Advantages and Disadvantages of Local Government Consolidation:

Key Take Away Messages from the Literature

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Bottom Line: The evidence regarding the advantages and disadvantages of local government consolidation is mixed and is complex. This makes it difficult to apply a "one-size fits all" approach to issues intended to be addressed and resolved through consolidating units of local government (Deng, Feng, & Partridge, 2021). While local government consolidation has been an ongoing issue for decades (since the late 1960's and early 1970's), there is one consistent message: Consolidation does not always solve organization's fiscal and service provision challenges (Dollery, Grant & Kortt, 2013; Deng et al., 2021; Leland & Thurmaier, 2014; Meares, Hatcher & Roberts, 2018). That said, some organizational issues can be resolved through mergers of local governments. About 15% of consolidation referenda pass (Leland & Thurmaier, 2014)

According to Meares et al., (2018), merging local governments are successful during times of crisis that include one or more of the following:

1. Financial / budget shortfalls

2. Major shifts in demographics locally

3. A decrease in the quantity and quality of public services

4. Economic decline in the city/village/county evident by major blight within the community

Other considerations are the absence of strong opposition to the consolidation, a strong campaign and clear economic benefits of merging.

Most of the literature mention the same set of advantages and disadvantages, which are presented below:

Advantages:

- Enhanced economies of scale, which serve to increase efficiency
- Reduced administrative costs (through merging of staff)
- Increased financial sustainability
- Projected lower municipal expenditures
- Increased equity in serving the community

Disadvantages:

- No increase in economic development (meant to be achieved by the merger) and no or limited job growth
- Merging debt of two agencies can offset financial gains of consolidating – casting a "debt shadow" over the newly formed organization

- Administrative policy and procedures challenges such as incompatible benefits programs (i.e., health insurance, holidays, vacations, work schedules) can occur with a merger
- Challenges of developing a healthy and positive organizational culture post-merger and addressing concerns about future employment

<u>Some specific examples of mixed results:</u>

Jacksonville, Florida – no measurable increase in efficiency.

Louisville, Kentucky – Also no measurable increase in efficiency (Savitch & Vogel, 2004). However, this merger did improve the financial status of the city of Louisville, KY.

<u>Other findings</u>:

- Mergers improved coordination among local governments (whereas sometimes silos or barriers existed between organizations)
- However, less competition between local government entities could spur increases in property taxes, which could negatively affect local growth (Taylor, Faulk & Schaal, 2020).

Thus, local government consolidation is not a clear-cut solution for administrative and financial challenges at the local level and the projected benefits may not be realized at the desired or expected levels – thus, the time, money and effort invested in consolidation may not always be recouped after the merger happens. Therefore, expectations of benefits may not be achieved at the level needed to make the merger considered beneficial to both organizations. Again, local factors should be considered (e.g., resident attitudes, attitudes of leadership, support from elected officials, etc.).

References

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