

Local Government Fragmentation, Employment and Finances

Large Urban Counties over 1,000,000 population

Report from Cuyahoga County Office of Government Service Coordination

April 16, 2007

Sources of Data:

Land Area-U.S. Census Bureau,
unpublished data file from Geography Division based on TIGER data base.
2000 Population-U.S. Census Bureau,
Census of Population and Housing,
Census 2000 Redistricting Data (Public Law 94~171) Summary Files
(related Internet site <<http://www.census.gov/dmd/www/2kresult.html>>).

U.S. Census Bureau,
2002 Census of Governments,
Volume 3, Number 1,
Employment of Major Local
Governments , GC03(1)-1,
U.S. Government Printing Office,
Washington, DC, 2002.

U.S. Census Bureau,
2002 Census of Governments,
Volume 3, Number 2,
Compendium of Public
Employment: 2002
GC02(3)-2,
U.S. Government Printing Office,
Washington, DC, 2002.

U.S. Census Bureau,
2002 Census of Governments,
Volume 1, Number 1, Government
Organization, GC02(1)-1,
U.S. Government Printing Office,
Washington, DC, 2002.

Local Government Fragmentation, Employment and Finances

INTRODUCTION

In Summer 2004, Case Western Reserve University's Center for Regional Economic Issues (REI) produced a report called *Collaborating to Compete*.

The basis of the information contained within the report was from the 2002 Census of Governments. A section within the report was entitled The Costs of Governing Cuyahoga County.

Without disputing the final analysis, that Cuyahoga County needs to be more competitive and exact greater "economies of scale" from public sector employment, further analysis from a wider set of counties (all of one million population or greater) shows some positive results.

Cuyahoga County is in a unique set of large urban counties with a population greater than 1,000,000 persons (not including cities like New York and Philadelphia, whose municipal governments are larger than or act as county governments and Middlesex County, MA, which has no functioning county government). It is in this context in which the most useful comparisons can be made.

Local Government Definitions

Each county in the United States has multiple layers of governance within them. In general terms, these break down to a county government (in all but a very few cases), any number of municipalities and villages, townships and towns (only active in twenty states in New England and the Great Lakes/Midwest), school districts and special purpose districts. There are a number of exceptions where city-county consolidation has taken place (such as Greater Louisville Metro, Indianapolis Unigov and Jacksonville-Duval), where cities operate as the sole government of the county (such as Baltimore, Denver, Philadelphia, San Francisco and St. Louis) and some places where no county government operates (Middlesex County, MA). According to the 2002 U.S. Census of Governments, there were 87,525 governmental units (other than the Federal government and the 50 states) in operation as of June 30, 2002. There were 3,034 county governments, 19,429 municipal governments, 16,504 township governments, 13,506 school districts and 35,052 special purpose governments.

Of the 3,034 county governments, 201 function in urban areas with populations of 250,000 or more. Only 28 have one million people or more, not including New York City, Philadelphia which are municipal governments operating throughout the entire county and Middlesex County, MA which has no functioning county government (As of 2005 population estimates, Hillsborough County, FL; Contra Costa County, CA; and Fairfax County, VA have reached 1,000,000 population).

Municipal governments are inhabited by more than 174 million people, representing more than 60 percent of the U.S. population. Only 243 have populations over 100,000 and only 9 have one million residents or more.

Townships and towns are found in only 20 states in the Northeast and Midwest. Of the total 16,504, only 1,179 have more than 10,000 inhabitants and over half have fewer than 1,000.

| | | | | | |
|-------------|--------------|----------|--------------|---------------|---------------|
| Connecticut | Illinois | Indiana | Kansas | Maine | Massachusetts |
| Michigan | Minnesota | Missouri | Nebraska | New Hampshire | New Jersey |
| New York | North Dakota | Ohio | Pennsylvania | Rhode Island | South Dakota |
| Vermont | Wisconsin | | | | |

Special district governments, as defined by the U.S Census Bureau, are independent, special purpose governmental units (other than school district governments) that exist as separate entities with substantial administrative and fiscal independence from general purpose local governments. As defined for census purposes, the term special district government excludes school district governments. Special district governments provide specific services that are not being supplied by existing general-purpose governments.

Public school systems provide or support elementary, secondary, and/or postsecondary education services. Of the 15,014 public school systems in the United States in 2002, only the 13,506 that are independent school districts are included in the count of governments. The 1,508 dependent public school systems are classified as agencies of other governments. State, county, municipal, and town or township dependent systems are not counted as separate governments.

Local Government Fragmentation

This term is used to define the number of different local government units that preside in a single county. Based upon population and the number of total governmental units, the LGF Index shows the extent of fragmentation. The LGF Index in no way shows the interconnectivity of such local governments.

In Ohio, Cuyahoga County, being the most populous and the oldest urban county, is the most fragmented. 57 municipalities and villages, 2 townships, 34 school districts and 9 special purpose districts operate with its' borders, a total of 103 different government operations.

However, when taken in the context of large urban counties across the United States, results are somewhat moderate in comparison.

Using the Large Urban County (LUC) subset, an average for counties of one million persons or more is roughly 8 local government units per 100,000

frag·ment (frăg' mēnt)

NOUN:

1. A small part broken off or detached.
2. An incomplete or isolated portion; a bit

VERB:

frag·ment·ed , frag·ment·ing , frag·ments (-mēnt')

frag·men·tar·y (frăg' mēn-tă' rē)


ADJECTIVE:

Consisting of small, disconnected parts

frag·men·ta·tion (frăg' mēn-tā' shən, -mēn-)

NOUN:

1. The act or process of breaking into fragments.

 HOUGHTON MIFFLIN

population.

Cuyahoga County has a LGF Index of 7.37, somewhat below the LUC average. In comparison with the other large urban counties, Cuyahoga County is actually less fragmented than most.

This is merely a piece of the bigger picture however. It is necessary to look inside each local government to determine if they each operate efficiently.

Since township government does not exist in the southern or western states, the Midwestern, Great Lakes and New England states tend to have greater numbers of local government units operating within their counties. A comparison by region follows:

WESTERN STATES

In western and southwestern states, townships do not exist. However counties, on average, are much larger in area and population densities are much less. Climate also limited the dispersal patterns of early settlements. We see the averages for LGF as follows:

County: 1
Cities and/or Villages: 27
Townships: 0
School Districts: 31
Special Districts: 92
TOTAL: 151

The lack of incorporated area within these large western counties (averaging 4,218 sq. miles and 1,336 person per square mile) requires a greater amount of “special purpose districts” to provide services.

SOUTHERN STATES

In a limited sample in the south, the same holds true, where only Florida and Virginia have 1,000,000+ population counties. Townships do not exist; an average area of large urban counties is 1,708 sq. miles and has an average density of 1,026 persons per square mile.

County: 1
Cities and/or Villages: 32
Townships: 0
School Districts: 2
Special Districts: 32
TOTAL: 67

Following World War II, southern states have done much consolidation of school districts and as they are more compact in area than western states, they do not require as many special purpose districts.

GREAT LAKES/MIDWEST STATES

In Great Lakes and Midwestern states, population density is much greater, with the average large urban county having an area of 643 sq. miles and a density of 2,739 persons per square mile. Also, many of these states were surveyed under the Northwest Territory Survey Ordinance of 1785, which like many of the original northern colonies, borrowed from the British township system.

County: 1
 Cities and/or Villages: 59
 Townships: 14
 School Districts: 48
 Special Districts: 65
 TOTAL: 187

Not only does Cuyahoga County fare better than the LUC average, but is better than its Midwest/Great Lakes counterparts as well.

And although Cuyahoga has a higher than average density, it still maintains a lower than average number of local government units per 100,000 persons.

So it is not the overall number of individual local government units, but rather the amount of duplication within each that is leading to the greater employment and public employee cost per capita in the next section.

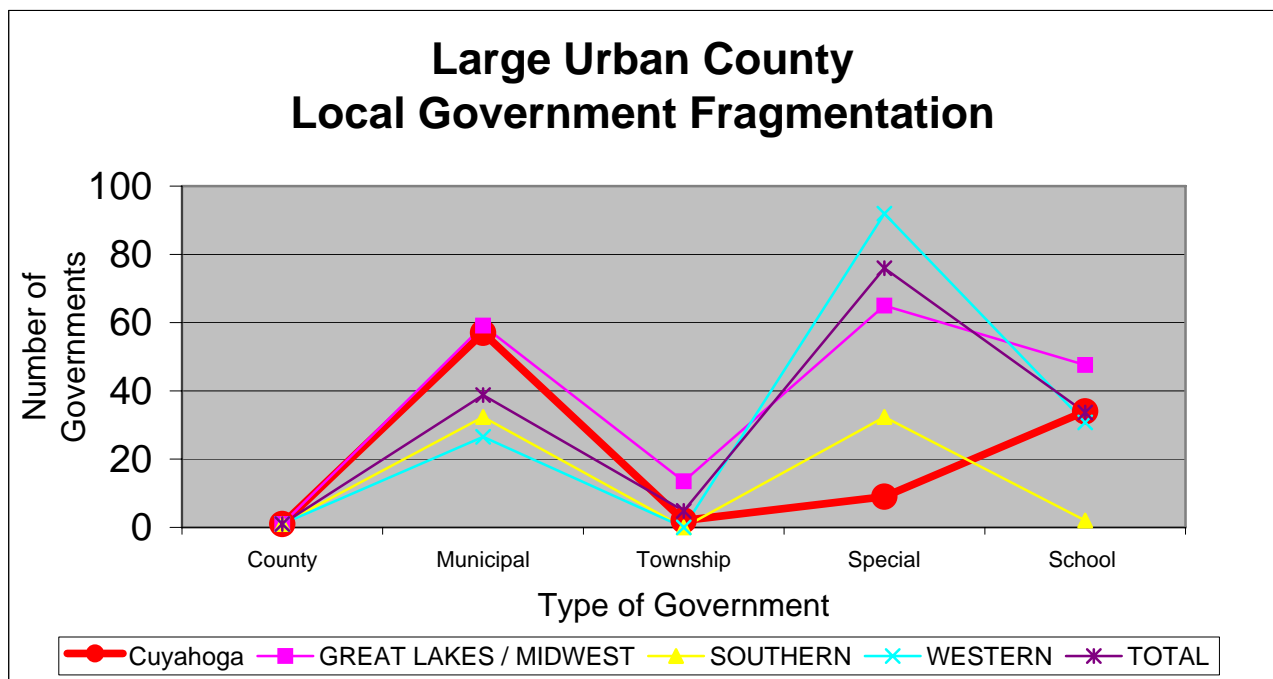
LOCAL GOVERNMENT EMPLOYMENT

Important Note: FTE and payroll figures attributed encompass not only county government employment and payroll, but also all local government employment (municipalities, villages and townships) within a given county as well as school districts and special purpose governments (RTA, CMHA, NEORS, etc.)

The REI report shows Cuyahoga County's relatively high rate of public sector employment and per capita cost to its citizens.

LUC total FTE's average 88,510, whereas Cuyahoga County has 75,307. At first glance, this appears to be good news. However, the LUC per capita FTE average is 40.53, while Cuyahoga County is the highest of the LUC subset, at 54.02.

LUC local government payrolls (Month of March sample) averaged \$346,043,522 in 2002 and Cuyahoga County had a payroll of \$261,101,000. Again, this is seemingly good news.



However, the per capita and per FTE numbers reveal that while LUC average payroll per capita was \$155.17, Cuyahoga County had a \$187.31 per capita March payroll, again one of the highest of the LUC subset. Only at the March payroll per FTE rate was Cuyahoga County competitive, the LUC per FTE payroll average was \$3,845.65 and Cuyahoga County was at a below average rate of \$3,467.15. When broken down even further, for county government and school district FTE's and payrolls, the LUC averages were as follows:

Note: County figures include independent boards and commissions (Board of Health, Mental Retardation, etc.)

| | <u>LUC Average</u> | <u>Cuyahoga County</u> |
|----------------------------------|--------------------|-----------------------------------|
| County FTE- | 18,758 | 15,706 |
| County March payroll- | \$77,565,684 | \$54,095,901 |
| County FTE per capita- | 8.59 | 11.27 (10.7-see note below) |
| County March payroll per capita- | \$34.82 | \$38.81 (\$36.76- see note below) |
| County March payroll per FTE- | \$3,958.67 | \$3,444.28 |
| School FTE- | 47,139 | 33,443 |
| School March payroll- | \$169,071,857 | \$114,401,000 |
| School FTE per capita- | 22.20 | 23.99 |
| School FTE per district- | 3,754 | 983.62 |
| School March payroll per capita- | \$79.75 | \$82.07 |
| School March payroll per FTE- | \$3,613.91 | \$3,420.78 |

Note: Cuyahoga County government instituted an Early Retirement Incentive program in 2001, not reflected in these figures, that reduced FTE's by 1,400 and monthly payroll by approximately \$4.8 million. This would reduce the per capita FTE ratio to 10.7 and per capita monthly payroll to approximately \$36.76 based on population estimates of 1,340,422.

While overall numbers are below the LUC average, the per capita rates are still higher, as indicated in the REI report. School district employment and payroll numbers are nearer the average rates. Data does not fully breakdown the Municipal, Township or Special District employment figures or payrolls. However, by subtracting out the County and Education numbers, a combined Municipal/Township/Special District rate finds the same trends; that Cuyahoga County has higher than LUC average in per capita employment and spending.

LOCAL GOVERNMENT FINANCES

Cuyahoga County is below the LUC average in total revenue of its county operations and receives much less federal intergovernmental aid than the rest of the LUC subset. Cuyahoga County receives a greater amount of intergovernmental revenue overall, coming from a larger I.G. influx from state government than the average of the LUC subset.

Note: County figures include independent boards and commissions (Board of Health, Mental Retardation, etc.)

| | |
|------------------------------------|---------------|
| LUC average revenues: | \$2,505.135 M |
| Cuyahoga County revenue | \$1,819.351 M |
| LUC average IG revenue: | \$1,135.902 M |
| LUC average IG % of total revenue: | 37.64% |

Cuyahoga County IG revenue: \$ 834.281 M
 Cuyahoga County IG % of total revenue: 45.86%

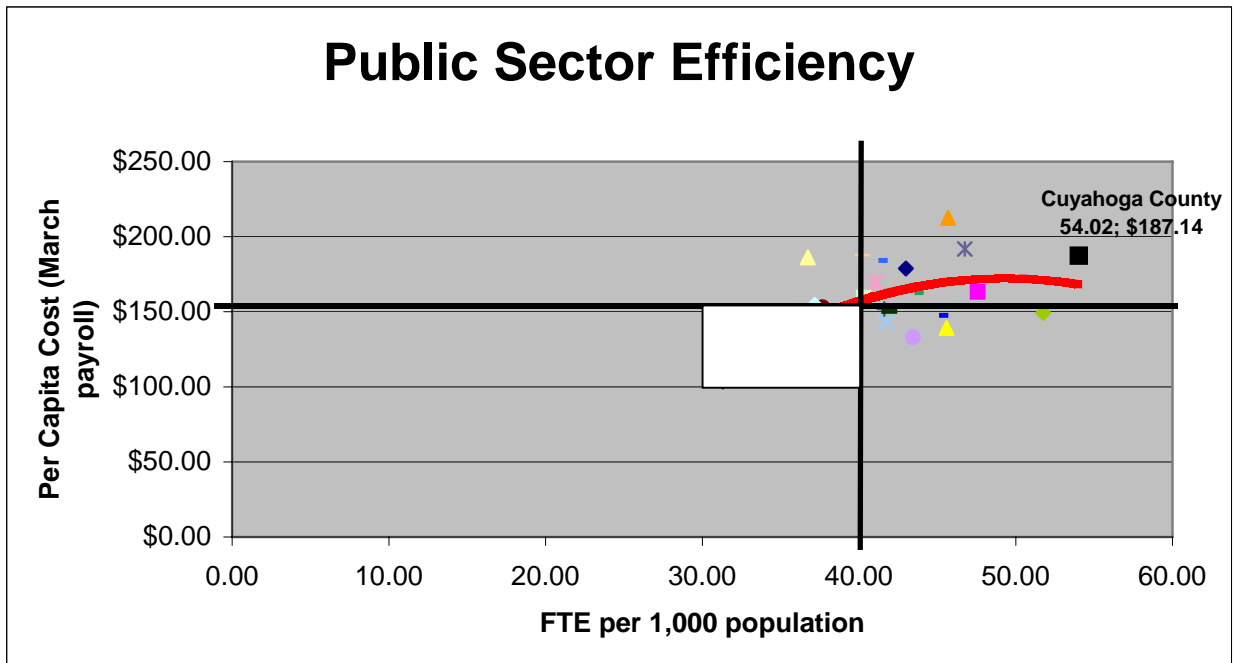
LUC average Federal I.G. revenue: \$94.711 M
 LUC average % of total I.G. revenue: 12.25%

Cuyahoga County Federal I.G. revenue: \$18.703 M
 Cuyahoga County % of total IG revenue: 2.24%

Cuyahoga County is also more dependent on intergovernmental revenues than the average LUC subset, with Own General Revenues and taxes as % of OGR lower than the LUC subset average:

LUC average Own General Revenue (OGR) \$1,347.885 M
 LUC average OGR as % of total 59.83%
 LUC average OGR from local taxes \$ 695.127 M
 LUC average Local Taxes as % of OGR 53.54%
 LUC average Local Taxes per capita \$365.70

Cuyahoga County Own General Revenue \$ 975.695 M
 Cuyahoga County OGR as % of total 53.63%
 Cuyahoga County OGR from local taxes \$ 487.473 M
 Cuyahoga County Local Taxes as % of OGR 49.96%
 Cuyahoga County Local Taxes per capita \$349.70



A variety of factors are impacting county finances, including increased competition for federal and state dollars, continued federal and state mandates (funded and unfunded), economic downturns, continuing population shifts. However, no LUC county has higher per capita public

sector employment and the only places in the country with higher public sector costs per capita than Cuyahoga County are located in New York and California.

Based upon this data, in order to bring Cuyahoga County in line, the combined local governments of Cuyahoga County would need to trim 19,515 FTE's and lower the one-month payroll amount by nearly \$45 million to bring it in line with the respective LUC average per capita employment and per capita one-month payroll rates (Note: The loss of 19,515 FTE's with an average one-month payroll per FTE of \$3,467.15 would result in a lowering of the one-month March payroll by \$67.664 M, well below the \$45 M needed). To achieve this, it would require a 25% across the board cut of public employees in Cuyahoga County. This would be the equivalent of eliminating every instructional educator in the county; all inner-ring suburban employees plus the Metroparks, CMHA, RTA, Cuyahoga Library System and Regional Sewer District; or the combined workforces of the City of Cleveland and the Cleveland Municipal School District. Obviously, none of these are tenable options.

While the government of Cuyahoga County has indeed trimmed employment and payroll since 2002, data is unavailable for other sectors of government at this time and comparison data will not be available until the next Census of Governments in 2007 (available in 2009 or 2010).

Therefore, it is important to recognize that while public bodies should always consider opportunities for employment reductions, there may be mitigating circumstances that effectively cause this public sector employment anomaly in Cuyahoga County.

LUC RANKINGS

There are 30 counties in the United States with populations of 1,000,000 or more (again, not including New York City, Philadelphia and Middlesex County, MA which has no county government). This large urban county (LUC) subset was ranked 1 thru 30 and scored on public sector fragmentation and efficiency, using the following categories:

Total Number of Local Governments

Local Governments per 100,000 population

Total FTE's

Total March 2002 Payroll

FTE's per 1,000 persons

Payroll per capita

Payroll per FTE

Bold indicates weighted categories (x2), as these are the best indicator categories for comparisons.

Each category rank was then totaled (the higher the number the better) with outcomes between 58 and 267 (167 being the median). The average population of this LUC subset is 2,019,862.

Those counties scoring in the top 10 all had a population below 2 million except for Maricopa County (9th).

Every other county above the LUC average population had an efficiency and fragmentation score below 178. Every county from California and New York scored below 169. Cuyahoga County

scored 102 and ranked 25th out of 30. Oakland (220- 6th), Franklin (179- 10th), Wayne (178- 11th) and Allegheny (178- 12th) scored the best from the Great Lakes region. Every county scoring below 100 had populations in excess of 3 million except for New York’s Nassau and Suffolk Counties and Sacramento County, California.

Taking aside that costs are very high in California and New York and that it is more difficult to maintain efficiencies with county populations above 2.1 million, leaves only King County, Washington (score: 141 pts., ranked 18th), Hennepin County, Minnesota (score: 150 pts., ranked 17th) and Cuyahoga County, Ohio as the only LUC below 2 million in population with below median scores. Primary drivers for Hennepin and King Counties’ relatively poor scores are that per FTE monthly payrolls are higher (\$270 and \$700 per FTE respectively) than Cuyahoga County. King County also has more local governments, due to a high concentration of special purpose districts and higher overall payroll, coinciding with its larger overall population.

