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Time to Overhaul State and Local Governments

The Metro Moment

Regions and States, Cities, Governance, Bureaucracy, Competitiveness

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The California Capitol building in Sacramento

Amid recent calls that government needs to be put in the hands of the states, people seem to be forgetting that many state governments are bordering on dysfunctional. Albany is a national laughing stock. California has given new meaning to the term "ungovernable." Governors Sanford, Blagojevich and Paterson are late-night talk show punch lines.

In November, 37 states will hold elections for governor. State candidates will likely hit the campaign trail calling for a heavy dose of reform: Tighter ethics rules for legislators and more aggressive enforcement of those rules. New codes for lobbyists and lobbying. A commitment to transparency in decision making.

Yet the Great Recession and the fiscal meltdown require states to do more. Most critically, they must do the hard work of overhauling their bloated networks of local governments (all created by state law) so that they align more closely with the metropolitan geography of the economy and set the conditions for market growth and innovation.

This is particularly true with respect to regulating land-use and rail transport networks. Rail is regional, not local; people measure distance between places in minutes not miles; rail serves pedestrians not cars; the total land area within walking distance of rail stations is the scarcest resource in the state; obesity is the number 1 health problem in the US — just walk more is the cheapest remedy (and cars kill and injure people and destroy property.)

Billions of dollars have already been invested in rail,
it is time to generate a meaningful return on this massive public investment.

States are super-powered by and dependent on powerful metropolitan economies, which are the nation's hubs of trade and commerce and centers of talent and innovation. Yet these same metropolitan areas are ruled by a hodgepodge of cities, counties, towns, villages, school boards, fire districts, library districts, workforce boards, industrial development authorities, water and sewer districts and a host of other special entities. America has a fragmented system of government more suited to the localism of the 18th century than the globalism of the 21st.

Pennsylvania, for example, has 3,133 local governments, including 67 counties, 56 cities, 1,547 townships and 501 school districts.

The result in most states is a fundamental mismatch between the real metro-scaled economy of innovative firms, risk-taking entrepreneurs and talented workers, and the inefficient administrative geography of government. The economic, fiscal, environmental and social price of this fragmentation is too high to bear any more.

The good news is that change is already happening. An unintended legacy of the Great Recession may be the most significant government restructuring in the United States since the modernization effort of the 1930s.

The real heart of the American economy lies in the top 100 metropolitan areas—from New York City to Modesto, Calif.—that take up only 12 percent of our land mass, but harbor two-thirds of our population and generate 75 percent of our gross domestic product.

These metropolitan areas dominate the economy because they gather and strengthen the assets—innovation, human capital and infrastructure—that drive economic growth and productivity. The Chicago metropolis is home to 67 percent of the population of Illinois, but contributes 78 percent of that state's GDP. Even smaller metros make powerful contributions to state economies: In Ohio, all 16 metros—ranging in size from Cleveland, Columbus and Cincinnati to Lima, Springfield and Sandusky—constitute 81 percent of the state's population, 84 percent of the state's jobs and 87 percent of the state's GDP.

The true economic geography, here and abroad, is a metropolitan one, enveloping city and suburb, exurb and rural town. Goods, people, capital and energy flow seamlessly across the metropolitan landscape. Labor markets are metropolitan, as are housing markets and commuter sheds. Sports teams, cultural institutions and media all exist in metropolitan space.

The geography of local government could not be more out of synch. New York State, for example, is a balkanized, fragmented mess. As the New York State Commission on Local Government Efficiency and Competitiveness found in its superb April 2008 report, there are "some 4,720 local government entities, that is, independently managed organizations that can make decisions affecting local taxes either directly or indirectly."

The list defies credulity and includes: 57 counties, 62 cities, 932 towns, 556 villages, 685 school districts, 867 fire districts, 181 library districts and 993 local public authorities.

A full and definitive count of all the local governments in the state (including those without taxing power) has never been done, so no one really knows how many local governments there are in New York State. The office of Attorney General Andrew Cuomo estimates that the number may exceed 10,500.

There are benefits associated with intense localism. Citizens feel a closer connection to their local officials (although does anyone really know the boundaries of their local library district?).

And, in theory, individuals and firms can shop around for the government that most closely matches their preferred mix of efficiency, service and taxes.

Yet the drawbacks of fragmented governance far outweigh the benefits.

Fragmentation keeps government weak. With the landscape chopped into thousands of municipalities and special bodies, most local governments remain tiny, nearly amateur concerns, unequal to the widening challenges of global competition, suburbanization, revitalization and economic development.

Many states are bedeviled by what **David Rusk**, the former mayor of Albuquerque, N.M., has called a crazy quilt of "little box governments and limited horizons." In geographical terms, little boxes ensure that in almost every region scores of archaic boundaries artificially divide areas that otherwise represent single, interrelated social, economic and environmental communities. Such divisions complicate efforts to carry out cross-boundary visioning, plan cooperatively or coordinate decision-making across large areas.

At the same time, with the vast majority of municipalities essentially small towns, many if not most have limited tax bases and struggle to provide even the most basic services.

Little box governments create a problem of scale. More and more the geographical reach of local and metropolitan challenges exceeds the reach and capacity of its governmental machinery.

Second, fragmentation increases the cost of government. Political fragmentation often leads competing jurisdictions to duplicate infrastructure, staffing and services that could otherwise be provided more cost effectively.

The issue is not just about higher absolute costs; it is about the crowding out of critical investments. Ohio, for example, is saddled with 611 school districts. As a recent Brookings study found, the state ranks 47th in the nation in the share of elementary and secondary education spending that goes to instruction and ninth in the share that goes to administration. The proliferation of school districts, in short, is diverting scarce resources to bureaucrats rather than the classroom.

Finally, and this may be the most important finding in the current environment, metropolitan fragmentation exerts a negative impact on competitiveness and weakens long-term regional performance. This is partly because the sprawl and decentralization that naturally follows fragmentation weakens the downtown cores that attract young workers and foster greater access to ideas and technologies.

Please read tab 22) Trend Summary+Hellman Transform CatholicUniv Mar08r.pdf
on the Woodmont Triangle web-page of *www.VirtualAdjacency.com*.

Also, please read tab 23) Future of Urbanization NJS.pdf *published by* ***Harvard***

But it's also because jurisdictions are spending their time competing against each other rather than working together to compete in the global economy. Municipalities routinely expend scarce resources on tax incentives to lure firms from nearby jurisdictions, adding not one job or tax dollar to the overall economy in the process. In addition, fragmented regions often fail to recognize their distinctive clusters of strength in the global marketplace and take the actions, large and small, to leverage their competitive advantages.

The implication is troubling: Fractured metropolitan areas compete for growth and jobs at a deficit.

It doesn't have to be this way. Local governments are creatures of state law. What messes state law creates, state reforms can resolve.

This is precisely why the SRSOZ State Rail Station Overlay Zone is so needed. Like Garrett Hardin's Tragedy of the Commons, the value of each rail station depends on every other rail station flourishing as a complex mix of uses arranged within walking distance of the station, where design is the only attribute that matters. Current local land-use controls are a costly, time-consuming hodge-podge evolving from decades of an automobile frame of mind.

There is a void desperately needing filling — a master developer of the public realm surrounding rail stations. The SRSOZ empowers the appropriate local government to play this role productively, efficiently and profitably. This will engage the private sector and draw from them maximum creativity and beneficial investment.

The SRSOZ would be an ideal first step in the spirit of Katz's three-part playbook.

Here is a three-part playbook for recovery, with relevance for every state in the nation.

First, states should move to consolidate units of local governments, starting with school districts and special-purpose authorities.

In 2007, Maine moved to consolidate its number of school districts from 290 to 215, with an ultimate goal of 80, saving $36 million a year in the process. Now, Maine is second among states in the share of educational spending that goes to instruction, and 41st on the share that goes to administration. Other states are following suit. Pennsylvania Gov. Ed Rendell, a Democrat, recently proposed that the state go from 500 school districts to 100. Mississippi Gov. Haley Barbour, a Republican, aims to reduce the state's 152 school districts by a third.

But why stop at school districts? Global competition requires metropolitan areas to speak with a unified voice on economic development, rather than add up the disparate strategies of dozens of tiny economic development agencies. The competition today is between U.S. metros and metropolitan areas in established nations like Germany and Japan and rising nations like China and Brazil, not between little jurisdictions within larger metros.

Second, states should move to delegate traditional state functions to entities that govern at the metropolitan scale. California, for example, allocates 75 percent of its federal transportation funding directly to metropolitan planning organizations, enabling these organizations (usually governed by city and suburban elected leaders) to make transportation investments in the service of metro housing, land use and economic development priorities. Other states should replicate this example and perhaps apply it to other policies like skills training, housing or welfare-to-work that naturally cross jurisdictional lines.

Third, states should promote a new generation of inter-jurisdictional collaboration to gain efficiencies. In New York, for example, the Commission on Local Government Efficiency and Competitiveness urged that municipalities be allowed to share the tax benefits of economic growth and create partnerships to deliver services, in order to lower expenses.

Some metropolitan areas aren't waiting for state laws to change. In Chicago, a metropolitan mayors caucus, formed by Mayor Richard Daley, meets regularly to develop consensus on shared, cross-border challenges such as air quality, transportation funding and workforce development. The Chicago model of city/suburban collaboration has been exported successfully to the Denver metropolis, where the metropolitan mayors' caucus advanced support for a metro-wide light rail transit system. States should establish mechanisms for disseminating these kinds of innovations quickly and effectively.

In the end, these concepts—consolidate, delegate and collaborate—are simple to describe and relatively easy to design and implement. The November gubernatorial elections offer a rare opportunity for states to regain their time-honored role as the nation's laboratories of democracy, vehicles for policy innovation and governance reform. Restoring order to local government chaos can enhance competitiveness, promote growth, cut waste and shift investments to what matters. Who will lead this governance revolution?

The SRSOZ — State Rail Station Overlay Zone — is a perfect first step in this profoundly important direction.

I also strongly recommend visiting www.PhilipKHoward.com and watching the lecture he gave at the TED2010 conference.

Also, please read his most important book:

The Death of Common Sense: How Law is Suffocating America