

An aerial photograph of the Chicago skyline and surrounding area, showing a dense urban landscape with numerous skyscrapers and a grid of streets. The image is taken from a high angle, looking down on the city. The sky is a pale, hazy blue, and the overall tone is somewhat muted, with a lot of brown and grey tones from the buildings and streets.

DEMOGRAPHIA

Local Democracy and Townships in the Chicagoland Area

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Prepared for the
Township Officials of Illinois
By Wendell Cox
Demographia

Local Democracy and Townships in the Chicagoland Area

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EXECUTIVE SUMMARY

The state of Illinois is in financial crisis and there is justifiable interest in reducing government expenditures. Yet, some proposals to reduce costs and to improve the efficiency of government would likely lead to higher government expenditures.

This is illustrated by proposals that focus on reducing the number of local governments in Illinois. It is often noted that Illinois has the largest number of local governments in the nation and it is proposed that the costs of local government could be reduced by consolidating into larger units. In fact, however, the weight of the evidence indicates that smaller local governments generally have *lower* costs per capita than larger local governments.

Efficiency is measured by spending, especially by expenditures per capita. It will not be possible to reduce spending or improve government efficiency in Illinois unless expenditures per capita are reduced or minimized.

This report examines expenditures per capita by the size of local governments. The focus is the six county Chicagoland area (Cook, DuPage, Kane, Lake, McHenry and Will counties), where, like elsewhere, smaller governments are generally more efficient than larger governments. Expenditures, debt, labor costs and other indicators are examined as well as the reasons why the "bigger is better" theory of local government is so inconsistent with the reality.

Government Consolidation: The Experience

Many analysts believe that larger units of local government and consolidated local governments are more efficient. Despite studies that have projected savings from consolidations, there is little or no evidence that economies have occurred. In fact, there is much more evidence that larger governments spend more per capita and that consolidations have produced *higher* expenditure levels.

Local Government Size and Efficiency in the United States

Overall data in the United States as well as the states of Pennsylvania, New York and Illinois indicates that expenditures for basic municipal services are higher in local general governments with smaller populations. This data thus indicates that *more* local governments are more efficient than *fewer* local governments.

The principal driving force in local government expenditures is employee compensation. Capital expenditures are much lower. Debt per capita is also *lower* among smaller jurisdictions. These relationships are as evident in metropolitan areas as in the more rural areas of the three examined states.

Municipal Government Efficiency in the Chicagoland Area

The latest data in the Chicagoland area confirms the experience noted above.

Expenditures per capita tend to rise with municipality size. The largest municipality, Chicago, has expenditures per capita from nearly 30% to nearly 100% higher than categories of municipalities with smaller populations.

Debt also rises with government size. The city of Chicago has 4.5 times as much general obligation debt as the next largest population category of municipalities.

Per capita labor costs tend to rise with the size of municipal governments.

Townships in the Chicagoland area

While townships provide different services than municipalities, there are strong indicators that townships are efficient.

Townships keep costs low by controlling payroll expense. The share of part-time staff in townships is six times that of cities and 40% more than in villages. A similar relationship exists in each of the six Chicagoland area counties.

In the road function, where, statewide, townships, municipalities and the state provide the same service (though it is on different roads and thus not duplicative), townships wages per employee are the lowest.

Township expenditures have been rising at a rate less than that of other units of government.

Why Consolidated Governments are Less Efficient

Fundamentally, government consolidations tend to produce higher costs because of the necessary "leveling up" of labor costs to the cost structure of the most expensive consolidating government.

Further, the greater influence of special interests on larger governments encourages higher spending levels than would occur in smaller jurisdictions, where voters have more influence.

Finally, while government consolidations and abolitions are routinely supported by claims of reduced spending, it is not unusual for the genuine rationale to be other agendas, sometimes deriving from disputes among public officials.

Why Smaller Local Governments are More Efficient

At the same time, smaller local governments tend to be more efficient because they are more under the control of their local electorate. Their greater accessibility to taxpayers necessarily dilutes their accessibility to special interests, which seek higher levels of spending. Officials in smaller local governments are able to more directly oversee financial performance and public service delivery and are less reliant on professional staff that is not directly accountable to the voters.

Larger and consolidated governments tend to be less popular among voters. However, there are substantial barriers to dividing larger, inefficient governments into more manageable sizes. Nonetheless,

there have been attempts and voters in downstate Perry County recently voted in favor of restoring smaller, decentralized road districts.

The Campaign Against Illinois Townships

Nonetheless, there is a determined effort to eliminate townships in Illinois. Opponents focus on the assumption that more local governments is inherently less efficient, despite the evidence that smaller governments are more efficient. Opponents cite duplication of services, when in fact there is no duplication at all. Different governments, townships and other local governments have exclusive service areas that are not duplicated. Opponents criticize the level of cash reserves maintained by townships, despite the fact that the failure to keep a sufficient level of reserves would make it necessary to incur debt and increase public expenditures. Opponents even claim that local democracy is out-of-date and that governance would be more efficient if it were moved further away from the people. In fact, democracy is a timeless.

Any strategy that dilutes control by taxpayers is at odds with "government of the people, by the people and for the people," as Illinoisan Abraham Lincoln put it.

Bigger is Not Better in Local Government

In Illinois, the data shows that smaller local governments, including townships, drive greater efficiency, despite theories to the contrary. Local democracy is simply less expensive, in large measure because people (voters) have more control.

The success of local democracy is principally the result of the fact that government is closer to the people. The people, the electorate, stand a much better chance of maintaining control of their government and keeping it more efficient where it is smaller.

1. INTRODUCTION

The nation is in financial crisis. The federal government faces daunting economic challenges and has a budget deficit that is higher relative to the gross domestic product than Greece, which has been the cause of much of the continuing European financial crisis.

The financial crisis in the United States extends to both state and local governments. Few states are in more serious financial difficulty than Illinois. The state income tax was recently raised by 60%, the state's unfunded pension liability is among the worst in the nation and the state is seeking to retain important business headquarters by special tax breaks to neutralize the impact of recent tax increases. Further, for all its difficulties, Illinois is not alone. The United States faces daunting economic challenges at the federal level, while financial situations are critical in some states, like Illinois and few states are financially healthy.

It is not, therefore, surprising that there are proposals to reduce the cost of government, both so that Illinois citizens can maintain a higher standard of living and so that the state can be competitive in retaining and even attracting new businesses.

Yet, some proposals to reduce costs and to improve the efficiency of government would do no such thing and likely lead to higher government expenditures. This is illustrated by proposals that focus on reducing the number of local governments in Illinois. It is often noted that Illinois has the largest number of local governments in the nation. This leads some to conclude that there is a necessary relationship between the number of governments, government efficiency and government spending.

With nothing more than a theory that more governments must be more costly than fewer governments, some jump to the conclusion that the number of governments must be reduced, through abolitions and consolidations. This sense has been expressed in a number of recent editorials.¹ To reduce the costs of financially strapped governments, however, it is necessary to focus on finances, not on measures such as the number of governments.

But, fewer governments does not mean that there will be less spending or that taxes will be lower. In fact, the weight of the evidence indicates that smaller local governments generally have *lower* costs per capita than larger local governments. Despite it being counter to perceptions, a larger number of governments is associated with *lower* expenditures and taxation per capita.

Some academics have produced research suggesting that reducing the number of local governments, through consolidation or abolishment, will make local government more efficient. However, there is virtually no corresponding body of "after the fact" academic evidence indicating that consolidated governments spend less per capita than the governments that preceded them. Indeed, there is considerable evidence that larger local governments and consolidated local governments spend more per capita.

Programs to reduce the number of governments have routinely failed to reduce actual expenditures. As this report will illustrate, there is strong evidence that, at the local level, smaller governments tend to spend less per capita on the same functions and are thus more efficient. Larger local governments and consolidated local governments, more often than not, have *higher* expenditures per capita. In other words, the "bigger is better" theory of local government is generally inaccurate.

Much of the focus on abolishing and consolidating local governments is based upon flawed assumptions. One such assumption is that consolidation will reduce "duplication" of services. In fact, there are few, if any instances of two or more governments providing the same services to the same residents, and there is thus no duplication. Another flawed assumption is that transferring services from a smaller government to a larger government will save money. In the final analysis, the services must be provided, and with their higher cost structures, large local governments are likely to incur higher costs to provide the transferred services.

This report examines expenditures per capita by the size of local governments. The focus is the six county Chicagoland area,² where the data indicates the inaccuracy of the "bigger is better" theory of local government. Expenditures, debt, labor costs and other indicators are examined as well as the reasons why the "bigger is better" theory of local government is so inconsistent with the reality.

2. GOVERNMENT CONSOLIDATION: THE EXPERIENCE

Government abolition and consolidation proposals are typically justified on claims of greater efficiency, and that lower costs *will* occur. However, research generally indicates no such results *after* abolition and consolidation.

¹ See, for example, *The Herald-Review* (Decatur), "Trimming Takes True Leadership," December 15, 2011, http://www.herald-review.com/news/opinion/trimming-takes-true-leadership/article_f4eaca30-26d5-11e1-ac15-001871e3ce6c.html.

² Cook, DuPage, Kane, Lake, McHenry and Will counties. Any references to the "Chicagoland area" relate to this six county Chicago region.

A review of the academic literature concluded that “significant gains in efficiency are unlikely.”³

Even researchers who favor consolidation have noted that critics of consolidations have generally failed to demonstrate cost efficiencies from their proposals.⁴

A National Research Council study indicated: *There is general agreement that consolidation has not reduced costs (as indicated by some reform advocates) and, in fact, may have even increased total local expenditures.*⁵

After-the-fact case- evaluations of local government abolitions consolidations fall into two basic categories --- those that show spending to have increased and those that do not consider overall spending. Generally, the after-the-fact evaluations of consolidations show no compelling evidence of improved government efficiency.

A study on the consolidation of Jacksonville and Duval County, Florida found that initial savings were quickly erased by an increase in longer term spending. Moreover the study showed that costs rose more quickly than in a comparable metropolitan area in the region that had not consolidated.⁶

Research indicates that the 1960’s consolidation of Nashville, Tennessee and Davidson County led to an overall increase in spending.⁷

The Ontario government forced six large municipalities to consolidate into a new, larger city of Toronto in 1996. A government sponsored consultant report predicted \$300 million in annual savings. Generally, the central city business community favored the consolidation. However, by 2003, the reality of the higher costs had become apparent. The Toronto City Summit Alliance noted that city costs had increased as a result of the abolition and consolidation.⁸

A municipal⁹ consolidation was forced upon the Halifax, Nova Scotia area by the provincial government in 1996, with claims that the new government would save taxpayers money. However, expenditures have risen since that time. Between 2000 and 2007, operating expenditures rose 14% per capita (adjusted for inflation).¹⁰ Further, the transition costs of the merger were four times what had been projected.¹¹

³ Dagney Faulk, Suzanne M. Leland and D. Eric Shansberg, *The Effects of City-County Consolidation: A Review of the Recent Academic Literature*,

<http://www.state.in.us/legislative/interim/committee/2005/committees/prelim/MCCC02.pdf>,

⁴ G. Ross Stephens and Nelson Wickstrom, *Metropolitan Government and Governance: Theoretical Perspectives, Empirical Analyses, and the Future*, New York: Oxford University Press, 2000, p. 120.

⁵ Alan Altshuler and William Morrill and the Committee on Improving the Future of U.S. Cities Through Improved Metropolitan Area Governance, *Governance and Opportunity in Metropolitan America*, National Research Council.

⁶ J. Edward Benton and Darwin Gamble, “City/County Consolidation and Economies of Scale: Evidence from a Time Series Analysis in Jacksonville, Florida, *Social Science Quarterly* 65, March 1984.

⁷ G. Ross Stephens and Nelson Wikstrom, *Metropolitan Government and Governance: Theoretical Perspectives, Empirical Analyses, and the Future*, p. 75.

⁸ Toronto City Summit Alliance, *Enough Talk: An Action Plan for the Toronto Region*, April 2003;

http://www.torontoalliance.ca/docs/TCSA_report.pdf, accessed April 14, 2007.

⁹ Equivalent of a city-county consolidation.

¹⁰ Calculated from data in Halifax Regional Municipality annual reports and budgets.

¹¹ Robert L. Bish and Vincent Ostrum, *Understanding Urban Government: Metropolitan Reform Reconsidered*, Washington: American Enterprise Institute, 1973, p. 74.

The Indianapolis consolidated city-county government ("unigov"), often cited as a model required a \$1 billion state rescue of its pension liabilities.¹² Moreover, the consolidated city-county government has been in perennial financial crises through most of the 2000s.

In some cases, government abolitions and consolidations have demonstrated savings in specific departments or in functions that have little impact on overall expenditures. However, there is virtually no "after-the-fact" evidence that local government abolition or consolidation leads to greater *overall* efficiency. The evidence generally indicates the opposite, that consolidated governments are less efficient.

Finally, research indicates that growth in local government expenditures is greater in US metropolitan areas with fewer government units than with more.¹³

The causes of the generally less efficient performance by larger local governments is discussed in Section 6.

3.LOCAL GOVERNMENT SIZE AND EFFICIENCY IN THE UNITED STATES

There is strong evidence against the "bigger is better" theory of local governance, which assumes that having fewer local governments is more efficient (costs less). This is illustrated by analyses of expenditures and debt levels at the national level as well as in three states, Pennsylvania, New York and Illinois.

Local Government Expenditures per Capita

Generally, expenditures per capita are higher in larger municipalities, and smaller in smaller municipalities.

United States: According to data in the United States Bureau of the Census governments database,¹⁴ expenditures per capita tended to be lower in smaller municipal governments. For a common "basket" of services, the lowest expenditures per capita were in the second smallest population category, with between 1000 and 2500 residents. Expenditures per capita rose in every population category, reaching a peak in

Spending per Capita by Government Size
UNITED STATES MUNICIPALITIES: 2008

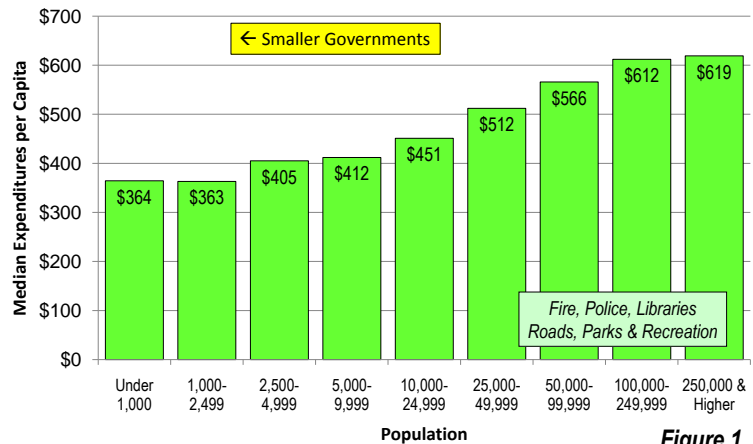


Figure 1

¹² "Pension Shift Saves City \$1 Billion," <http://www.topix.com/forum/indy/TE8SI4I8NDPGMB2A0> reported in the *Indianapolis Star*, <http://www.indystar.com/apps/pbcs.dll/article?AID=2008803180364>.

¹³ Ronald J. Oakerson and Roger B. Parks, "Citizen Voice and Public Entrepreneurship: The Organizational Dynamic of a Complex Metropolitan County," *Polycentricity and Local Public Economies*, Michael D. McGinnis (editor), (Ann Arbor: University of Michigan Press), 1999.

¹⁴ Wendell Cox, *Local Democracy and Townships in Illinois: A Report to the People*, report prepared for the Township Officials of Illinois. <http://www.toi.org/documents/TOI-ReporttothePeople-20110110.pdf>.

the highest (250,000 and above) population category. Expenditures per capita in this category were 71% higher than in the smallest category of municipalities. The largest municipalities spent 70% more per capita than municipalities with 1000 to 2500 population (Figure 1).

Pennsylvania: The situation is similar in Pennsylvania, where information in the Commonwealth of Pennsylvania database indicated that the smallest municipalities, those with fewer than 1000 population, had the lowest expenditure per capita in 2001.¹⁵ Expenditures per capita rose in every population category, reaching nearly 4 times that of the smallest category (1000 or fewer population) in the municipalities with more than 250,000 people (Figure 2).¹⁶

There was a similar relationship among local governments in the state's metropolitan areas, with larger jurisdictions having higher expenditures per capita. Moreover, the state's largest jurisdictions, the consolidated city-county of Philadelphia and the city of Pittsburgh have the highest per capita spending levels and the highest debt in the state, yet have both experienced significant financial difficulty. At the same time, smaller jurisdictions have been less likely to encounter serious financial difficulties.

Pennsylvania's Act 47: Pennsylvania has a unique program to assist municipalities that encounter extreme financial distress. Act 47, the Financially Distressed Municipalities Act, permits the state to intervene where municipalities have experienced significant fiscal difficulties and provides assistance through debt restructuring and recovery plans. In 2007, 20 years after enactment, 23 of the state's approximately 2,600 local units of government (compared to 2,700 in Illinois)¹⁷ remained in Act 47 administration. The distressed municipalities were strongly skewed toward the largest, including more than 20% of the jurisdictions with 50,000 residents. Pittsburgh, the state's second largest municipality, has been in financial distress since 2003.

Philadelphia, the state's largest jurisdiction encountered significant financial difficulties in the early 1990s, but managed to avoid Act 47 through a decisive cost-cutting program by then Mayor Ed Rendell (later Governor of Pennsylvania).

Among the state's more than 1,500 municipalities with less than 2,500 population, only 0.1% were in financial distress. Overall, more than 99% of Pennsylvania's municipalities had avoided Act 47 distress.

Spending per Capita by Government Size
PENNSYLVANIA: 2001

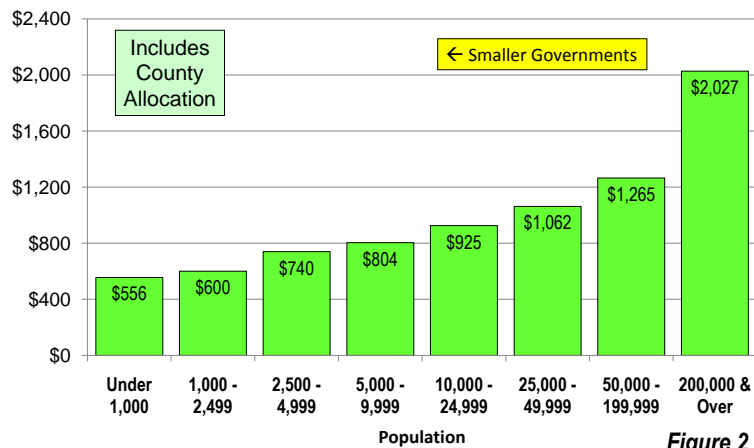


Figure 2

Nearly 20% of the population of jurisdictions with 50,000 and greater population were in financial distress. Among jurisdictions with less than 25,000 population, from 0.2% to 1.3% of the population lived in distressed municipalities. Approximately 0.3% of people in municipalities with less than 2,500 population lived in distressed municipalities. These municipalities had a larger population than Philadelphia (Table 1).

¹⁵ The local government spending data included county spending weighted by municipal population.

¹⁶ Wendell Cox, *Growth, Economic Development, and Local Government Structure in Pennsylvania*, Pennsylvania Association of Township Supervisors, 2005 (http://www.psats.org/local_gov_growth_report.pdf).

¹⁷ United States Census of Governments, 2007.

Generally, the municipalities in Act 47 distress had *higher* per capita local taxation than those that had not become financially distressed.¹⁸

Table 1 Municipalities in Formal Financial Distress Under Pennsylvania Act 47: 2007						
	General Purpose Governments			Population of Governments: 2007		
	Total	In Distress	Share in Distress	Total	In Distress	Share in Distress
100,000 & Over	4	1	25.0%	1,971,600	334,600	17.0%
50,000 - 99,999	10	2	20.0%	615,700	157,200	25.5%
25,000 - 49,999	40	2	5.0%	1,340,400	63,200	4.7%
10,000 - 24,999	199	4	2.0%	3,005,000	38,200	1.3%
5,000 - 9,999	312	7	2.2%	2,155,000	40,400	1.9%
2,500 - 4,999	481	5	1.0%	1,709,400	17,900	1.0%
1,000 - 2,499	748	1	0.1%	1,231,100	4,300	0.4%
Under 1,000	779	1	0.1%	404,600	900	0.2%
Total	2,573	23	0.9%	12,432,800	656,700	5.3%
In Distress: Under Act 47 (Financially Distressed Municipalities Act) Administration						

New York: Information in the state of New York local governments database shows that the lowest level of expenditure per capita in 2005 was in municipalities with between 1000 and 2500 residents.¹⁹ This mirrors the national data, above. Expenditures per capita were higher in each of the larger categories of municipalities, with municipalities of 100,000 or more population spending 140% more than municipalities between 1000 and 2005 residents (Figure 3).²⁰

As in Pennsylvania, the association between larger local governments and higher expenditures per capita was also evident in the metropolitan areas of New York. The consolidated city of New York (combined city and five county government) has a high spending level per capita, which has fueled high levels of debt (below).

Spending per Capita by Government Size
NEW YORK: 2005

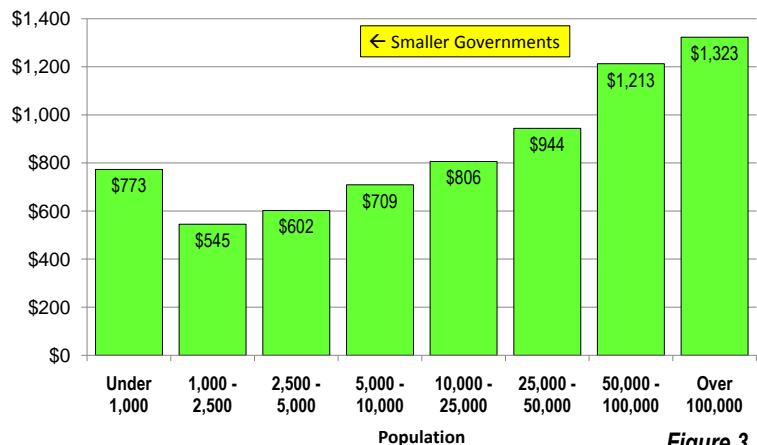


Figure 3

¹⁸ Demographia, *Policy Analysis: The Pennsylvania Financially Distressed Municipalities Act*, <http://www.demographia.com/db-distress.pdf>

¹⁹ Spending per capita in the smallest jurisdictions is skewed higher because of resort communities that have higher peak vacation period residents.

²⁰ Wendell Cox, *Government Efficiency: The Case for Local Control*, Association of Towns of the State of New York, 2008.

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

Illinois: According to data in the Illinois Comptroller's local government database, median expenditures per capita in 2009 were the lowest in the smallest category, municipalities with fewer than 1000 residents. This mirrors the Pennsylvania data, above. Expenditures per capita rose in each higher population category. The highest expenditures per capita were in Chicago, the only municipality with more than 250,000 people. Chicago's expenditure per capita was 5.5 times that of the municipalities with fewer than 1000 residents (Figure 4).

Spending per Capita by Government Size ILLINOIS: 2009

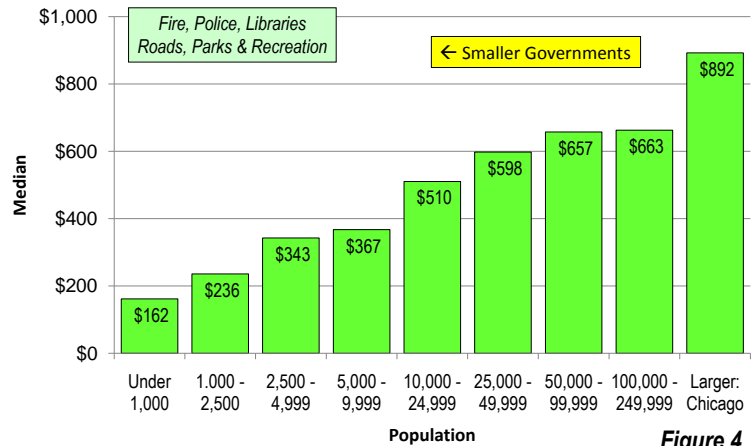


Figure 4

Local Government Labor Costs: For all levels of local government

(counties, municipalities, townships, school districts and special districts), compensation of employees (wages and benefits) is by far the largest element of expenditure. Based upon United States Department of Commerce data,²¹ labor compensation was approximately one-half of local government direct expenditures in 2009. In Illinois, labor compensation was 51% of total local government expenditure, above the national average of 48%. In Pennsylvania, labor compensation was 46% of local government expenditures, while in New York the figure was 50%. The cost of labor compensation averages more than three times capital expenditures at the national level (Figure 5).

Thus, any program to reduce local government expenditures, reduce the growth in local government expenditures or to improve efficiency must principally rely on reductions in the size of the workforce and/or reductions in rates of compensation. Obviously, that is a highly complex and sometimes even impossible political task.

Local Government Debt

As in the case of expenditures per capita, debt per capita is larger in larger governments. This may be expected in light of the more intense political pressure for higher expenditures larger jurisdictions. As expenditure levels increase, resistance against higher taxes by voters can induce jurisdictions to rely more on debt. Of course, the resulting interest increases government expenditures.

Labor & Capital Expenditures SHARE OF LOCAL GOVERNMENT SPENDING: 2009

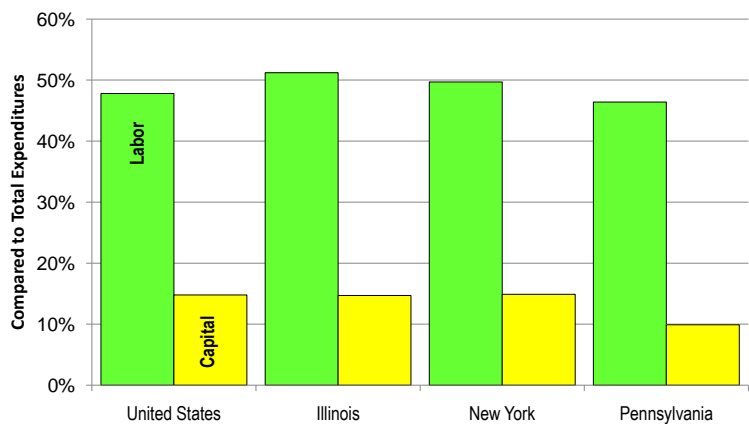


Figure 5

²¹ Estimated from data in the US Census Bureau governments database and the regional accounts of the Bureau of Economic Analysis (both in the US Department of Commerce).

United States: At the national level, United States Bureau of the Census data for 2008 indicates that the lowest level of debt per capita is in the smallest municipalities, those with fewer than 1000 residents. Debt per capita is higher by at least 60% in each of the higher categories than in the smallest municipalities. Debt rises to 85% more in municipalities with from 50,000 to 100,000 population and to more than double the smallest population category in municipalities with populations between 100,000 and 250,000. Municipalities with 250,000 or more residents have five times the per capita debt levels of the smallest municipalities (Figure 6).

Debt per Capita by Government Size
UNITED STATES MUNICIPALITIES: 2008

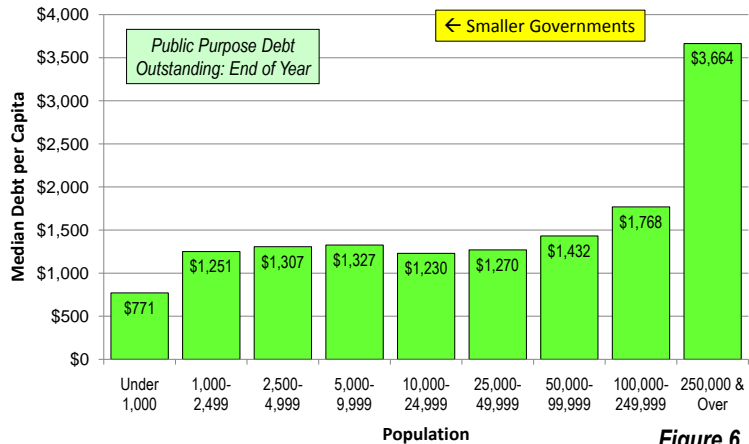


Figure 6

Pennsylvania: According to the Commonwealth of Pennsylvania local governments database, debt service per capita in 2001 was the lowest in the smallest category of municipalities (under 1000 residents). Debt service per capita generally rose in higher population categories, with municipalities of 50,000 to 250,000 reaching more than 2.5 times that of the smallest category. The largest municipalities, those with more than 250,000 population, had per capita debt levels nine times that of the smallest municipal categories (Figure 7).

Large debts in part propelled local government crises in the largest jurisdictions: Philadelphia (the nation's second largest consolidated government) in the early 1990s and in the city of Pittsburgh.

Debt Service per Capita by Government Size
PENNSYLVANIA: 2001

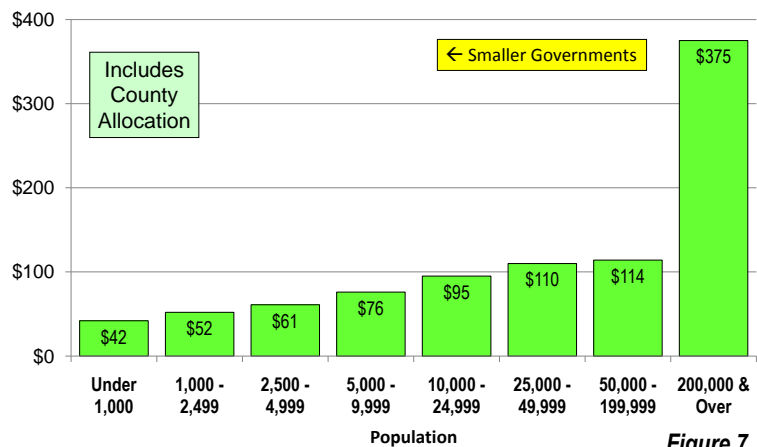


Figure 7

New York: The state of New York local governments database indicates that per capita debt was the lowest in the smallest category of municipalities (less than 1000 population) in 2005. Generally, per capita debt rose with each higher population category, reaching 2.5 times the lowest population category in municipalities with between 25,000 and 50,000 population and between 50,000 and 100,000. The highest debt per capita was in the municipalities with more than 100,000 people, at nearly 5 times that of municipalities with less than 1000 people (Figure 8).

New York City, by far the nation's largest city, and one of the largest consolidated local governments in the world (city and five counties), has especially high debt and has frequently been in financial difficulty, including a near-bankruptcy in the 1970s, which was precipitated by an inability to meet its debt payments in a timely manner.

Illinois: In Illinois, the lowest debt levels per capita were in the smaller municipalities. Generally, median debt levels per capita were zero or near zero in municipalities with less than 25,000 population. Higher debt levels existed among municipalities with from 25,000 to 250,000 people. However, by far the highest debt levels per capita were in the one municipality with more than 250,000 people, Chicago (Figure 9).

Debt per Capita by Government Size NEW YORK: 2005

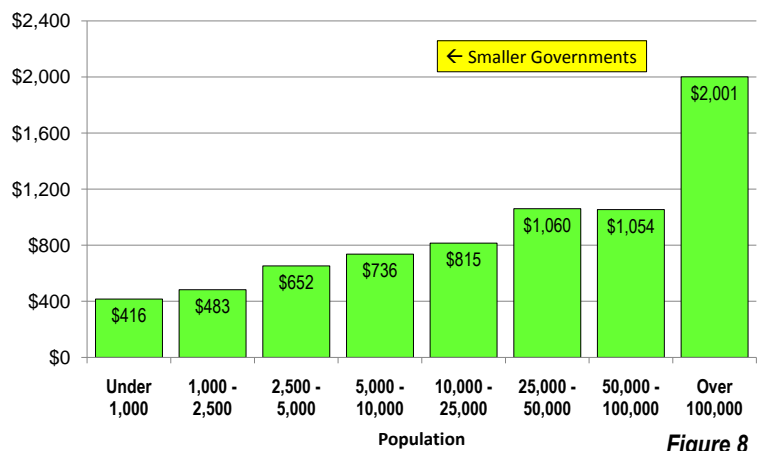


Figure 8

4. LOCAL GOVERNMENT EFFICIENCY IN THE CHICAGOLAND AREA

The same smaller government association with lower government expenditures and debt per capita is evident in the in the general purpose local governments (cities, towns and villages) in the six county Chicagoland area.

Expenditures

In 2010, the lowest expenditures per capita in the Chicagoland area were in municipalities with under 1000 population. Expenditures per capita generally rose in larger population categories. Municipalities with 25,000 to 50,000 population spent more than 2.5 times per capita the amount spent by jurisdictions with 50,000 to 250,000. The municipality with more than 250,000 residents, Chicago, had per capita expenditures of from more than 50% higher than the next higher population category to more than four times the spending in municipalities with less than 1,000 residents (Figure 10).

Debt per Capita by Government Size ILLINOIS: 2009

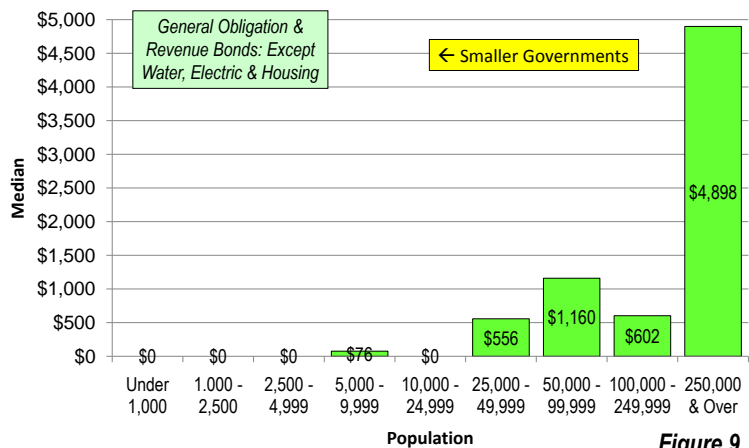


Figure 9

Debt

Smaller municipalities in the Chicagoland area also borrow less, and the differences are even more substantial than is evident in spending. In 2010, the median general obligation debt (excluding public utility debt) was lowest, at a median of zero, among the Chicagoland area municipalities with less than 1000 population. The debt per capita generally rose to more than \$1200 in municipalities with from 50,000 to 250,000 population. The largest municipality, Chicago, had per capita debt of \$5700, 4.5 times that of the second highest (50,000 to 100,000) population category (Figure 11).

Spending per Capita by Government Size CHICAGOLAND AREA: 2010 PER CAPITA

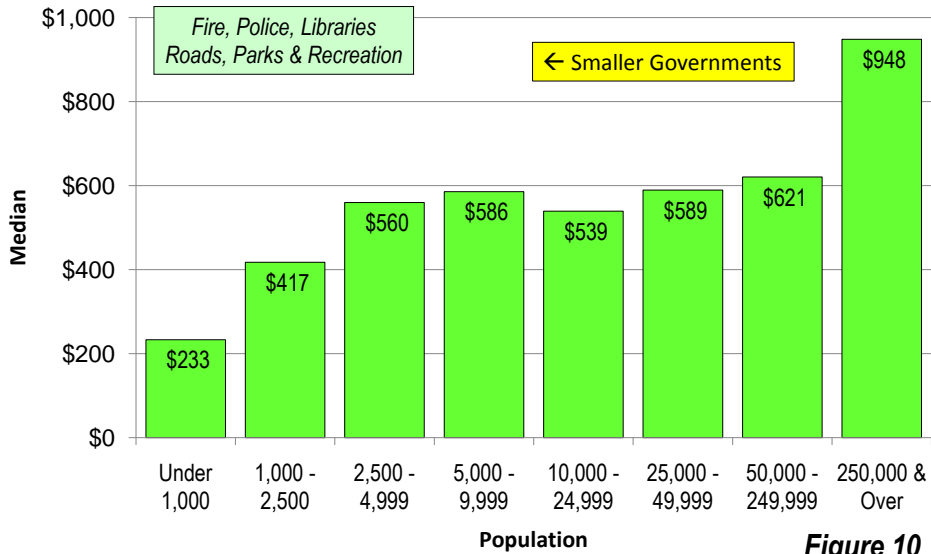


Figure 10

Debt per Capita by Government Size CHICAGOLAND AREA: 2010

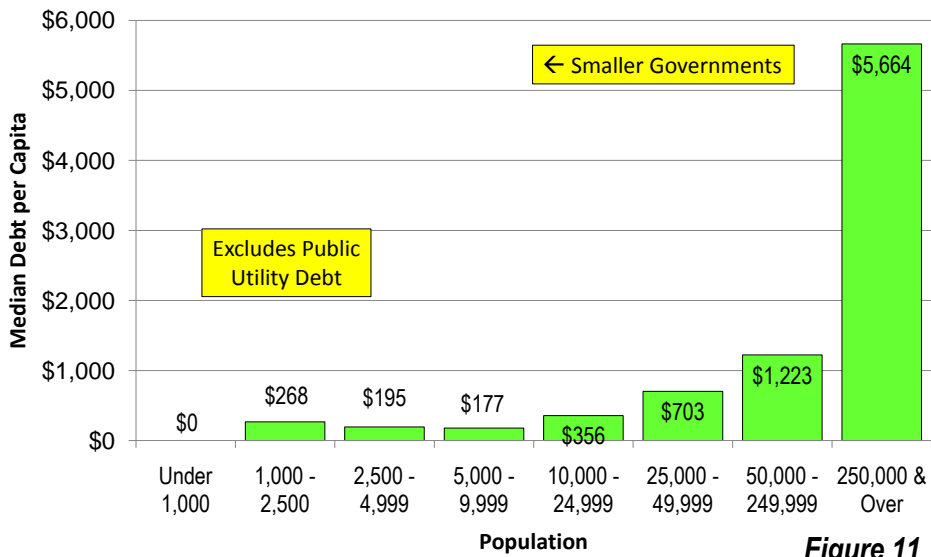
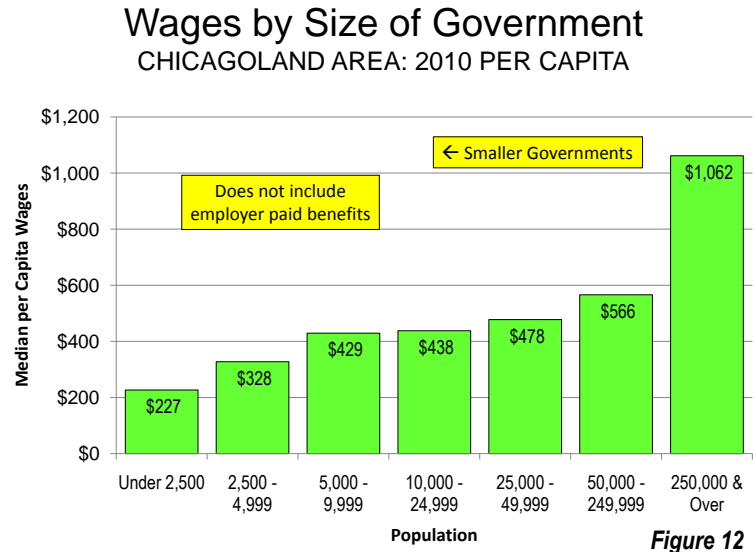


Figure 11

Labor Costs

As was noted above, labor costs are the predominant driver of expenditures in local government. In the Chicagoland area, per capita wages generally rise with the size of municipalities. The lowest per capita wage expenditures are in municipalities with fewer than 2500 people. Wage expenditures per capita rise in each larger category (Figure 12). Municipalities above 25,000 have per capita wage expenditures more than double that of the smallest category of municipalities. The highest wage expenditures per capita are in Chicago, the only municipality with more than 250,000 people. Chicago wage expenditures per capita are nearly 5 times that of municipalities with fewer than 2500 people and nearly double that of the second-highest category. These differences would be even greater if employer paid benefits were included and if normalized on a total compensation (wages and benefits) per hour worked basis. These data are not available from any regional, statewide or national data source.

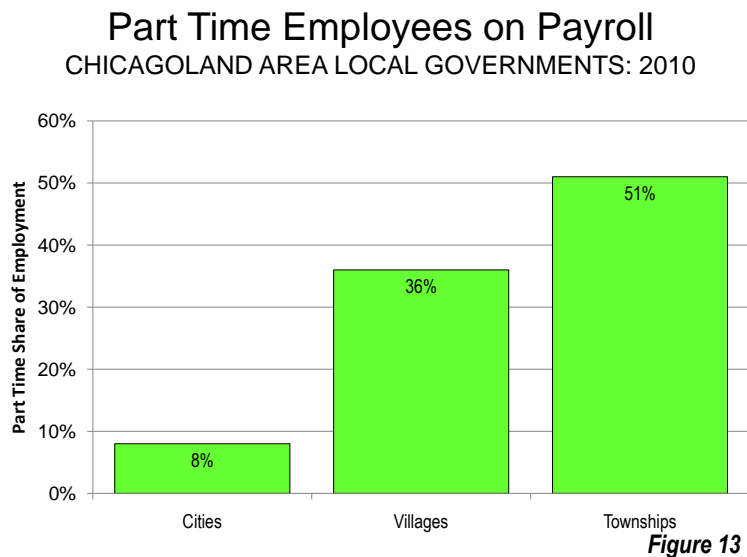


5. TOWNSHIPS IN THE CHICAGOLAND AREA

Because township services neither overlap nor duplicate the services provided by municipalities, it is not possible to perform a same service expenditures per capita analysis for townships. However, financial indicators show that township expenditures and debt are comparatively low, indicating a high level of efficiency.

Labor Costs

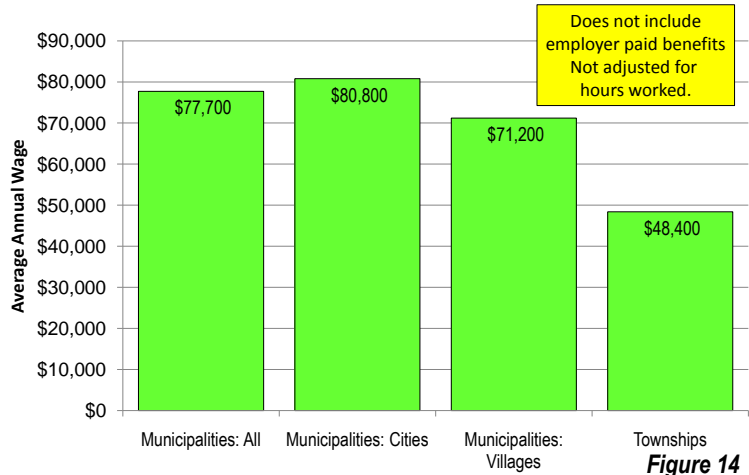
Chicagoland area townships employ a substantially higher percentage of part-time employees than municipalities, which results in lower unit labor costs. Generally, part time employees are paid less per hour and receive less expensive benefit packages. Through greater employment of part-time labor, townships seek to minimize the most expensive element of local government cost where possible. This is an important strategy in light of Illinois' severe financial difficulties.



According to data from the Illinois Comptroller's office, 51% of township employees were part-time in 2010. Villages also relied substantially on part-time employees, who represent 37% of their combined workforce. In the cities, only 8% of the workforce is part-time employees (Figure 13).

The lower salaries of local governments types that rely more on part-time labor is illustrated in Figure 14. In 2010, it is estimated that Chicagoland area municipalities paid wages averaging \$77,700 per full-time equivalent employee.²² This is more than 50% higher than the \$48,400 paid by townships in the Chicagoland area. Cities paid the highest wages, at an average of \$80,000 per full time equivalent employee annually, while Villages paid \$71,200. Again, if data were available for employer paid benefits and data were normalized for total compensation (wages and benefits) per hour worked the township efficiency advantage in Figure 14 would be even greater.

Estimated Wages per FTE Employee
CHICAGOLAND AREA: 2010

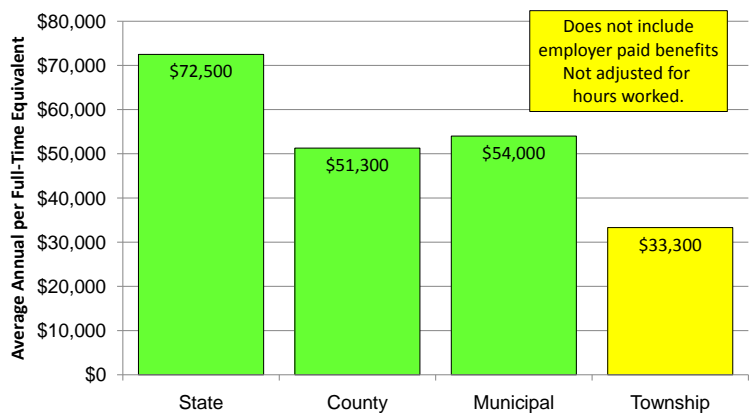


Labor Costs by County: Townships employ the highest percentage of part-time workers in five of the six Chicagoland area counties. Also

indicating the relationship between smaller jurisdictions and greater efficiency, the villages have a larger share of part-time employees than the cities, with or without Chicago (Table 2). Outside the city of Chicago, the cities have payrolls with 27% part time employees, while the villages average 36%. Chicago, however, reports no part time payroll. The higher level of part-time employment in townships is an indicator of lower costs and greater efficiency.

Road Department Labor Costs: Detailed labor cost data is not available by local government function for the Chicagoland area. However, in the statewide road function, where townships, municipalities and the state provide the same service (though it is on different roads and thus not duplicative), townships wages per employee are the lowest.²³ Township road department wages per full-time equivalent employee were at least one third below road department functions at the county and municipal level and less than one half that of state highway wages (Figure 15).

Highway & Road Department Wages
ILLINOIS BY TYPE OF GOVERNMENT: 2007



Debt

Townships rely substantially less on debt than municipalities. In the Chicagoland area, At the end of 2010, 72% of the municipalities in the Chicagoland area have general obligation debt outstanding. This compares to a far lower figure, at 11% in the townships of the

²² Estimated using data from Illinois Comptroller's office and average hours per employee from the US Census Bureau governments database.

²³ From United States Census of Governments, 2007.

Chicagoland area (Figure 16). On average, the municipalities of the Chicagoland area have general obligation debt²⁴ that is 3.2 times annual general revenue. This is approximately 10 times the ratio of debt to revenue in the townships of the Chicagoland area (Figure 17). Chicagoland area townships have been able to minimize their debt, in part, by retaining sufficient reserve levels to operate and pay for capital investments, while reducing interest expense and thus lowering expenditures per capita.

Table 2
Part Time Employees by County and Type of Local Government: 2010
Chicagoland Area

	Cities	Villages	Townships
Cook	4.3%	38.7%	45.3%
DuPage	25.0%	30.1%	26.1%
Kane	21.9%	32.8%	55.3%
Lake	19.9%	35.5%	56.8%
McHenry	30.0%	40.5%	58.0%
Will	17.5%	28.9%	64.0%
Total	7.8%	36.4%	51.1%
Average Population	86,800	15,500	49,900
CHICAGO AND OTHERS			
Chicago	0.0%		
Outside Chicago	26.9%	36.4%	51.1%
Population (Cities & Villages)			
Chicago	2,695,600		
Outside Chicago Average	34,000		
Source: Calculated from Illinois Comptroller data			

Expenditure Trends

The comparative efficiency of townships is also illustrated by expenditure trends. From 1992 to 2007, total township in Illinois expenditures increased 17%, after adjustment for inflation.²⁵ In contrast, state government expenditures rose nearly three times as much, at 51%. The rise in municipal expenditures was 50%, also nearly three times that of townships. County expenditures rose 66%, nearly four times the increase in township expenditures (Figure 18).²⁶

²⁴ Does not include public utility debt.

²⁵ Chicagoland area data is not available.

²⁶ Calculated from US Bureau of the Census, Census of Governments data. This database includes township road districts in township data.

Incidence of Debt by Government Type CHICAGOLAND AREA: 2010

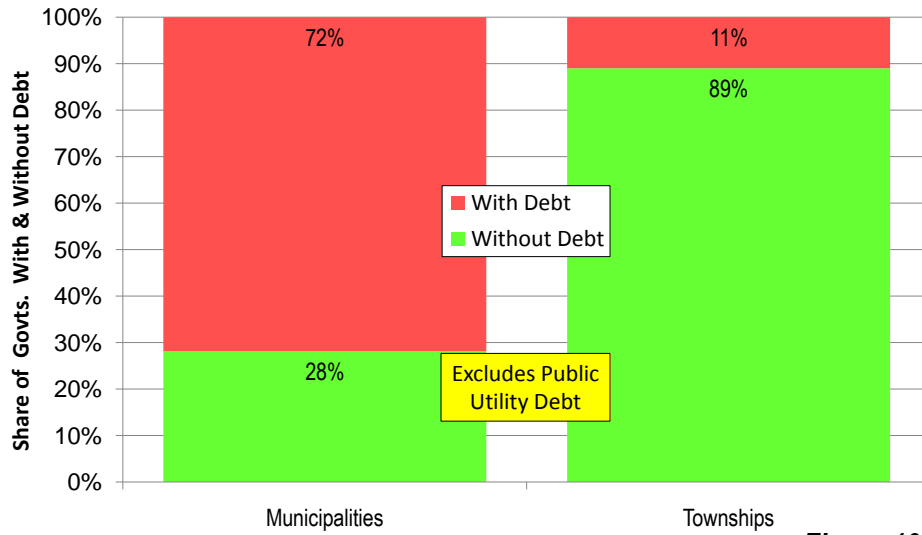


Figure 16

General Obligation Debt/Revenue CHICAGOLAND AREA: 2010

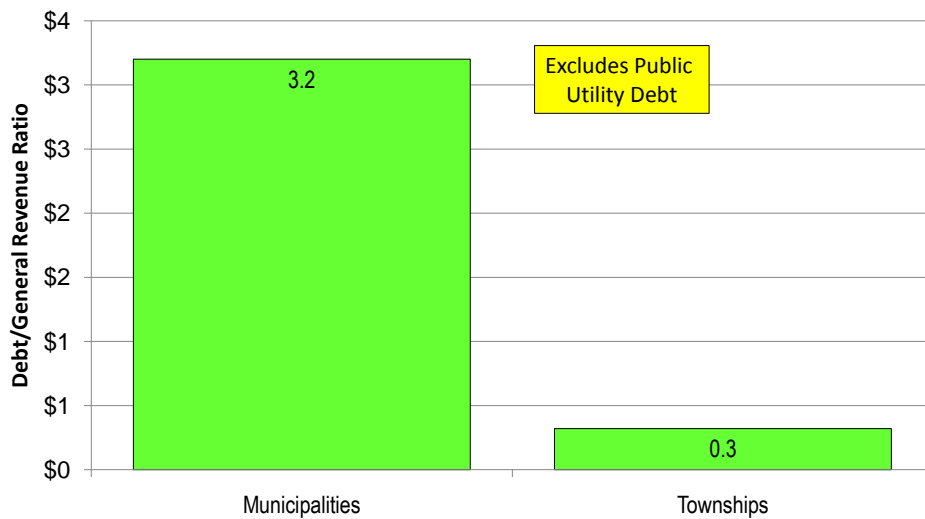


Figure 17

Consolidation Impacts

One major metropolitan newspaper's long standing campaign against township governments led it to claim that:

Townships may still have a role in those parts of Illinois still covered by cornfields. But around Chicago, they're a logical target for taxpayers looking for savings.²⁷

In fact, townships are an important part of the more efficient local democracy structure that exists in the Chicago region (as well as the rest of the state). Abolishment of township governments and transfer of their functions to other governments would likely increase costs for taxpayers, principally because of the lower township cost structure. Township services would still need to be performed.

Employees performing the transferred services would likely be paid more and receive more expensive benefit packages, which would *increase*

rather than reduce expenses for taxpayers. Additional costs could also result from the dynamics and process of government consolidation, which is discussed below.

Government Expenditure Increases ILLINOIS: BY TYPE OF GOVERNMENT: 1992-2007

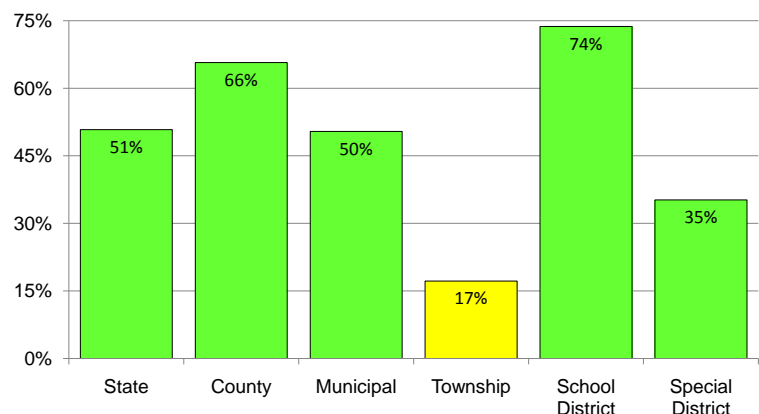


Figure 18

6. WHY CONSOLIDATED GOVERNMENTS ARE LESS EFFICIENT

There are a number of reasons why consolidations and larger governments fail to produce the claimed efficiencies for taxpayers. Governments that consolidate face even more serious spending challenges because their larger size makes them more susceptible to the influence of special interests: When governments consolidate, cultures, cost structures, service structures and organization dynamics combine to make government *less* efficient rather than more efficient.

Leveling Up of Labor Costs

Labor compensation is almost always the largest item of local government expenditure, as is indicated above. Government abolishments/consolidations are made more costly by merging payrolls and ensuring that employees with the same classifications and duties are paid the same. In fact, however, there are inevitably differences in such matters as compensation levels, benefit packages and paid time off. These differences must be reconciled, or "harmonized." While some analysts have naively suggested labor cost savings from consolidations, labor arrangements are routinely "leveled-up" to reflect the most lucrative (expensive) pre-consolidation packages, both in wages and benefits. Similarly, the most liberal time-off allowances (holidays, vacations and personal allowances sick time allowances) are likely to become the norm in the consolidated municipality. It is difficult, if not impossible for governments to reduce the

²⁷ *Chicago Sun-Times*, "Townships are one place taxpayers can cut costs," November 8, 2011, <http://www.suntimes.com/opinions/8667927-474/editorial.html>

compensation packages of employees. Thus, harmonizing occurs at the higher level, not the lower. Harmonization of personnel costs was an important factor in making the Toronto consolidation more expensive, according to the Toronto Business Alliance

*The amalgamation of the City of Toronto has not produced the overall cost savings that were projected. Although there have been savings from staff reductions, the harmonization of wages and service levels has resulted in higher costs for the new City. We will all continue to feel these higher costs in the future.*²⁸

Leveling Up of Services

Merging local governments will inevitably have different service levels. Public service packages may also differ, with some public services provided in one consolidating jurisdiction, but not in the other. Typically, larger governments will provide a larger array of public services. As with personnel policies, it can be expected that both services and service levels will be "leveled up" to the highest level, which forces at least some residents to pay higher fees and taxes. Any preference for higher levels of service in larger governments will tend to work against any potential for savings from abolishment and consolidation.

Too Big to Fail: The Risk of Fiscal Distress

Because of their tendency to spend more and incur higher levels of debt, larger governments have a greater risk of bond defaults and serious financial crises. For example, New York City and Cleveland defaulted on debts in the 1970s. Pittsburgh was placed under state administration due to its fiscal difficulties earlier in this decade and Philadelphia was threatened with default in the early 1990s. The consolidated city of Indianapolis, which has been touted as a model of local government abolishment and consolidation, required a \$1 billion state rescue of its pension funds. Nonetheless, a \$1 billion unfunded liability remains in its employee retirement funds, even after the city borrowed \$100 million to pay down unfunded pension liabilities in 2005. The mayor of Indianapolis has indicated that the city "has lived beyond its means in recent years, and it is on an unsustainable financial path."²⁹

Larger jurisdictions have often been provided financial rescue packages by states when they encounter fiscal difficulties. These difficulties often arise from higher than necessary spending levels, which are often exacerbated by higher levels of inexpensive debt. Such jurisdictions become "too big to fail." However, generally, when smaller jurisdictions encounter fiscal difficulties, states do not come to their rescue. Even where there is a state program to assist local governments that encounter financial difficulty (Pennsylvania's Act 47) smaller jurisdictions have been far more successful financially.

Short Memories and Unshared Visions

The consolidated governments that are created may not seek to fulfill the efficiency goals of those who proposed the consolidation. As a result, the consolidated government may spend more, violating the promises made to justify the consolidation. The Jacksonville research³⁰ raises this issue as a consequence

²⁸ Toronto City Summit Alliance, *Enough Talk: An Action Plan for the Toronto Region*, April 2003; http://www.torontoalliance.ca/docs/TCSA_report.pdf, accessed April 14, 2007.

²⁹ Mayor Gregory A. Ballard, *100 Day Report*, <http://indy.gov/eGov/Mayor/Documents/100%20Day%20Report.pdf>, April 2008.

³⁰ J. Edward Benton and Darwin Gamble, "City/County Consolidation and Economies of Scale: Evidence from a Time Series Analysis in Jacksonville, Florida," *Social Science Quarterly* 65, March 1984.

and it also appears to have occurred in Toronto and Halifax. Moreover, officials in the newly consolidated governments may not share the vision of critics for becoming more efficient.

Unpopularity and Irrevocability

Government consolidations have often been unpopular with residents. Where voters are given a choice, they often oppose consolidations. In Toronto, voters rejected abolishment and consolidation by margins of more than two-to-one in each of the six threatened local governments. Nonetheless, the province forced the abolishments. Even today, more than 10 years after the forced consolidation, some local interests began to call for demerger of the consolidated city of Toronto.³¹ The mayor of Hamilton, Ontario (the ninth largest city in Canada) has called for a review that could result in the demerger of that consolidated city, which was formed by local government abolishments in 2001.³² Similarly, there have been calls for demerger of Canada's capital, Ottawa (Ontario), a consolidated municipality formed by local government abolishments in 2001.³³ None of these efforts has been successful to date.

Opposition to forced consolidations was so strong that a newly elected government in Quebec provided a mechanism for merged local governments to "demerge." Fifteen local governments that had been abolished and combined into the city of Montréal took advantage of this option, despite considerable legal obstacles.³⁴

A local government abolishment/consolidation initiative was strongly opposed in the Australian state of Queensland. The effectiveness of the opposition was diluted by a rushed consultation process and a strong state government proclivity toward consolidation.³⁵ More recently an attempt to abolish and combine three smaller local governments in the state of New South Wales was defeated by determined local government opposition. In an virtually unprecedented action, the state cancelled its previously announced abolishment mandate.³⁶

There have been secession movements in some local governments that have become too large, as residents have expressed their dissatisfaction with public service quality and perceived inefficiency. There have been secession movements in the San Fernando Valley, Hollywood and the harbor area of the city of Los Angeles. There has also been a secession movement in Staten Island, which is a part of the city of New York. Other secession proposals have been made in Boston, Atlanta and Oakland. However, the barriers to unraveling a local government that has become too large or unresponsive can be prohibitive. Usually, the measure must gain at least a majority of voters not only in the area seeking secession, but also in the larger jurisdiction from which the secession is sought. Thus far, none of the secession movements have been successful.

³¹ "More of a Case for De-Amalgamation," *The Bulletin Downtown* (Toronto), June 9, 2009, <http://www.thebulletin.ca/cbulletin/content.jsp?sid=15476744318100918425170959241&ctid=1000002&cnid=1002188>

³² "No De-Amalgamation for Hamilton: Province," *The Hamilton Spectator*, October 23, 2010. <http://www.thespec.com/news/local/article/271794--no-deamalgamation-for-hamilton-province>

³³ "Ottawa Mayoral Candidate Reiterates De-amalgamation Pledge, *YourOttawaRegion.com*, September 30, 2010. <http://www.yourottararegion.com/news/elections/article/881027>.

³⁴ This occurred despite an onerous electoral process that required a large share of registered voters to participate and an unusually short petition process. <http://www.publicpurpose.com/pp-montreal.pdf>.

³⁵ Ian Tiley and Brian Dollery, *Historical Evolution of Local Government Amalgamation in Queensland, the Northern Territory and Western Australia*, <http://www.une.edu.au/clg/working-papers/02-2010x.pdf>

³⁶ Wendell Cox, "Australian Local Governments Stop Forced Amalgamation, *The New Geography*, November 22, 2010. <http://www.newgeography.com/content/001886-australian-local-governments-stop-forced-amalgamation>

Thus, another important problem with government consolidations is that they cannot be easily reversed. Once the consolidation is implemented, it is nearly impossible to restore the previous organizational structure, even if there is strong opinion that it would be an improvement.

Recent events in Perry County illustrate the interest of residents in locally administered services. In 2004 the voters of Perry County narrowly approved (by one vote) a measure that abolished decentralized road districts and instead created a single "unit road district" in the county. This meant that the road construction, maintenance and other services (such as snow plowing) were handled by a single administration in the county seat, rather than former, more decentralized road districts.³⁷

Many of the county's citizens were unsatisfied with the new arrangements, perceiving that road services declined materially in areas of the county that were more remote from the county seat.³⁸ They successfully petitioned the Board of Commissioners to place an advisory referendum on the November 2010 ballot to restore local road services:

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

Transition Costs

Moreover, consolidations involve merging of separate organizational cultures and procedures, which incurs transitional costs. Often these costs are not considered at all, and often they are underestimated. For example, in Halifax, the transition costs of the merger were four times the projection.³⁹

Underlying Agendas

Government consolidations that were promoted on the basis of government efficiency have sometimes been driven by political agendas having nothing to do with reducing the costs of government. The Toronto consolidation has been characterized as a means for a right-wing provincial government to "settle a political score" with a left-wing administration in the former (smaller) city of Toronto.⁴⁰ The Indianapolis city-county merger has been characterized as an attempt to extend the long-term Republican domination over a central city that would likely be lost to Democrats if the municipal boundaries were not expanded.⁴¹ A research report on Jacksonville concluded that consolidation proponents were actually more interested in adding public services than in reducing taxes or expenditures.⁴² The Louisville city-county merger was, at least in part, driven by an interest in restoring its lost status as the largest city in Kentucky, after the population of Lexington had grown larger.

³⁷ Perry County is a commission and thus does not have statutory townships.

³⁸ See http://www.wsiltv.com/p/news_details.php?newsID=11382&type=top and John H. Crossman, "Non-Binding Road District Referendum to Gauge Support for Turning Back the Clock," *Duquoin Evening Call*, October 26, 2010.

³⁹ Bish, 2001.

⁴⁰ Andrew Sancton, "Why Municipal Amalgamations: Halifax, Toronto, Montreal," p 13. <http://www.iigr.ca/conferences/archive/pdfs4/Sancton.pdf>.

⁴¹ See William Bloomquist and Roger B. Parks, "Fiscal Service and Political Impacts of Indianapolis-Marion County's Unigov," *Publius*, Fall 1995.

⁴² Stephens and Wickstrom, p. 80.

7. WHY SMALLER LOCAL GOVERNMENTS ARE MORE EFFICIENT

Both the Illinois and national data (above) indicates that smaller local governments are generally more efficient (cost less per capita) than larger local governments. This is due to various advantages that are described below.

Local Democracy: Accessibility to Taxpayers

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

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

In smaller municipalities, elected officials are likely to be known personally by a larger percentage of voters. Moreover, voters are likely to be able to gain direct access to their elected officials, such as by telephone or for personal meetings. Democracy is more effective and more robust where it is closer to the people.

Taxpayers have a natural interest in minimizing the cost of government, because they pay for it. In this regard, their interests are better served in smaller governments than in larger governments where taxpayer influence is diluted and the influence of special interests is greater.

Local Democracy: Less Accessible to Special Interests

In larger local governments, elected officials become more remote from their electorates. This creates disincentives for public participation because people may perceive that their efforts are less likely to be effective. This is indicated by the fact that larger governments tend to have smaller voter turnouts.⁴³ As elected officials become more remote from the electorate, the views of individual citizens become more diluted in deliberations by governments, including elected officials, appointed officials and government staffs. Inherent in larger governments are *diseconomies of scale* for the citizens that they are intended to serve.

Governments are under continual pressure by special interests and sometimes their own departments to increase their spending. One of the most effective means of limiting this pressure is to limit the size of the tax base. When taxing ability is significantly greater, as occurs in consolidated or larger governments, special interests and government departments can be expected to be more successful in seeking higher levels of spending. Larger governments are simpler to deal with for lobbying organizations. Lobbying is generally less expensive with respect to a single larger government than with multiple governments. By their very size, larger governments achieve a rare efficiency --- for special interests. Because of their size, larger governments present lobbying organizations with *economies of scale*, both in terms of lobbying budgets and potential financial returns.

As University of Victoria governance expert Robert Bish put it:

⁴³ Bish, 2001.

*...large governments are also more responsive to special interest programs and projects than are small governments.*⁴⁴

Bish characterizes government consolidation as an outmoded 19th century strategy. He notes that organized special interests have greater power in larger local governments under government consolidation.⁴⁵

This is because special interests are more concentrated and, have a larger stake in political outcomes than individual voters. In larger jurisdictions, elected officials and candidates rely on special interest contributions to a large degree to finance their political campaigns. This is less likely to occur in smaller jurisdictions. While the voters make the ultimate choices in elections, a candidate without enough funding is unlikely to become sufficiently well known to the electorate to have a chance of being elected. An elected official might thus face a more serious reaction from an important special interest whose desires are well known than by an electorate whose interests may be less well known. Moreover, since special interests invariably seek higher levels of funding, the impact is likely to be higher government costs, rather than lower costs.

An important advantage of smaller local governments is that they can provide voters with an appropriate level of control to protect government and democracy from excessive special interest influence.

Attention to Detail

Governance expert Robert Bish notes that smaller governments tend to be more careful about financial management, and scrutinize individual expenditures more completely.⁴⁶

*... as governments get bigger, councillors tend to spend less time on the financing of individual programs or projects that represent a diminishing proportion of their growing budget;*⁴⁷

At the same time, this more direct attention tends to encourage better public services. Citizen complaints are more likely to be handled by elected officials.

*Councillors faced with a decision about service provision in a small municipality are strongly influenced by financing considerations because even low-cost items can make a difference in tax rates or user charges for their constituents. But as governments get bigger, councillors tend to spend less time on the financing of individual programs or projects that represent a diminishing proportion of their growing budget; large governments are also more responsive to special interest programs and projects than are small governments.*⁴⁸

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

⁴⁴ Bish, 2001.

⁴⁵ Bish, 2001.

⁴⁶ Bish, 2001.

⁴⁷ Bish, 2001.

⁴⁸ Bish, 2001.

This provides local governments with the maximum flexibility for responding to changing needs and better positions them for providing quality services, consistent with the wishes of the electorate.

Better Serving the People

Democracy, which Illinoisan Abraham Lincoln referred to as "government of the people, by the people and for the people," produces results more consistent with the public will (which is the purpose of democracy) where elected officials are closer to the people. This means that governments should generally be no larger and no further from the electorate than necessary to competently administer a particular public service. Given the higher spending and debt levels of larger governments, the efficiency gains from local government are likely to be even greater in the Chicagoland area than in areas with smaller populations. The local governance system of Illinois, with its human scale cities, towns, villages and townships, as well as its county governments and state government illustrates this principle.

8. THE CAMPAIGN AGAINST ILLINOIS TOWNSHIPS

For decades, there has been a campaign to eliminate township government in Illinois. The *Chicago Sun-Times*, for example has sought elimination of townships for 50 years.⁴⁹ The *Sun-Times* has taken the position that township government may serve a purpose outside the Chicago metropolitan area, but that townships have no legitimate role within the metropolitan area.⁵⁰ The campaign has become far more intense over the past year, as the state has faced unprecedented fiscal challenges.

The issues raised by advocates of eliminating townships are summarized below.

Claim: Too Many Local Governments

The fact that Illinois has the largest number of local government jurisdictions is often cited as justification for consolidations of government in the state and the elimination of townships. Indeed, a Chicago Tribune article concluded that the costs of the many government to taxpayers cannot be known:

*No one can say how much all the government in Illinois costs taxpayers but experts who have studied the state's bloated bureaucracy say the price tag is astronomical.*⁵¹

Reality: Concern about the number of local governments is misplaced, because there is no indication that a smaller number of governments leads either to greater efficiency or to higher quality public services. There is no mystery about this or no lack of data to demonstrate the point, as the analysis above indicates. Nationally and in Pennsylvania, New York and Illinois, smaller local governments are associated with lower expenditures per capita and greater efficiency. The more detailed data from Pennsylvania's Act 47 strongly reinforces this point.

Enumerations of local government units ... provide only census-type information about the number of units, population and area served. No data are provided about the costs of public

⁴⁹ *Chicago Sun-Times*, "It's Time to Eliminate Township Governments," October 27, 2011. <http://www.suntimes.com/opinions/8447711-474/editorial.html>.

⁵⁰ *Chicago Sun-Times*, "Townships are one place taxpayers can cut costs", November 8, 2011, <http://www.suntimes.com/opinions/8667927-474/editorial.html>

⁵¹ Kristen Schorsh, "State Big on Tiny Government," *Chicago Tribune*, June 21, 2011.

*services, the output of public services nor the relative efficiency with which public services are produced.*⁵²

It is inappropriate to proceed with public policy initiatives based upon conjecture, which characterizes the financial or efficiency criticisms of township government in Illinois. Generally, the critics of local democracy in Illinois have failed to look at the data.

Because smaller local governments tend to be more efficient, *more* local governments will generally be more efficient than fewer governments.

Claim: Less Efficient Government

Critics routinely claim that townships make local government more expensive in Illinois.

Reality: Again, this claim is based upon both a lack of analysis and a misunderstanding of the term "efficiency." Efficiency is a financial measure, not a measure of the number of governments. There is a simple standard for evaluating efficiency, local government per capita expenditures.

It has been some time since detailed research has been conducted on the likely financial implications of township abolition and consolidation. Nonetheless, research conducted in the 1990s by two Illinois counties indicated that abolishment of townships and consolidation into counties would be more expensive for taxpayers.

- A report produced by Rock Island County (1997) indicated that abolishment of townships into the county would result in an increase of \$12.2 million in annual operating expenditures and one-time transition costs of up to \$8.1 million.⁵³
- A report produced by McHenry County (1994) indicated that abolishment of townships into the county would result in an increase of \$9.4 million in annual operating expenditures and one-time transition costs of \$6.6 million.⁵⁴

The evidence cited above shows that larger and consolidated governments have generally higher cost structures than smaller governments and that township governments in Illinois have lower cost structures. Transferring services to larger, more costly governments can be expected to *increase* costs to taxpayers, not reduce them.

Claim: Duplication of Services

It is frequently claimed that townships duplicate services that are provided by other units of local government.

⁵² Robert L. Bish and Vincent Ostrum, *Understanding Urban Government: Metropolitan Reform Reconsidered*, Washington: American Enterprise Institute, 1973, p. 74.

⁵³ Rock Island County Board Office, *The Possible Statutory Dissolution of Township Government in Rock Island County: An Impact Analysis on Rock Island County Government*, December 1997. Figures in 2010 dollars. In 1997 dollars, the figures were \$9 million in operating costs and \$6 million in transition costs.

⁵⁴ Office of the McHenry County Administrator, *The Possible Statutory Dissolution of Township Government: An Impact Analysis on McHenry County Government*, 1994. Figures in 2010 dollars. In 1994 dollars, the figures were \$6.4 million in operating expenditures and \$4.5 million in transition costs..

Reality: The claim of duplication results from a misunderstanding of the term --- what constitutes duplication of services. Duplication of services (or overlap) requires that more than one government provided the same service to the same residence or taxpayers as another. For example, if two separate governments collect trash from the *same* residents, there is duplication. However if two separate governments collect trash from the residents on adjacent streets that are in different political jurisdictions, then there is no duplication of service.

Geographically adjacent services are thus wrongly labeled as duplication. Moreover, it cannot be assumed that consolidation of geographically adjacent services would cost taxpayers less. Differing labor compensation levels in the two jurisdictions can actually raise costs. As was noted above, abolitions and consolidations routinely involve "leveling up" of labor compensation. The additional personnel expenses that could be incurred are illustrated by the differential between township road district employee compensation and that of municipal road employees, which amounts to \$55 million annually.⁵⁵

Throughout Illinois and all other states, multiple local jurisdictions provide services to different service areas. Thus, the nearly 1,300 municipalities of the state provide local the same or similar government services, to separate sets of residents living in distinct jurisdictions. Townships provide *other* services in these areas and others. None of this constitutes duplication.

Indeed, the erroneous duplication argument could be used to justify eliminating larger jurisdictions, such as states. The local jurisdictions of Indiana perform virtually the same services as the local jurisdictions of Illinois. However, their services do not overlap and the people they serve with particular services are different. The same is true of municipalities and townships in Illinois.

Claim: Reserves Too High

Claim: Advocates of township abolition claim that townships maintain financial reserves that are too high..

Reality: Townships often attempt to maintain strong financial reserves to ensure the efficient and uninterrupted supply of public services. Townships and other jurisdictions have experienced situations in which county treasurers have not been timely in their remittance of tax proceeds. This can result in the necessity of short term borrowing, which raises expenditures. By maintaining strong financial reserves, townships and other governments can avoid debt and lower expenditures. Similarly, townships often "save" for future capital investments, which also reduces the need for debt and reduces overall expenditures. Maintaining sufficient reserves is an indication of financial responsibility.

Claim: Local Democracy is Out of Date

Some have criticized township governments as being out of date and irrelevant to the contemporary situation. Such criticisms frequently cite the fact that township governments were established in the 19th century, with some of the more sharp criticism suggesting that township governments are akin to "horse and buggy" transportation in a world dominated by cars and airplanes.

Reality: The focus on the historic founding of townships is irrelevant and misplaced. For example, democracy dates from ancient Greece, having been established more than 2600 years ago and is thus many times as old as Illinois townships. The very rationale of democracy is that the people should control their own government. The passage of centuries or even millennia is not a valid justification for

⁵⁵ Calculated from US Census of Governments data for 2007. Comparison is for the entire state. Chicagoland data is not readily available.

abandoning a form of governance. Even today, there is considerable support in authoritarian nations for a conversion to democracy, despite its nearly three millennium age. Democracy is a timeless value and the will of the people is most effectively expressed where government is as close to home as possible. This principle, which is local democracy, is discussed in greater detail below. A governance structure that delivers superior efficiency cannot be out of fashion.

9. BIGGER IS NOT BETTER IN LOCAL GOVERNMENT

At least in part, the campaign against townships in Illinois is fueled by misunderstanding. Government efficiency is confused with the number of governments, when in fact, the measure of government efficiency is expenditures per capita on a set of services.

There may be a naive assumption that county governments could assume township services in a costless manner. Yet, resources would need to be provided for the transferred services and county governments are not likely to have spare capacity, especially with the severe and pervasive budget difficulties faced throughout the Chicagoland area.

Abolition of townships would require transferring township services to another level of government. Not only is it likely that this would involve higher overall costs, especially labor costs, but the dynamics of abolition and consolidation (Section 6) would also tend to increase costs.

Generally, larger local governments are not more efficient than smaller governments. Further, there is virtually no evidence that consolidations improve *actual* government efficiency. Indeed, the evidence on consolidation seems generally to support the opposite conclusion --- that smaller governments are more efficient. Also importantly, the remoteness of larger governments can result in less effective public services.

The success of local democracy is principally the result of the fact that government is closer to the people. The people, the electorate, stand a much better chance of maintaining control of their government and keeping it more efficient where it is smaller.

In Illinois, the data shows that smaller local governments, including townships, drive greater efficiency, despite theories to the contrary. Local democracy is simply less expensive.