SHARED SERVICES AS A RESPONSE TO GOVERNMENTAL FRAGMENTATION

NORMAN WALZER AND CORY PORIS PLASCH
CENTER FOR GOVERNMENTAL STUDIES AT NORTHERN ILLINOIS UNIVERSITY

Substantial support exists for the notion that institutional fragmentation and duplication is adding to the cost of government in Illinois. Several other states are actively encouraging local government to adopt innovative practices to cut costs through shared-service arrangements. This article reviews deliberations of the Governmental Consolidation and Unfunded Mandates Task Force chaired by Lt. Gov. Evelyn Sanguinetti in 2015 and discusses efforts underway by local government groups to streamline service delivery. The results include practical examples of how Illinois organizations can work together to boost efficiency and reduce overlap.

INTRODUCTION

Illinois has long been recognized as having the most government units of any state and has been criticized as being relatively inefficient and heavily dependent on property taxes in financing local public services. Many explanations have been offered for the multiple governments, not the least of which are tax rate and debt limits on local funds. When a rate limit is reached and additional services are perceived to be needed, an additional unit of government with taxing and borrowing authority is created. This new government does not necessarily match boundaries of existing governments, so a patchwork quilt pattern of governments emerges that makes it difficult for residents and taxpayers to know which government is responsible for a specific service. This often results in a loss of transparency.

Another consequence of this arrangement of multiple government units is that it may discourage private business investment and employment creation, as suggested by the relatively slow recovery in Illinois during the post-recession period compared to other states. If the perception is that the delivery of local services is inefficient and coupled with high property taxes, business investors may locate to other states.

Not only does Illinois already have more units of government than any other state, the number—especially special districts—has increased in recent years. Efforts are underway, however, by local governments to find ways to
share personnel, specialized equipment, and other resources to eliminate duplication and improve efficiency. This article briefly examines the structure of governments in Illinois, reviews deliberations of the Governmental Consolidation and Unfunded Mandates Task Force chaired by Lt. Gov. Evelyn Sanguinetti in 2015 (Task Force), and discusses efforts underway by local government groups to streamline service delivery and reduce costs. While the results from these efforts are not all available at this time, they have operated for several years with clear evidence of quality maintenance and cost savings.

GOVERNMENTAL FRAGMENTATION

Reducing the number of governments in Illinois to reduce costs was clearly a stimulus and a motivation for creating a bipartisan Task Force, which included both state and local elected officials as well as public members. If the initial expectation was consolidation and elimination of governments by government mandate, this did not occur. However, a moratorium on new governments was imposed, aimed at reducing the growth in number of units.

Instead, the Task Force worked to remove obstacles preventing local public officials and voters from lowering costs by collaborating and, perhaps, ultimately reducing the number of governments involved. The Task Force held 16 meetings with testimony from 33 experts and analyzed responses from more than 500 local public officials including 87 recommendations. In its final report issued in December 2015, the Task Force made 27 recommendations to the General Assembly for changes in the statutes or administrative rules.

The overlapping governmental structure in Illinois has been studied for decades (Snider & Anderson, 1968; Chicoine & Walzer, 1985; Walzer & Burns, 2013) with continued calls for changes recognizing the importance of local control and input following the public choice literature (Buchanan & Tullock, 1962). The 1970 Constitutional Convention granted Home Rule authority to municipalities of 25,000 or larger and those with a successful referendum. The Home Rule option removed certain debt and tax rate limits which allowed expansion of services with less need to create additional units of government.

In 2012, the Census of Governments (COG) estimated that Illinois had 6,963 independent units of local government, not all of which have property taxing authority. By comparison, the same source identified 6,386 independent units in 1972, shortly after the Constitutional Convention. Thus, the removal of tax and debt limits for some cities did not prevent a statewide increase in number of governments.
However, the large number of government units is hardly the only issue facing Illinois. The two main counts of governments by the Illinois Office of the Comptroller (IOC) and the Census of Governments differ. The COG counts only those with independent authority (6,963) whereas the IOC includes all registered government units (8,500) and testimony presented to the Task Force suggests not all governments are registered so the actual number may be higher. According to the 2012 Census of Governments, Texas (5,147) and Pennsylvania (4,897) have the next largest numbers, but trail Illinois by large margins.

A common comparison among states is the number of governments per 100,000 residents. Illinois, with 54.1 governments per 100,000 people, is far higher than Texas (19.1) and Pennsylvania (38.4) with possible significant governmental fragmentation leading to duplicity in service delivery and inefficiencies in local public spending. At the same time, some bordering states including Wisconsin (54.6), Iowa (63.3), and Missouri (62.6) have higher government concentrations while Indiana (41.4) and Kentucky (30.5) are substantially below Illinois.

Comparisons of government concentration adjust for neither levels of service nor population concentrations, both of which can affect the optimal number of governments. More and better services may mean additional governments but high population concentrations, such as in Cook and surrounding counties, mean smaller ratios of government per 100,000 residents for comparable services. Thus, the effects of governmental structure and opportunities for shared services must be examined in more detail, along with their effects on property taxes.

**PROPERTY TAXES**

Illinois is ranked 2nd highest among states in mean property taxes on owner-occupied housing in 2015. Compared with neighboring states such as Indiana, residents in Illinois pay 2.32% of their house value annually in property taxes rather than .86% in Indiana, 1.96% in Wisconsin, or 1.49% in Iowa (Tax Foundation). Other measures broader than owner-occupied housing have Illinois with the highest median property tax rate in the nation with an effective tax rate of 2.67 (Corelogic). These differences between states can foster outmigration, especially in counties bordering neighbor states.

Costs of government also are a factor in location decisions made by both families and businesses. For example, local public expenditures in Illinois increased 23.8% between 1992 and 2012 compared with 12.6% in Indiana,
and 17.5% in Wisconsin. Thus, increasing costs and relatively high property tax rates may well contribute to the outmigration of families from Illinois to adjacent states in recent years.

The effects of governmental fragmentation on local spending in Illinois have been studied many times with inconsistent findings. A simple correlation between governments per 10,000 residents and per capita aggregate expenditures of all local governments by county level was not found to be significant (Walzer & Burns, 2012). However, number of governments per 10,000 is strongly related to population density since less populated areas have higher government concentrations with the same level of service. When a more sophisticated measure of governmental structure, such as a Herfindahl Index, used to measure firm concentration in the industrial organization literature, is examined, a strong positive relationship between fragmentation and per capita expenditures was reported (Chicoine & Walzer, 1985) and these figures were reaffirmed in recent analyses for Illinois.

**COLLABORATION AND SERVICE-SHARING**

Other states are undertaking efforts to modernize their system of local governments, some of which resemble Task Force efforts in Illinois. While the approaches differ, a common feature is a recognition that the most successful outcomes involve facilitating and encouraging local governments to find ways to deliver services more efficiently and at the same time, maintain or increase the satisfaction of taxpayers receiving them. In other words, top-down strategies mandating consolidations are not as effective as incentivizing local governments to find more effective and less costly arrangements to provide services. A reduction in number of governments is a likely outcome of these collaborations.

Task Force deliberations identified many examples of service-sharing arrangements underway in Illinois (Kim, 2015), in New York (DiNapoli, 2009), and in Ohio (skinnyohio.org) among other states (Walzer & Chockalingam, 2016). These activities range from increased communications among local agencies to incentives for collaboration in service delivery or attempts to eliminate units of local governments, as in Indiana.

There is considerable professional literature on service-sharing principles and techniques in state and local government agencies that is useful for Illinois. One example is in the Village of Glencoe, where the village and park district have put together a shared services agreement. County governments are of growing
importance, especially in rural areas, experiencing population and economic declines that make providing essential services more difficult. Zeemering and Delabbio (2013) provide a checklist of important considerations in implementing effective service-sharing at the county level. Based on this study of counties across the U.S., the authors argue that leadership from the top; trust, reciprocity, and transparency; and clear goals with measurable results are essential for successful collaboration.

On a broader level, Burns and Yeaton (2008) describe a variety of factors important in service-sharing arrangements based on a survey of administrators in more than 45 federal, state/provincial, and local public agencies. While somewhat dated, the main points identified as success factors are still useful today. The authors carefully distinguish between shared services and centralization with the latter implying one central administrator in one location. Shared services, on the other hand, mean that one provider of the service is responsible for multiple participating agencies, so more than one administrator influences the delivery of the services making the form of governance important for successful implementation. Increased use of telecommunications technology can offer significant opportunities for dispatching, data storage, and other elements in delivering public services as is shown in the following case studies.

A common stimulus for shared services is a recognition that current services can be provided at a lower cost by sharing specialized resources. Providing at least the same level of service is crucial in creating service-sharing programs because otherwise taxpayers in the cooperating units of government are unlikely to support the efforts and, thus, could prevent achieving the potential cost savings. Governance arrangements are crucial to the success whereas in the centralized approach these issues may not be as obvious.

Based on their survey of public administrators involved in service-sharing programs, Burns and Yeaton report five issues most often mentioned as requisites for success. These are: strong project management skills; senior-level support; effective communication; strong change management; and a phased-in approach to implementation. While detailed information about these characteristics is not readily available for the following case studies, they achieved significant cost savings by sharing services.

**DISCUSSION OF CASE STUDIES**

The Task Force report includes examples of collaboration illustrating successful shared-service arrangements. However, the case studies focused solely on
what was successful, but not why they succeeded. Burns and Yeaton (2008) provide a useful framework with “Success Factors” to evaluate shared services arrangements and excerpts from three case studies in Illinois help identify factors contributing to successful outcomes. Following is a discussion of shared-service arrangements in Illinois (see Figure 1 and Table 1).

**FIGURE 1**
Participants in Notable Shared-Service Initiatives in Metropolitan Chicago

![Map with labeled areas](image)

**ORGANIZATIONS INVOLVED**

The **GovIT Consortium** arose from an IT assessment by 14 communities, located along the North Shore of suburban Chicago. One recommendation is to review shared services for cost savings as well as to improve services. An RFP was prepared in conjunction with five core communities, plus several other interested groups, based on specific resources and needs. The initial five municipalities eventually created the GovIT Consortium and transitioned their services to a common provider.

The **Municipal Partnering Initiative DuPage Region (MPI)** began when public works departments in Lombard, Downers Grove, and Woodridge began discussing the development of a joint bid process for public works projects in an effort to control costs. The effort later expanded, and today the MPI includes 14 entities, with six communities leading the bidding process.


**TABLE 1**

Three Notable Shared-Service Initiatives in Illinois

<table>
<thead>
<tr>
<th>PROJECT</th>
<th>Municipal Partnering Initiative (MPI), DuPage Region</th>
<th>GovIT Consortium</th>
<th>Tri-City Ambulance (TCA) Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>INITIATIVE</td>
<td>Joint bidding program specifically for public works</td>
<td>Shared services for IT between 5 communities</td>
<td>Emergency Medical Services provided by an outside vendor</td>
</tr>
</tbody>
</table>
| PROCESS                        | • Modeled after similar program involving local government managers in the northern suburbs  
  • Bid documents standardized, evaluation process evaluates the opportunity and if the bid document was effective | • IT assessment completed, recommendation to share services  
  • RFP prepared for 5 core communities, plus other interested groups  
  • Vendor selected, services transitioned to common provider | • Fire districts set up a board with authority to contract for paramedic services  
  • TCA owns the ambulances, licensed paramedics provided by an outside vendor |
| NUMBER OF ORGANIZATIONS        | 3 Public Works departments, expanded to 14 entities | 14 cities in initial assessment, 5 eventually transitioned services to a common provider | 3 cities: Batavia, Geneva, and St. Charles, and 2 neighboring fire districts |
| OUTCOMES                       | Small communities achieved economies of scale.  
  • Reduction in staff time due to combined bidding process  
  • Staff learned alternative project methods  
  • Most contracts lowered costs for participating communities  
  ◦ Ex: $89,000 savings for 4 communities participating in sewer lining contract | Shared environment allowed access to specialists previously unaffordable.  
  • Communities leveraged economies of scale to purchase software licensing and agreements  
  • Lowered costs for shared offsite backup, email archiving, staff time  
  • Some communities invested savings in upgraded systems, with improved equipment and long term savings | Reduced overtime, training, and benefits costs for all communities.  
  • Each district decreased staff time for personnel issues, as paramedics are not employees of TCA  
  • Cost for fully-trained paramedic is $70,000, versus $100,000 for new employee including insurance, pension, other benefits |
**Tri-City Ambulance Service** was created to bring emergency medical services closer to Batavia, Geneva, and St. Charles as well as two neighboring districts. Tri-City Ambulance contracts with a private company to staff ambulances with licensed paramedics, but the ambulances are owned by Tri-City. The closest available ambulance responds to medical calls, regardless of the community where the patient is located.

**SUCCESS FACTORS**

*Strong Project Management Skills.* Burns and Yeaton claim that shared-service initiatives require an unambiguous governance structure for smooth operations. The GovIT Consortium is a separate legal entity with formal by-laws and membership agreements enabling them to make joint purchases. Tri-City Ambulance also has a board that governs the system, with two representatives from each municipality and one representative each from Batavia and Countryside Fire District and Geneva Township.

Clearly-defined goals for implementation are important for success according to Burns and Yeaton, and also Zeemering and Delabbio who list clear goals and measureable results as one of their three preconditions for success (2013). MPI has established timelines for communities to participate in the joint bidding process, and these deadlines ensure the projects stay on track. The MPI standardized the bid documents to address needs in participating communities and has a standard template for bid documents to ensure consistency. It also has an evaluation process at the end of each contract to confirm the services represent worthwhile opportunities for joint procurement and to evaluate the effectiveness of the bid document. The GovIT Consortium has evaluated data from the start of the vendor relationships to develop expectations for service, and the vendors report actual response times per task to ensure performance measures are met.

*Senior level support* means someone is willing to champion the project, sell the concept to constituencies, and make sure that resources are available to support the project (Burns and Yeaton, 2008). In the case of Tri-City Ambulance, that support comes in several forms. Local elected officials see the benefit of cost savings, not only in wages but also in pensions, insurance, and training costs. In addition, firefighters historically cooperated when dealing with incidents that require more resources than one department has available. The resulting relationships among upper level staff helped create a culture within each department where shared services are the rule rather than the exception,
paving the way for a formalized shared-services agreement. MPI modeled its organization on the Municipal Partnering Initiative that exists among local government managers in Glenview and other northern suburbs.

While this initiative was specifically designed for public works, having a model used by senior administrators in the area helped to gain acceptance for the project. It also made sure they used pre-screened best practices in determining procurement methods and other essentials for the organization. Successes in other programs also helped to gain program credibility among elected officials, administrative staff, and public works staff.

**Effective communication.** Burns and Yeaton note that organizations should establish a governance structure that facilitates appropriate communication. The chief of the St. Charles Fire Department, the lead agency for Tri-City Ambulance, noted that communication was a larger issue than money in determining the success of Tri-City Ambulance. Communications had to be set up as part of the relationship and established as an essential part of the culture since they found that, otherwise, agreements begin to fall apart if one group does not feel that they are being heard. GovIT Consortium not only established a board to help facilitate communication, it also developed a structure to incorporate responses to high priority issues as well as a systematic process to deal with maintenance issues likely to generate misunderstandings within the consortium.

**Strong change management and phased-in approach to implementation.** Although these factors are sometimes separated in the literature, they appear to have been intertwined in the organizations discussed here. All of the organizations anticipated concerns about these initiatives and worked to educate stakeholders about the process and anticipated results as well as the implementation plan. For both Tri-City Ambulance and the GovIT Consortium, these initiatives led to significant restructuring in how services were provided by each municipality. Strong change management, including a phased-in approach to implementation and transparency regarding specifics and timeline of the process, led to successful initiatives in spite of the challenges involved in the resulting reduction in staff.

Other initiatives involving consolidation or service-sharing are under discussion in Illinois. The City of Evanston merged with a coterminous township and is demonstrating cost savings, following a 2014 referendum by voters.
A group in McHenry County advocated a reduction in number of townships with widespread support in an opinion poll, but county board actions prevented it from being placed on the ballot; the city of Naperville is discussing taking responsibility for township-maintained roads under a proposed intergovernmental agreement. School districts in Champaign County reorganized services to reduce costs and several similar efforts are under discussion throughout the state.

Kim (2015) provides a more complete analysis of shared services in northeastern Illinois based on a survey of 273 municipalities (42% response). On a five-point scale, respondents rated their experiences with sharing services at a four (success), and the vast majority (99%) reported they were ultimately beneficial and would continue to use them. Many of these shared agreements had been ongoing for more than ten years, with intergovernmental agreements most commonly used for a diversity of public services.

**OPTIONS FOR ILLINOIS**

Several states preceded Illinois with statewide task forces or commissions designed to modernize local governments, taking different approaches designed to meet unique issues in their states. A more complete discussion of these approaches is contained in Walzer and Chockalingham (2016). However, what seems to be especially important to successful implementation are encouragement and incentives for local governments to engage in collaboration leading to modernization of local service delivery. Persistence is also key to positive final results.

Two states, Ohio and New York, took especially positive approaches to encourage and facilitate modernization efforts by local governments. Ohio has focused on providing information and examples that local groups can replicate across the state and in other states using a website, SkinnyOhio.org. This site shares innovative approaches for shared services that local governments can implement. It also provides a “Savings Idea Center” and a “Performance Audit Database” that suggest ways local governments in Ohio have collaborated for cost savings, plus the associated results. The site is updated regularly with opportunities to build networks of local governments interested in streamlining the delivery of services. It also allows state agencies to monitor need for changes that can help local governments in their efforts.

The user-friendly website not only provides basic information on cost-saving approaches but also provides contact information for users interested in
replicating the techniques. The website has a *Think It, See It, and Do It* format that guides readers through a “get ideas,” “see results,” and “get started” process. The state Auditor’s Office in Ohio has a Local Government Innovation Fund that supports communities interested in designing more efficient and effective service delivery systems (Office of the Ohio Auditor, 2016). Local governments can receive an award of up to $100,000 to implement programs. Thus, in addition to providing knowledge and contacts, Ohio also incentivizes local governments with funds for implementation.

The State of New York uses an alternative approach and is proposing a municipal consolidation and efficiency competition that challenges counties, cities, and villages to create innovative consolidation action plans that offer significant and permanent property tax reductions. The consolidation partnership that proposes – and can implement – the greatest permanent property tax reduction qualifies for a $20 million award (State of New York, 2016). This incentive is part of a $70 million initiative to “…incentivize local government consolidations, reorganizations, and efficiencies that result in taxpayer savings.” These actions can include service-sharing arrangements as well as consolidations. Most importantly, as is the case in Ohio, these financial incentives trigger local actions to implement the ideas raised in statewide task forces and commissions.

### TABLE 2
Suggestions to Improve Shared-Service Efficiency

1. **Avoid Duplication.** Illinois leads all states in number of governments. The number has increased substantially over the past 50 years — despite the Home Rule Authority provided to some governments.

2. **Reduce Fragmentation Costs.** Substantial support exists for the notion that institutional fragmentation is adding to the costs of governments operating on a county level, which suggests a need for a closer examination of the benefits that greater collaboration has on service delivery, shared services, or in some cases consolidating governmental units.

3. **Identify Potential Efficiencies.** The literature on shared services, particularly Burns and Yeaton (2008), highlights factors contributing to the success of shared services. This analysis is consistent with the case studies in the Task Force Report showing how Illinois organizations can achieve savings, maintain service levels, and increase efficiencies.

4. **Draw from other States’ Experiences.** New York and Ohio are among the states with programs to accelerate implementation and provide resources to encourage local governments to adopt innovative practices.
CONCLUSIONS

The findings from this study offer four insights into factors that hamper the efficiency of governments in Illinois (Table 2). Despite the evidence supporting these findings, the issue of overlapping governments and high property taxes in Illinois is not likely to disappear quickly. The issues will likely be addressed on at least two main fronts. Small governments in sparsely-populated areas with population and economic declines must find more efficient ways to deliver high quality services if they are to prosper, or even remain viable. This situation will force local leaders to find new and useful approaches involving more coordination and collaboration in delivering services. Some of these efforts will probably involve reducing the number of governments actively providing services.

At the other end of the spectrum, densely populated areas are positioned to achieve economies of scale with direct collaborations, resource-sharing, and other techniques as reported in this article. We are likely to see more of these initiatives in the future based on past successes. This means that efforts by the Illinois Lt. Governor’s Office, *SkinnyOhio*, Center for Governmental Studies (NIU), and other groups can help speed up the process. Actions may not always mean eliminating governments - or even reducing personnel - but may focus on providing additional services with current resources. It is essential that local agencies and taxpayers have accurate and useful information as well as technical resources to advise and guide them through local initiatives.

School district consolidations are likely to continue, especially in areas with population declines. Small class sizes, shortage of teachers in specific disciplines, increased access to telecommunications, and shrinking budgets have caused school districts such as in Champaign and surrounding counties to successfully reorganize.

The outcome, then, is that interest in modernization of governmental services will continue and successes will likely be driven more by local initiatives rather than state efforts. Nevertheless, as the Task Force identified, state statutes and regulations can be obstacles, so efforts to remove them, as well as provide incentives, should continue.

Counties will probably be key players in many rural efforts as small communities either contract for services such as patrols by sheriff’s office personnel or perhaps organizing countywide delivery of EMT services. Road districts, for many years, have organized by county to share equipment or
jointly purchase materials for projects. Other best practices are in place but currently are not well-publicized. Of course, the political reality remains that some local government officials may be reluctant to share the power that comes with such arrangements.

The Task Force in Illinois, as with previous commissions, generated serious interest in modernizing and streamlining local delivery of services. The same approaches will not work in every part of the state, which makes it paramount that local public officials have a clear understanding of the options and approaches available to them. The Task Force generated extensive knowledge about ways to become more efficient while still maintaining the quality of services. High effective property tax rates, combined with sometimes confusing multiple layers of local governments created under very different circumstances, will require not only an understanding of the issues but also incentives for change.

The Task Force recommendations to the General Assembly did not pass as submitted although some concepts were incorporated into other legislation. While the Task Force has dissolved, the ideas and recommendations will continue. Most important, however, is that local governments seriously evaluate their local service delivery systems as well as alternative structures. Additional statewide incentives either to provide better information or funding for local government partnerships that take action will help speed the implementation process that at least has been started.

Norman Walzer is Senior Research Scholar and Cory Poris Plasch is Research Associate at the Center for Governmental Studies. Corresponding author: nwalzer@niu.edu

1 The Center for Government Studies at NIU was a consultant to the Task Force collecting and analyzing data on unfunded mandates and local public finance issues but had no decision-making role regarding policy or recommendations.

2 Testimony presented to the Task Force Hearings by the Illinois Association of Drainage Districts.

REFERENCES


