	0	1	1	5	4	3	5	2	7	2									
Animal Control	62	36	4	0	2	0	9	13	9	21	30	12	14	1	5								
Insect/Rodent Control	13	9	0	1	1	1	1	0	3	3	5	5	5	0	1								
<u>General Government and Finance</u>																							
<u>Computer and Data</u>																							
Processing Services	42	9	6	1	5	2	18	3	14	15	23	4	3	0	0								
Planning/Zoning	7	7	0	0	0	0	0	0	2	0	5	4	2	0	0								
Building and Grounds Maintenance	18	1	0	1	0	1	15	0	2	0	16	1	1	0	0								
Tax Assessing	55	37	0	9	5	3	1	1	9	4	31	24	21	6	1								
Tax/Utility Bill Processing	41	20	2	4	2	1	9	0	6	9	31	13	10	0	0								
Engineering/Architectural Services	26	1	0	0	1	1	23	0	14	2	16	2	0	0	0								
Fleet Management/Vehicle Maintenance	9	1	0	0	1	1	5	0	2	0	5	0	0	0	0								
General Support Services (i.e., legal, personnel, secretarial)	12	5	0	0	1	3	5	0	4	0	6	4	3	2	0								

Source: ACIR-ICMA Survey, 1983.

Table B-6

## Services Transferred FROM Counties, 1983

Service	No. of Trans.	Recipient Agency					Reasons for Transfer								
		County	City	Spec. Dist.	Region. Organ.	State Govt.	Priv. Firm	Non-Prof.	A	B	C	D	E	F	G
<u>Public Safety and Corrections</u>															
Police Patrol	4	1	3	0	0	0	1	1	0	0	1	1	0	0	0
Crime Lab/Identification	4	1	1	0	0	2	0	0	2	1	1	2	0	0	0
Police/Fire Communication	9	0	0	1	1	0	0	0	1	1	4	4	6	0	0
Police/Fire Training	6	0	3	0	0	2	0	0	0	2	2	3	2	0	0
Fire Prevention/Suppression	6	2	5	1	0	0	0	1	0	2	2	1	2	0	1
Jails/Detention Homes	10	1	2	0	1	4	1	2	1	4	3	0	3	0	0
<u>Public Works and Utilities</u>															
<u>Street and Bridge</u>															
Construction/Maintenance	10	0	5	0	0	2	3	0	1	2	2	2	3	1	1
Traffic Signal	3	0	2	0	0	1	1	1	3	1	1	1	1	0	0
Installation/Maintenance Building, Electrical, and Plumbing Inspection/Code Enforcement	2	0	1	0	0	0	0	1	0	0	1	2	1	0	0
Refuse Collection	15	3	3	0	1	0	10	0	2	2	9	0	1	0	0
Solid Waste Disposal	19	3	2	1	2	1	9	2	3	2	12	5	5	0	1
Sewage Disposal	6	2	3	2	0	0	1	1	1	2	3	2	2	0	0
Street Lighting	1	0	0	1	0	0	0	0	0	0	0	0	1	0	1
Water Supply	4	1	3	0	1	0	0	0	1	3	1	0	2	1	1
Air Pollution Control	1	1	0	0	1	0	0	0	1	1	1	0	1	0	0
<u>Transportation</u>															
Paratransit	6	1	2	0	2	0	1	3	1	1	4	3	2	1	2
Mass Transit System Operation	2	0	1	0	0	0	1	1	0	0	2	0	0	0	0
Airport Operation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<u>Parks and Recreation</u>															
Parks	5	0	1	0	2	0	2	1	1	0	1	1	2	0	0
Recreational Facilities	10	0	4	0	1	0	2	3	3	1	3	3	2	0	0
<u>Education and Culture</u>															
Libraries	6	1	3	1	1	0	0	1	3	2	2	1	1	1	1
Museums	1	0	0	0	0	0	0	1	1	0	0	0	0	0	0





Table B-7

Services Transferred TO Cities, 1983

<u>Service</u>	<u>No of Trans.</u>	<u>Units Transferring Services</u>							<u>Reasons for Transfer</u>						
		<u>County</u>	<u>City</u>	<u>Spec. Dist.</u>	<u>Region. Organ.</u>	<u>State Govt.</u>	<u>Priv. Firm</u>	<u>Non- Prof.</u>	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>
<u>Public Safety and Corrections</u>															
Police Patrol	20	7	8	2	1	1	2	0	3	4	7	3	5	0	2
Crime Lab/Identification	12	6	3	0	2	1	0	1	4	5	6	2	3	0	0
Police/Fire Communication	45	12	31	2	3	0	0	0	0	14	22	14	15	0	0
Police/Fire Training	9	5	3	0	0	1	0	0	1	3	1	2	2	0	0
Fire Prevention/Suppression	30	14	6	5	0	1	0	2	9	14	9	5	10	0	2
Jails/Detention Homes	7	3	4	0	0	0	0	0	1	5	2	1	1	0	0
<u>Public Works and Utilities</u>															
<u>Street and Bridge</u>															
Construction/Maintenance	26	11	3	1	0	12	2	1	2	2	11	5	6	1	0
<u>Traffic Signal</u>															
Installation/Maintenance	45	12	31	2	3	0	0	0	8	14	22	14	15	0	0
<u>Building, Electrical, and Plumbing Inspection/ Code Enforcement</u>															
Refuse Collection	10	1	2	0	0	1	5	0	1	2	3	1	0	0	1
Solid Waste Disposal	16	3	5	1	0	1	5	0	2	4	8	2	1	0	1
Sewage Disposal	32	10	19	4	0	1	2	1	2	12	19	12	12	1	1
Street Lighting	12	5	1	1	0	1	3	0	1	0	2	0	1	0	1
Water Supply	23	3	14	2	0	0	3	0	1	13	15	4	7	0	1
Air Pollution Control	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<u>Transportation</u>															
Paratransit	12	3	2	0	2	2	5	2	3	5	4	3	4	1	6
<u>Mass Transit System</u>															
Operation	18	3	6	2	1	2	6	1	1	3	9	3	2	1	2
Airport Operation	1	1	0	0	0	0	0	0	0	0	0	0	0	0	1
<u>Parks and Recreation</u>															
Parks	13	6	2	2	0	0	2	2	0	2	4	2	3	0	0
Recreational Facilities	25	4	3	8	1	0	2	5	3	2	5	2	4	1	6
<u>Education and Culture</u>															
Libraries	15	9	5	1	0	0	0	3	4	6	8	3	3	1	2
Museums	2	1	0	0	0	0	0	1	0	0	0	0	1	0	0

(Table B-7, Cont.)

<u>Service</u>	<u>No. of Trans.</u>	<u>County</u>	<u>City</u>	<u>Spec. Dist.</u>	<u>Region. Organ.</u>	<u>State Govt.</u>	<u>Priv. Firm</u>	<u>Non- Prof.</u>	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>
<u>Health and Welfare</u>															
Public Health Clinics	11	4	5	0	0	2	0	1	2	3	6	2	2	0	0
Hospitals	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sanitary Inspection	17	4	9	0	0	5	0	0	2	2	8	4	2	0	0
Alcohol and Drug Rehabilitation	4	0	1	0	1	2	0	1	0	0	0	1	0	0	1
Emergency Medical/ Ambulance Services	46	13	10	1	1	0	23	2	18	20	16	6	6	0	11
Mental Health Services	3	1	1	0	0	3	0	1	1	1	0	1	0	0	0
Child Welfare	5	1	1	1	0	3	0	0	1	1	2	1	1	0	0
Day Care Facilities	3	1	0	1	0	1	0	0	1	1	0	1	0	0	0
Programs for the Elderly	14	6	0	1	2	3	1	4	2	3	2	4	2	1	5
Public Housing Operation and Maintenance	6	1	3	0	0	1	0	1	4	0	2	2	1	0	0
Animal Control	22	7	9	0	0	2	1	5	3	6	9	3	5	0	4
Insect/Rodent Control	8	4	2	0	0	2	0	1	1	0	4	4	2	0	0
<u>General Government and Finance</u>															
Computer and Data Processing Services	29	7	9	5	3	0	7	1	10	10	13	7	3	0	0
Planning/Zoning	4	2	1	0	1	0	0	0	0	0	1	1	1	0	0
Building and Grounds Maintenance	6	1	1	1	0	0	1	2	1	0	3	1	1	0	0
Tax Assessing	2	0	0	1	0	0	1	0	0	0	1	0	0	0	0
Tax/Utility Bill Processing	17	6	6	3	0	0	3	1	2	4	9	4	5	0	1
Engineering/Architectural Services	3	2	0	0	0	0	1	0	1	0	0	0	0	0	0
Fleet Management/ Vehicle Maintenance	5	2	0	2	1	0	1	0	0	0	3	2	3	0	0
General Support Services (i.e., legal, personnel, secretarial)	9	4	1	0	2	1	1	0	0	1	4	1	4	0	0

Source: ACIR-ICMA Survey, 1983.

Table B-8

Services Transferred TO Counties, 1983

Service	No. of Trans.	Units Transferring Services					Reasons for Transfer								
		County	City	Spec. Dist.	Region. Organ.	State Govt.	Priv. Firm	Non-Prof.	A	B	C	D	E	F	G
<u>Public Safety and Corrections</u>															
Police Patrol	24	7	16	0	2	2	1	2	11	4	9	4	2	0	1
Crime Lab/Identification	6	1	4	0	0	3	0	0	2	2	3	2	0	0	0
Police/Fire Communication	30	5	23	3	1	1	2	1	6	7	19	16	8	1	1
Police/Fire Training	6	1	3	0	1	1	0	1	0	2	2	2	1	1	0
Fire Prevention/Suppression	6	1	4	1	1	1	0	0	3	2	3	2	2	1	1
Jails/Detention Homes	35	12	18	0	3	11	0	0	3	18	13	7	6	2	1
<u>Public Works and Utilities</u>															
Street and Bridge Construction/Maintenance	15	2	8	1	0	6	0	0	2	3	3	1	2	0	0
Traffic Signal	4	1	3	0	0	1	0	0	1	0	3	1	1	0	1
Installation/Maintenance Building, Electrical, and Plumbing Inspection/Code Enforcement	14	2	11	0	0	3	0	0	5	1	9	4	2	1	1
Refuse Collection	1	0	1	0	0	0	0	0	0	0	0	1	0	0	0
Solid Waste Disposal	34	7	24	1	2	5	1	0	1	9	20	7	12	1	2
Sewage Disposal	4	0	3	0	0	1	0	0	0	2	0	0	2	0	1
Street Lighting	3	0	2	1	0	0	0	0	0	0	0	0	2	0	0
Water Supply	5	1	4	0	0	0	1	0	1	1	1	1	2	0	1
Air Pollution Control	6	1	2	0	0	4	0	0	1	1	3	2	5	0	0
<u>Transportation</u>															
Paratransit	4	0	2	0	1	1	0	0	0	0	3	0	1	0	0
Mass Transit System Operation	7	1	3	0	1	1	2	0	0	1	2	0	3	0	2
Airport Operation	6	3	1	0	1	0	1	0	1	0	2	1	3	1	0
<u>Parks and Recreation</u>															
Parks	5	0	4	1	1	0	0	0	1	1	1	0	2	1	0
Recreational Facilities	6	1	5	0	0	0	1	0	1	2	1	0	1	0	3
<u>Education and Culture</u>															
Libraries	14	3	8	2	0	2	0	1	0	1	5	5	6	0	1
Museums	2	0	2	0	0	0	0	0	0	0	0	0	2	0	0





## Appendix C

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## WHAT IS ACIR?

The Advisory Commission on Intergovernmental Relations (ACIR) was created by the Congress in 1959 to monitor the operation of the American federal system and to recommend improvements. ACIR is a permanent national bipartisan body representing the executive and legislative branches of federal, state, and local government and the public.

The Commission is composed of 26 members—nine representing the federal government, 14 representing state and local government, and three representing the public. The President appoints 20—three private citizens and three federal executive officials directly and four governors, three state legislators, four mayors, and three elected county officials from slates nominated by the National Governors' Association, the Council of State Governments, the National League of Cities/U.S. Conference of Mayors, and the National Association of Counties. The three Senators are chosen by the President of the Senate and the three Representatives by the Speaker of the House.

Each Commission member serves a two-year term and may be reappointed.

As a continuing body, the Commission approaches its work by addressing itself to specific issues and problems, the resolution of which would produce improved cooperation among the levels of government and more effective functioning of the federal system. In addition to dealing with the all-important functional and structural relationships among the various governments, the Commission has also extensively studied critical stresses currently being placed on traditional governmental taxing practices. One of the long-range efforts of the Commission has been to seek ways to improve federal, state, and local governmental taxing practices and policies to achieve equitable allocation of resources, increased efficiency in collection and administration, and reduced compliance burdens upon the taxpayers.

Studies undertaken by the Commission have dealt with subjects as diverse as transportation and as specific as state taxation of out-of-state depositories; as wide ranging as substate regionalism to the more specialized issue of local revenue diversification. In selecting items of its work program, the Commission considers the relative importance and urgency of the problem, its manageability from the point of view of finances and staff available to ACIR, and the extent to which the Commission can make a fruitful contribution toward the solution of the problem.

After selecting specific intergovernmental issues for investigation, ACIR follows a multistep procedure that assures review and comment by representatives of all points of view, all affected levels of government, technical experts, and interested groups. The Commission then debates each issue and formulates its policy position. Commission findings and recommendations are published and draft bills and executive orders developed to assist in implementing ACIR policies.