

Village Dissolution: Is Governance Eroding the Boundaries of Local Government?

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Abstract

How do theories of governance and institutionalism address the increasingly tenuous relationship between village governments and their residents? The fundamental activities of some local governments in this new era of governance are under scrutiny. Specifically, American villages and towns (or townships) are being encouraged to share municipal service delivery, consolidate operations, or even dissolve as local governments. Are trends toward intersectoral governance and market based service delivery contributing to the erosion of boundaries that once distinguished viable communities? Villages in the state of New York provide good cases for this theoretical inquiry because residents can create these governments of general jurisdiction, and dissolve them, without any approval from the towns within which they are nested, or the state government. The paper argues that the rise of governance with its distributed responsibility and diffused accountability, under some circumstances, is decoupling the traditional linkage between services and geographic local governments. In short, we should expect to find that social entrepreneurship and complex governance arrangements will continue to put pressure on governmental institutions, including familiar, and perhaps increasingly iconic, local governments.

The evolution from government to governance is redefining the theory and practice of local public administration (Stoker, 1998). In particular, scholars point to the increasing importance of complex interorganizational networks for service delivery (Goss, 2001), an expansion of collaboration (Agranoff and McGuire, 2003) and decentralization (Bardhan and Mookherjee, 2006) as key features in a changing democratic environment. However, while scholars argue that governance represents a change in the process of governing that maintains governmental outputs, those procedural changes are restructuring local governments and citizens' expectations about them. These institutional changes may erode basic assumptions about what local government is. Village government in New York state provides a context for exploring the implications of these changes.

From Government to Governance

The core idea of governance is that publicly provided services are produced by networks of organizations, public agencies, not-for-profit organizations and for-profit contractors. Each time a government determines that its citizens would be better served by entering into partnerships or contracts with outside entities, it is contributing to the expansion of a governance network. Scott, Adams and Wechsler (2004) note that governance decisions require agencies to choose between greater accountability and more innovation. A contracting decision promotes market competition or collaboration and gives the government agency an opportunity to choose from a set of service providers, support the activities of desirable organizations, or promote a policy agenda. In exchange for the opportunity to generate a degree of innovation, the government organization relinquishes control over the personnel and expertise required to produce a service. Its personnel's responsibilities change from service provision to contract management and oversight. Necessarily, transaction costs increase when a governmental agency trades its hierarchy for a market, or a network.

Stoker (1998) argues that "governance is ultimately concerned with creating the conditions for ordered rule and collective action. The outputs of governance are not therefore

different from those of government. It is rather a matter of a difference in processes” (1998, p. 17) However, implementing procedural changes required by a governance framework impose significant institutional change on governmental actors. The evolution of governance is necessarily linked with a devolution of governmental authority. According to Stoker this “challenge[s] constitutional/formal understandings of systems of government” (1998, p. 19) in part because governance introduces complexity and nongovernmental actors to service delivery. Consequently, governance networks are challenged to reconstitute methods for creating and sustaining order that do not rely solely upon the coercive power of the state. Government may maintain a central role in that process by mandating how governance will be managed through the selection of partners, attention to contract design, and effective oversight procedures of participants. Conversely, governmental decisions to privatize substitute market controls for those held by governmental authorities. In between these two extremes are the actions of the “enabling state” (Goss, 2001, p. 12-13). Goss proposes a number of roles for local governance including regulation, negotiation, resource provision, and supporting democratic participation (p. 25).

However, Goss assigns these roles to governance, not government which underscores Stoker’s proposition that “governance is about autonomous self-governing networks of actors” (1998, p. 23). Governments possess resources such as regulatory powers, stable revenues from taxation and established mechanisms for aggregating citizen preferences through voting and public hearings, that can be important to governance, but their participation is not a prerequisite for a governance system’s success. Instead, governance networks are capable of designing and providing public services independent of government. This has several implications for the future of local government administration.

Public Value

First, in a system of governance, governments are not the only source for enhancing public value (Goss, 2001) and multi-organizational governance structures may be preferred methods for meeting resident’s preferences (Bardhan and Mookerjee, 2006). The problem of

allocating public value has challenged theorists of the nonprofit sector for some time. For example, social entrepreneurs do not assume that there is intrinsic value to governmental or nonprofit organizations, and they are willing to creatively rearrange them to achieve desired social impacts (Wei-Skillern, Austin, Leonard, & Stevenson, 2007). Social entrepreneurship solves the collective action problem through the discipline of the market; if an idea leads investors to contribute their resources, in exchange for a promised return then it will survive. Without that support, the idea dies. Developments such as these emphasize the distance that we have come from a world with distinct sectoral boundaries in which the public interest was the realm of government, private interest was the focus of the market, and nonprofit organizations filled the niches between the two.

More importantly, the decoupling of the public interest from governmental action may contribute to an erosion of the legitimacy of government, especially at the local level. In a Danish case study, Bogason (2004) argues that democratic participation at the local level is a multifaceted phenomenon involving parties and voting, but also associational representation, ad hoc activism in response to specific community issues, and the involvement of service users. This multiplicity of forms leads him to conclude that, "...We may have to understand how democracy is constructed and reconstructed, not as a process of maintaining some popular sovereignty but as processes of solving local problems requiring some type of collective activity" (2004, p. 36). Problem solution requires an assessment of how to engage citizens and fitting the problem type with an appropriate venue for participation. However, in a setting where multiple institutions engage the public and advance alternative solutions to problems, how does a municipality (or any other entity for that matter) make an authoritative decision that supports one solution over another? Unless the local government shapes the arena for participation and establishes a constitutional order for various forums of participation, it may face increasing competition over the legitimacy of its decision-making.

Indeed, social entrepreneurship is possible only when citizens act as consumers and assign value to goods that contribute social benefits. People are willing to pay a premium for Ben and Jerry's ice cream products or Newman's Own salad dressings because they support these companies' practices of donating a share of their profits to philanthropic activities. In such cases, they voluntarily limit their role to paying a higher price for a product and delegate decision-making over where their contributions go to the companies. Markets have developed methods that factor public or social value into the costs of private goods and many consumers have responded positively to those signals. As markets provide alternatives to government for allocating social value, consumers' purchasing decisions become political acts and the role of government as the venue for aggregating or integrating interests becomes more limited.

Governance produces a complex map of service providers and decision-making arenas. For citizens, this fragmentation of city hall adds transaction costs to their exchanges with government as they navigate their way among decentralized or specialized service providers. Whether or not governance produces savings for individual citizens or the community as a whole depends upon the aggregated costs and savings for the range of services provided. While a direct fee may enable citizens to know what they pay for a service, other kinds of contracting arrangements such as direct payments from a government agency to a private sector service provider may obscure the total costs for a service. Over time, and in the aggregate, residents may see a decline in the visibility of their local governments; village trash hauling trucks give way to private firms, fire departments shed their medical response duties to private sector ambulance companies, and the water department may contract with a private out-of-town company to process its billings. When local governments become more involved in contract management they reduce their direct roles in service delivery and less involved in direct interactions with citizens. From a citizens' vantage point, the local government recedes into the background. A commercial transaction supplants a relationship in which a service is provided because the people in a community have collectively determined its necessity.

The challenge of governance for local governments is not limited to how they can use networks to enhance public value, but also how they maintain their centrality and legitimacy in governance systems. This challenge may be exacerbated if the services governments produce directly from their tax revenues are judged to be of lower quality than competitive alternatives. Citizens, on the other hand, assess whether their local governments' roles in these governance networks contribute public value, or whether these roles are better transferred to other actors or eliminated. For residents in villages in New York, this issue is becoming an increasingly germane part of the public discourse.

Boundaries

Municipal governments are defined by geographic and legal boundaries that separate them from their physical and institutional neighbors. The physical boundaries determine who resides within a municipality for service delivery and taxation purposes and who falls outside its jurisdiction. Similarly, its legal boundaries both define and constrain its powers.

Public choice scholars argue that a fragmented system of local governments (or polyarchy), when linked with citizen mobility, permit people to choose local governments that maximize their desired services within their tax constraint. In a recent survey of the literature Howell-Moroney (2008) argues that American local governments have proven to be quite adept at solving service related governance problems when the issue is finding a more efficient outcome. Municipalities begin with a set of services that meet the expectations of their residents, and people seeking alternative combinations of services are free to move to neighboring jurisdictions. The result of polyarchy should be an urban area with a variety of service options whose municipal residents are grouped in ways that achieve their desired level of public value.

Boundaries help municipalities reduce the impact of externalities on service delivery. For example, when a government restricts free access to parks or libraries to residents, it is ensuring that the benefits of these services are conveyed upon the people who support them with their taxes and not diverted to free riders from other localities. The explicit constraints on

municipal action that boundaries impose, may serve to limit the benefits that residents can gain. When boundaries are rigidly enforced, programs and services among organizations which might be mutually beneficial are difficult to implement. For example, a local government, acting alone may not have the resources to purchase capital improvements such as water or sewer systems that would benefit its citizens while collaborative agreements between governments could produce these systems.

Howell-Moroney (2008) argues that municipal boundaries created in a fragmented system of governance also serve as barriers that prevent some citizens from exercising choice. Municipal boundaries can reinforce historical, cultural, or economic factors that make a place unique in comparison to its neighbors. Institutionally, it is not a great leap from a positive identification with “our town” to governmental reinforcement of community norms and values that exclude strangers or newcomers (Sinclair, 2002). When residents are excluded from some areas, they are necessarily limited in their choice and serious regional problems can be isolated in ways that permit residents from nearby municipalities to avoid seeking cooperative solutions. Howell-Moroney concludes, “Keeping spillovers out of certain communities has become inseparable from a rather self-interested notion of local sovereignty” (2008, p. 104). Regional problems are artificially constrained within the borders of a limited number of communities which bear a disproportionate share of the costs to resolve them. Howell-Moroney suggests that one solution might be for super-ordinate governments such as the state to force all the localities affected by a problem to share the burden for resolving it. Such mandated boundary spanning activities simplify the governance problem by transferring responsibility for coordinating a response to an entity with the power to enforce desired actions.

Governance extends the range of public services beyond the capacity of local governments to deliver them directly, in exchange for a diffusion of the responsibility for service delivery across a network of providers. Such networks may be comprised of a small group of service providers such as the case of a volunteer fire department, or they may be composed of

many organizations. The blurring of boundaries that accompanies the creation of governance networks also introduces new challenges for local governments and their relationships with members of the community. In particular, governance separates services from the governmental organizations responsible for delivering them to the public and complicates the service delivery environment. Furthermore, municipalities utilize interlocal agreements (Parks and Oakerson, 1993) to enhance their flexibility with respect to service delivery. In short, the presence of many municipalities and public authorities is a vital element of effective governance and citizen choice.

Through shared governance, local governments are able to utilize social capital and organizational networks to produce public benefits (Stoker, 1998). For example, rural municipalities in New York typically lack the capacity to hire paid personnel to provide fire protection services to their residents. Rather than forego fire protection, these municipalities have drawn upon the communities' social capital to organize and maintain volunteer fire companies to provide this service. While the trade-off may be that volunteers are slower to respond to fire calls than paid departmental personnel, the volunteer service may make fire services affordable. Moreover, volunteer fire companies often provide the locus for numerous other civic activities from parades to community ice cream socials to holiday celebrations. Consequently, the governance network provides additional spill-over benefits beyond the direct fire protection benefits enjoyed by a municipality's taxpayers.

Thus, the blurring of sectoral and organizational boundaries that is characteristic of governance poses challenges for local governments, especially if alternative means for generating public value also contribute to a decline in public confidence in, or support for their institutions. Governance is changing the institutional context of local government from one in which governments are central actors in their institutional settings to one in which they share the stage with other stakeholders. In this more complex environment, citizen participants may direct their actions, not on the collective choice mechanisms of government such as voting or deliberation,

but upon those related to the market. By providing them with additional choices for political expression, governance weakens the linkages between citizens and their local governments.

New York Villages

With 1,607 general purpose local governments, an additional 1,811 special purpose governments, and at least 1,302 other local public authorities and special purpose local governments New York's local government structure is highly fragmented (New York State Commission on Local Government Efficiency and Competitiveness, 2008, p. 10). This local government environment has generated episodic state-level interest and all three governors elected since 1990 have appointed blue-ribbon commissions to study ways to reduce the complexity of the local government environment and enhance its efficiency. The most recent report concluded, "we must confess [the] tally remains uncertain with regard to special purpose local governments and other entities – there are simply too many of them, and in many cases there is no state-level description of their powers or operations" (New York State Commission on Local Government Efficiency and Competitiveness, 2008, p. 10). In short, the state of New York cannot enumerate all the local entities with taxing powers.

Of the more than 4,700 local government entities in New York, 556 are villages. Villages are the only general purpose local governments that voluntarily organize from their surrounding town or towns. A territory of at least 500 inhabitants within an area of five square miles can generally become a village if at least 20 percent of the registered voters or owners of 50 percent of the assessed property value sign a petition supporting incorporation and a majority of voters in the proposed village support the action in a referendum vote (New York Department of State, 2008, p. 67). These villages receive significant financial assistance from the State of New York. In fiscal year 2005, total state aid to villages amounted to \$144.9 million in fiscal year 2005 or 6.9 percent of the \$2.111 billion in village revenues that year (Office of the State Comptroller, 2007, p. 46).

The polycentric intergovernmental arrangements in the state of New York, and the relative ease with which new villages and special districts can be organized, are corollaries to the kind of intersectoral networks that are described in the governance literature. For example, a resident of a New York village will pay local taxes to the village, the town, the county, the school district as well as other special districts which all provide different services of public value. Indeed Tiebout's hypothesis provides a strong explanation about why villages form in response to citizens' desire for more services than their neighboring town residents. However, these complex arrangements are frequently viewed as an impediment to accountable and effective local government. The report of the New York State Commission on Local Government Efficiency and Competitiveness provides a typical critique:

Rigid municipal boundaries, outdated statutes and predictable organizational and political pressures to maintain the status quo and local control all push against cooperation, consolidation and service sharing. Research and local initiatives have shown that for many functions, services can be provided more efficiently or effectively on a broader scale (2008, p. 15).

Similar concerns are echoed by newspaper editorialists, business leaders and good government advocates such as the League of Women Voters. All of these stakeholders argue that reducing the number of governments should reduce taxes, streamline service delivery and enhance accountability for local economic and community development by reducing coordination problems that plague policy makers and implementers.

The state of New York now provides some financial incentives to local governments to encourage municipal cooperation establishing the Shared Municipal Services Incentive grant program in 2005-06. The program funds projects ranging from studies to coordinate zoning and land-use, capital investments in wastewater treatment and transportation facilities, consolidations of purchasing and administrative services and studies to assess the feasibility of village dissolutions. In the first year 22 local governments received a total of \$2.4 million in assistance. By the 2007-08 fiscal year the Department of State awarded \$13.7 million to 67 local governments and districts, including four village dissolution studies.

Dissolving New York villages is a tempting strategy for advocates favoring a simplification of the state's local government system. From the standpoint of governance theory, proponents for dissolution make at least three arguments. First, the public value that villages add to communities is less than their cost. Paid fire departments can be replaced by volunteer fire companies, expanding communities' social capital and reducing taxpayer burdens. Village transportation and public works departments can be merged with neighboring towns. Most commonly, advocates contend that dissolving villages would remove a costly layer of elected officials who are not contributing value to their communities. In a governance system, flexible networks of organizations would respond to concerns that they were not generating sufficient public value by realigning through competition and cooperation until a desirable level of public value was achieved. A second argument made by dissolution proponents that has implications for governance is that villages lack the requisite capacities to manage the complex institutional arrangements that modern governance requires. Village governments are often managed by part-time volunteers, and may have difficulty managing contracts, exercising oversight, or developing or supporting service delivery networks. If villages are too small to function effectively in a governance network, dissolution proponents argue that they should build their governing capacity by merging their operations with another unit of government. When local government is fragmented, the public value associated with each of the parts may be less than would be realized if the different units were consolidated. Reducing the number of governments reduces coordination problems for collective action and limits the number of potential veto points that inhibit policy-making. A third argument asserts that village services are costly and duplicative, especially those requiring significant capital investments such as fire protection, highway maintenance and water treatment. Villages and towns provide services within their prescribed boundaries, but economies of scale may be realized by ignoring boundaries and jointly producing public services.

The process for dissolving a village in New York is relatively straightforward. A successful petition drive by residents or a vote of the village council, triggers a the development of a dissolution plan for review by its voters. According to the Handbook of Local Government:

Although all or any part of such plan can be made the subject of a contract between the village and the town prior to submission of the proposition, the primary objective of this plan is not to legally bind either the village or the town. Rather, it is a document that will educate and inform the resident village electors of the consequences of their vote. (New York Department of State, 2008, p. 72).

Village residents are also residents of the town from which the village was incorporated and a portion of their property taxes support town-wide services. Town residents have no voice in either the establishment or the dissolution of a village, but the town government is not necessarily bound by the dissolution plan approved by the village council.

The combined effects of the efforts by the New York state government to induce local governments to increase collaboration and consolidation efforts, the interests of statewide and regional interests to advocate for reforms and permissive rules for implementing dissolution suggest that village residents are important bellwethers with respect to the salience of government reform. However, the number of villages in the state has proven to be largely stable over time. Since Governor Cuomo created the Commission on Consolidation of Local Governments in 1990, there have been eight village incorporations in New York and eleven village dissolutions. Three villages have incorporated while the voters in only one village ratified its dissolution since 2005. Why are villagers apparently so immune to appeals to their interests?

In New York, villagers establish their boundaries in large part to distinguish and separate their policy preferences about topics such as zoning and land-use and service delivery from their neighboring jurisdictions. The outcome of such decisions is typically an asymmetric distribution of services and tax rates. Consequently, a referendum to dissolve a village requires its voters to opt out of at least some services that they considered to be sufficiently important that they established the village in the first place. The New York Department of State reports that the state village law requires dissolution plans to have the following eight elements:

- 1) disposition of village property;
- 2) methods for paying outstanding village debts
- 3) how public employees will be transferred or terminated;
- 4) intermunicipal agreements with towns regarding plan implementation;
- 5) what local ordinances will remain in effect after the two years required by the state;
- 6) continuation of the former village services by the town(s);
- 7) the fiscal effects of dissolution on the village and town(s); and
- 8) other implementation matters (NYS Department of State, 2008, p. 72)

The dissolution plan developed by a village and presented to its voters is intended to advise them about the implications of the proposed dissolution, but it does not bind the town's policy makers to its provisions. A voter ratification of the plan dissolves the village, but does not determine what will follow, and actual service delivery decisions may vary from the plan.

Because towns are not required to implement the dissolution plans, villagers face a high degree of uncertainty over what the real outcomes of a yes vote on dissolution will produce. Proposals to dissolve villages with high levels of services into towns with few services or personnel may prompt concern about the towns' capacities to absorb them. Furthermore, because a dissolution plan may propose restructuring how services are delivered without eliminating them, and debt obligations remain in the former village, residents may not realize anticipated tax savings. With respect to governance, village dissolutions demonstrate that institutional boundaries shape available choices and their effects are likely to linger after they are eliminated. However, questions associated with matching publicly demanded services with appropriate jurisdictional boundaries that possess the resources to sustain them are ultimately technical questions. Provided that local governments share the required information, these questions can be answered using standard policy analysis techniques.

A decision about whether or not to support dissolution requires residents to assess whether their village government contributes public value to their community. Dissolution eliminates the village-level government, and with it its role as a forum for aggregating citizens preferences through voting, or integrating diverse interests through alternative mechanisms such as public hearings or deliberative discussions. Some villagers may contend that these local

democratic institutions are indispensable and assign a high value to their continuation. A possible loss of efficiency is out-weighted by the potential (or real) democratic contributions the village government makes.

In contrast, people who support dissolution are apt to assign a lower public value to a village government's role in a community's governance. At least two arguments may lead to that conclusion. First, if a multi-organizational service network is fragmented, coordination problems become especially challenging. Expressions of concern about duplication of services or the exercise of local sovereignty that slow down or prevent necessary reforms become prominent. Secondly, proponents for dissolution may contend that village governments are not effective partners in the governance process. They may be ineffective in playing a coordination role, or their contributions to service delivery networks may not meet the sufficient. Thus, village governments may lack sufficient capacity to be effective partners in new governance.

Conclusion

The employment of a governance perspective on the delivery of public services and the creation of public value increases the flexibility and extends the reach of governmental organizations. However, governance also requires governments to possess sufficient capacity and sophistication to manage complex relationships and ensure continued democratic interactions with citizens. With the evolution of local governance including the expansion of privatized and contracted services, the development of intermunicipal agreements and creation of public authorities to deliver services, governments reduce their direct connections with their residents. Such developments encourage residents to reassess the public value they receive from their local governments, and explore alternative arrangements for their local governments that in some cases may lead to their dissolution. Village governments, with their constrained geographical boundaries, and limited capacities combined with strong traditions of self-government provide an excellent point of analysis to explore the intersection of government and governance. Such a

research agenda will provide insights about what minimum government capacities might be required to extend the capabilities of governance networks in the 21st century.

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