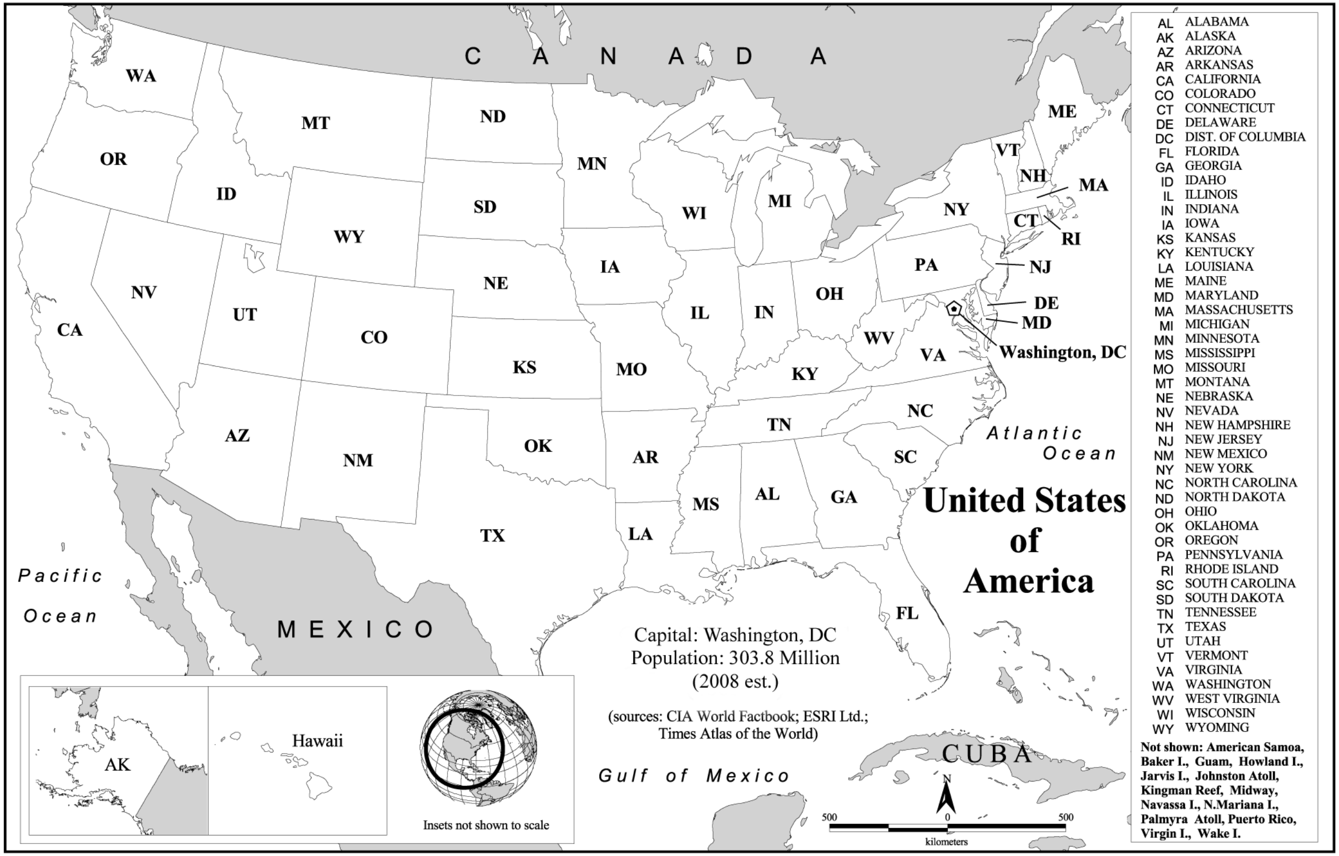
United States of America
C A N A D A
M E X I C O
C U B A
Pacific Ocean
Atlantic Ocean
Gulf of Mexico
WA
OR
CA
ID
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UT
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MN
IA
MO
AR
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WI
IL
MI
IN
OH
KY
TN
MS
AL
GA
FL
SC
NC
VA
WV
PA
NY
VT
NH
ME
MA
CT
RI
NJ
DE
MD
Washington, DC
Capital: Washington, DC
Population: 303.8 Million
(2008 est.)
(sources: CIA World Factbook; ESRI Ltd.; Times Atlas of the World)
AK
Hawaii
Insets not shown to scale
N
500
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kilometers
AL ALABAMA
AK ALASKA
AZ ARIZONA
AR ARKANSAS
CA CALIFORNIA
CO COLORADO
CT CONNECTICUT
DE DELAWARE
DC DIST. OF COLUMBIA
FL FLORIDA
GA GEORGIA
ID IDAHO
IL ILLINOIS
IN INDIANA
IA IOWA
KS KANSAS
KY KENTUCKY
LA LOUISIANA
ME MAINE
MD MARYLAND
MA MASSACHUSETTS
MI MICHIGAN
MN MINNESOTA
MS MISSISSIPPI
MO MISSOURI
MT MONTANA
NE NEBRASKA
NV NEVADA
NH NEW HAMPSHIRE
NJ NEW JERSEY
NM NEW MEXICO
NY NEW YORK
NC NORTH CAROLINA
ND NORTH DAKOTA
OH OHIO
OK OKLAHOMA
OR OREGON
PA PENNSYLVANIA
RI RHODE ISLAND
SC SOUTH CAROLINA
SD SOUTH DAKOTA
TN TENNESSEE
TX TEXAS
UT UTAH
VT VERMONT
VA VIRGINIA
WA WASHINGTON
WV WEST VIRGINIA
WI WISCONSIN
WY WYOMING
Not shown: American Samoa, Baker I., Guam, Howland I., Jarvis I., Johnston Atoll, Kingman Reef, Midway, Navassa I., N.Mariana I., Palmyra Atoll, Puerto Rico, Virgin I., Wake I.

United States of America

MICHAEL A. PAGANO

Local governments in the United States number 89,476, and citizens view these governments as more effective service providers than their states and the federal government.[1] In many states, the jurisdictional responsibility of some local governments, such as municipalities, overlaps with the jurisdictional responsibility of other local governments, such as public school districts. That is, the service-delivery areas and the tax-base sources (e.g., the property tax) of two or more local governments are spatially contiguous. All US residents live within and are subject to the taxing powers of a local government, whether an incorporated municipality, a special district that provides public education, and/or substate jurisdictions such as counties (known as parishes in Louisiana and boroughs in Alaska).[2] All local governments have been created by their state constitution or a state statute. Local governments are "creatures of their states," and they have many legal, regulatory, and financial relationships with their states. The interactive effect of these relationships might be considered a patchwork quilt of local and regional governments and governing structures.[3]

Although the patchwork quilt conjures images of great diversity across the fifty states and within each state, there are also similar issues and challenges that bind and link local governments in the federal system, such as immigration, the decline of manufacturing and rise of the service sector, and the internationalization of finance and supply chains. Yet the effects of such forces are heterogeneous: they benefit certain state and local governments (especially those of the southern and western United States) and metropolitan regions (e.g., New York, Los Angeles, Chicago, and Charlotte) where population and employment have grown, but they harm others (e.g., the metropolitan areas of Buffalo, Cleveland, and St Louis).

Among the common challenges are the increasing pressures felt by local governments to simultaneously deliver quality services and hold down general tax burdens on citizens, to experiment with alternative service-delivery arrangements in cooperation with neighbouring governments as well as with private-sector entities, and to shift the cost of services from undifferentiated taxpayers to users. The nation's metropolitan regions and cities are powerful engines of the national economy, which explains their growing demand for financial and governing autonomy in meeting the needs of the globalized economy.[4] These are some of the issues and challenges addressed by this chapter.

INTRODUCTORY OVERVIEW

US federalism was founded on divided, shared, and limited powers. In *Federalist* 51, James Madison, the father of the US federal system and Constitution, argued that the powers of governments should be divided by two sorts of "auxiliary precautions": not only a separation of powers within the institutions of the federal and state governments but also a division of authority between the general government and the states. Local governments are not mentioned in the US Constitution because they are deemed legal creatures of their states. Their importance to the federal polity, however, should not be underestimated. As of 2007 the Census Bureau counted 367 metropolitan regions and 89,476 local governments in the fifty states.

The population of the United States surpassed 304 million in June 2008, with approximately 83% living in metropolitan areas, defined as an urbanized area with a central city having a population of 50,000 or more plus contiguous counties socio-economically integrated with the centre. More than 24.5 million people live in the nation's largest cities, those with populations exceeding 1 million. Nearly one-fourth (23.3%) of the population reside in metro areas of more than 5 million people, whereas 30.4% live in metro areas of 1 to 5 million people.[5] In July 2006, 44.3 million people (or 14.8% of the total US population) were Hispanics, whereas 40.2 million were blacks, 4.5 million were Native Americans, and 1 million were Native Hawaiians and Other Pacific Islanders. Non-Hispanic whites accounted for 198.7 million persons. Hawaii had the largest percentage of "minority"-group residents (75%), followed by New Mexico and California (both with 57%) and Texas (52%). The minority population of the District of Columbia was 68%.

About 51.3% of Americans are Protestants, and 23.9% are Roman Catholics. Per capita gross domestic product (GDP) in 2007 was $45,800. About 12.5% of the US population were foreign-born in 2006, and English is the principal language for 82.1% of Americans.

The US Constitution of 1788 established three branches of government, with the president being elected by electors chosen by voters within each state.[6] The number of electors per state is determined by population. A bicameral legislature was established to represent states (two senators per state were appointed by the state legislatures to serve six-year terms in the Senate) and the people (one representative per 30,000 people to serve two-year terms in the House of Representatives). The Seventeenth Amendment to the Constitution (ratified in 1913) required the popular election of senators, and since 1910 the House of Representatives has been fixed at 435 members. The general government is given enumerated powers, as articulated in Article 1, Section 8, of the US Constitution, whereas the unspecified powers retained by the states are reaffirmed in the Tenth Amendment to the US Constitution, referred to as the "reserve clause": "The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the states respectively, or to the people." Over time, the powers of the federal government have expanded to include powers that are "necessary and proper" to carry out its enumerated powers, as well as powers to "promote the general welfare," allowing it to encroach upon areas of traditional state responsibility, such as education, health, and welfare.[7] The US Supreme Court plays a major role in defining the powers of the federal government vis-à-vis the states.

A two-party political system has been the dominant party arrangement. The Democratic and Republican parties have been the primary parties since the mid-nineteenth century. Except for the existence of other parties in a few states and cities, the Democratic and Republican parties are the principal parties in the state and local arenas as well.

HISTORY, STRUCTURES, AND INSTITUTIONS OF LOCAL GOVERNMENT

Local governments have a long history in the United States as political entities that deliver certain services to the public and as polities that in theory reflect the will of the citizens. Under British, French, and Spanish colonial rule, a system of administration was created to ensure implementation of the Crowns' laws. Local self-governance with elected officials was widespread throughout British North America. Over time, a variety of local governments evolved and became part of the permanent fabric of the American political system. Today, local governments are organized entities that possess substantial autonomy over their administrative and fiscal affairs and that are accountable to the public.[8] However, the assignment of functional responsibilities is not uniform across the fifty states.

Counties, a government form derived from the English system of shires, are administrative units of states, and their boundaries were often drawn based on the distance a person could travel on horseback in one day. County governments are general-purpose local governments that were created initially as administrative arms of the states. Over time, many evolved into fairly autonomous governments with directly elected officials or commissioners who adopt budgets, raise revenues, and enact local ordinances.[9] Counties' functions tend to include social welfare (as an assignment from the state), healthcare, prisons, courts, parks, refuse collection, and roads, among others. Although county governments exist in forty-eight states, there are exceptions: they do not exist in Connecticut and Rhode Island. In Virginia and Massachusetts, cities exist independently of counties. Most other cities and municipalities in the United States operate within overlapping county governments. Several states have merged some county and city governments, such as in Philadelphia, San Francisco, Honolulu, New York, and Boston, the latter merging with parts of Suffolk County.

Townships are local governments in only twenty states. In a few of these states (e.g., New Jersey and Pennsylvania), townships can assume general-government powers, much like municipalities. In others (e.g., Ohio, Illinois, Michigan, and Wisconsin), townships have limited powers, typically for the provision of roads, bridges, and police services, for which they can levy a tax or fee. In these latter states, townships were prescribed in the Northwest Ordinance, which was approved under the Articles of Confederation in 1787 and then adopted wholesale by the Congress of the United States assembled under the Constitution of 1788. Sections of land were also set aside within townships for "common schools."

Municipal corporations, usually referred to as cities, towns, boroughs, or villages, are general-purpose governments with directly elected legislative bodies, usually called councils. They have budgeting, revenue-raising, and ordinance-making powers. Although the precise assignment of functions to municipal (as well as county) governments varies by state, municipal corporations are granted police powers and are charged with protecting residents' safety, health, and welfare, typically through the provision of public safety (e.g., fire protection, police, and emergency medical services), zoning and land-use powers, and local public works (including streets, bridges, and water and sewer systems). Typically, municipalities are governed either by an elected mayor and city council, in which the mayor is the executive officer, or by a manager system, in which the council hires a professional municipal manager as the executive. Other forms of municipal government include: the commission form, in which each city-council member (or in the case of counties, each county commissioner) is assigned administrative responsibility for a particular function, such as highways or health; and the town-meeting form, common only in the New England states, which is a form of direct democracy in which all voters participate in adopting budgets and ordinances.

Special districts are limited governments that provide a specific service, such as potable water, wastewater treatment, transit, housing, and port services, among others. Approximately 91% of all special districts perform a single function (typically water and sewer, fire protection, housing and community development, or natural-resource management), whereas the remainder perform multiple functions. Special districts are granted taxing authority over a clearly designated region (e.g., most transit agencies are permitted to collect a regional tax) and are authorized to "sell" their services either by setting a fee or charge for a unit of service (e.g., water districts collect a fee from users based on their consumption of water) or by setting tax levies for debt-retirement purposes. Special districts are usually given the authority to issue debt for capital projects, namely the construction and renovation of infrastructure. Special districts may be either legally dependent on other local governments or independent, and the governing boards of special districts may be appointed by mayors, governors, and other elected officials. However, special districts that have any tax powers are almost always governed by a board elected by area voters.

Local governments can also create legal entities known as public authorities for the purpose of issuing debt and charging fees for the construction and use of infrastructure. The first public authority in the United States was the Port Authority of New York, established in 1921 as a bi-state compact between New York and New Jersey to administer the common harbour interests between the two states (the name was formally changed in 1972 to the Port Authority of New York and New Jersey). The public authority, as usually defined, is governed by a city-appointed board and lacks taxing authority, yet it often possesses the power of eminent domain, which allows local governments to take private property for public purposes with fair compensation to the owner. The major purposes of public authorities and special districts are "to provide a vehicle for using nonguaranteed debt and to finance activities out of fees and charges or special benefits taxes."[10] Creation of special districts and public authorities, as well as tax-increment finance districts,[11] business improvement districts, special taxing districts, and the like, is also pursued for the purpose of enhancing political and administrative flexibility in service delivery, debt issuance, and revenue raising.[12]

The past fifty-five years have witnessed growth in the number of special districts for a variety of reasons. Restrictions on municipalities at times encouraged the formation of special districts by the states so that a specific service (usually one with a measurable product that can be priced on a unit-of-consumption basis, such as water) could be provided without competing with other "general" services.[13] Enhancing access to the bond market was also a reason for special-district growth. At times, the creation of municipal corporations and special districts in the twentieth century was motivated by individuals seeking to exclude certain groups (i.e., segregation by race and class).[14] In other words, special districts and municipalities were sometimes created (1) to address concerns other than inefficiencies in service delivery due to scale diseconomies or (2) to achieve higher service standards.

A particular type of special district is a school district, which is separated from special districts in this presentation because all states require the public provision of elementary and secondary education (including grades 1 to 12, with some states requiring kindergarten as well). Public education is not a federal government responsibility, although many public acts providing financial support (e.g., Elementary and Secondary Education Acts) and requiring accountability for performance (e.g., No Child Left Behind Act of 2001) have been enacted by the US Congress during the past fifty years. Some states assign the education function to counties and cities (these are known as dependent school systems, of which there are 1,508),[15] whereas forty-five states have created single-purpose independent school districts (these are known as independent school systems, of which there are 13,051). In only one state, Hawaii, is public education administered directly by the state. School districts are governed by directly elected boards that set tax rates, approve curricula, and hire the superintendent who manages the schools.

A Landscape of Thousands of Local Governments

Local governments employed 13.7 million people in 2004, amounting to 64.5% of combined federal-state-local government employment. This marks a substantial increase from 2.8 million (or 47% of total federal-state-local government employees) in 1946. At the same time, the number of local governments changed dramatically, reaching 89,476 as of the last government census in 2007. These numbers mask the wide variation in composition among local governments. School district consolidations, for example, reduced the number of independent school districts from 67,355 in 1952 to 13,051 in 2007, whereas special districts experienced an opposite trend, surging to 35,301 by 2007, an increase of 202.9% since 1952. Changes in the number of other local governments were remarkable as well. Municipal governments amounted to 19,492 in 2007, compared to 16,807 in 1952; counties consolidated somewhat as a result of rural depopulation, decreasing by 19 to 3,033; and 683 townships were consolidated or absorbed by incorporated municipalities, declining to 16,519 from 17,202.

The consolidation of school districts can be explained primarily by states' assuming greater control over, and providing more resources to, local schools since 1942, when the Census Bureau counted 108,579 independent school districts. States at one time required compulsory attendance through grade 8; now it is through grade 12 or to age sixteen or seventeen. Curricula requirements set by the states became more comprehensive, and minimum standards for graduation were imposed by the states, leading to more course offerings. Over time, states provided increasingly more revenue to support local schools, which tended to be funded almost entirely from the local property tax, in large part to comply with state-court rulings and to modernize and upgrade curricula. States also devised equalization formulae to distribute additional state aid to poorer school districts (i.e., school districts with low property values) or to "high need" schools (e.g., low-performing schools and those having large numbers of students with disabilities), although each state defines an "adequate" per-pupil amount of spending differently. By 2005 nearly half of all revenue (46.9%) for public schools was provided by the states. School consolidation as a mechanism for combining resources, meeting higher minimum standards, and achieving scale economies, especially in light of population shifts from rural to urban areas, was in many cases the outcome.

Consolidating or merging local governments and services among a host of regional providers has been promoted for over a century. Yet fewer than one in five proposals has been approved by voters. Where implemented, no proposal has ever consolidated all local governments in the region, except for the creation of New York City in 1898 through a consolidation of all local governments in a five-county area. More typically, cities merge with neighbouring cities, or a city and county consolidate their governments. But school districts are almost always excluded from consolidation proposals, as are other special districts such as mass transit.

Consolidating local governments is a laborious process of fact-finding, public discussions, and state petitioning. In many states, it also requires voter approval. Advocates for consolidation often point to the benefits of economies of scale, reduction in duplicate services and red tape, enhanced coordination among the various stakeholders of infrastructure investment, better transportation planning, and more economic growth opportunities for a broader region. As metropolitan regions became increasingly urbanized and as more unincorporated areas were incorporated as new municipalities, the possibilities diminished for cooperation among governments and for a unified strategy and approach to economic growth. Reformers called for abolishing outdated local government structures, such as townships whose limited responsibilities (e.g., roads and public safety) could be absorbed by city or county governments, and illogical municipal boundaries that had little relevance to natural groupings of citizens and businesses. Others argued that all citizens and local governments within "economic regions" depend on the region's components working together toward a common purpose. Public policies designed to enhance the economic and social well-being of a region, then, should be coordinated and thought about in terms of a metropolitan economic region rather than regarded as an uncoordinated set of potentially contrary policies that balkanize the region.[16]

As powerful as these calls for consolidated or unified government might appear, loyalty and attachment to one's city, and fear of (racial and class) integration and substandard schools, have resulted in the failure of the overwhelming majority of consolidation proposals. In the past century, only 18% of all city-county consolidation proposals brought before voters were approved by them.[17] In the past thirty years, the approval rate has increased compared to the historical levels, in part, according to some analysts, due to focusing on mid-sized counties with more homogeneous populations rather than on the larger ones.[18]

Not all reformers place their faith in the curative effects of local government or city-county consolidation. Over a decade ago, Allen Wallis argued that calls for consolidation were being replaced by calls for metropolitan governance or regionalism based on the use of voluntary cooperative mechanisms.[19] The work of many scholars over the past forty years has concluded that decentralization can encourage cooperation and coordination of proximate governments for the purpose of enhancing the well-being of the broader region in an efficient manner.[20] A cooperative arrangement among local governments to take advantage of scale economies, such as contracting out a service to a local government (e.g., fire suppression) or creating a regional procurement collective, is a voluntary act based on a formal assessment by the participating governments. Because these are voluntary arrangements, these governments are continually searching for better, lower-cost arrangements with other governments, the nonprofit sector, or the private sector.

In the early 1990s government reform was being pushed by the "reinventing government" movement, which called for governments to steer not row, meaning that governments need not "produce" (or organize and deliver) a service but could, or should, "provide" (or contract with a private or nonprofit agency) the service or ensure its delivery.[21] Competitive forces, according to this perspective, would increase the quality of recruits and lower the cost of service provision. All governments, then, should be encouraged to search for the best service producers. Continuously searching for more cost-effective arrangements allows local governments to maintain their legal integrity, allows citizens and taxpayers to maintain their connection to the government and identify with it, and engenders a flexible web of interactions among a host of players. Local governments have adapted to challenges in their environment by, at times, cooperating with other local governments in the region to provide services through voluntary contractual arrangements called interlocal agreements. The fragmented local governments in Allegheny County (in which Pittsburgh is the major city) and St Louis County, for example, have been examined to understand the extent to which interlocal agreements and contracts have improved efficiency and reduced tax burdens.[22] Studies conclude that local governments' flexibility in contracting with other local governments has been beneficial.[23]

Interlocal agreements and other forms of cooperation between, and among, governments are often touted as approaches for local governments to both maintain their identity and at the same time take advantage of scale economies.[24] Nevertheless, local governments are also in competition with each other. Interjurisdictional competition can constrain tax burdens on individuals, promote competitive service-delivery systems, and require continuous assessments of government performance.[25] In the absence of competition, local governments can behave as monopolists, ignore or distort consumer demands for services, and create budgets that do not reflect the true cost of service provision. If taxpayers (i.e., individuals and firms) become disenchanted by the bundles of services provided by the local government at the tax-price (or fee-price) of the services, the option to "exit," or leave, the jurisdiction might be taken.[26] Local governments, as a consequence of the continuous threat to exit, behave in a competitive manner, mixing the quantity and quality of services to match the perceived preference of the taxpayers and adjusting the tax prices for services and the tax burden on citizens to ensure alignment with other local governments. Interlocal agreements, or shared service-delivery arrangements with other local governments, will continue to grow in importance. Recognizing the importance of estimating transaction costs in service delivery, local governments are investigating voluntary transactions for negotiated periods of time. These transactions are often linked to performance outcomes. These outcome-based measures, then, provide feedback to the local governments that informs the deliberative process of the next round of interlocal agreements.[27]

Local governments in the large metropolitan regions have also adapted to their shifting environments but not by following one particular model of centralizing or decentralizing service-delivery responsibilities. If anything characterizes the regional governance models of metropolitan areas in the United States, it is the heterogeneous adaptation to the legal, economic, and social foundations of those regions. The New York metropolitan area, for example, is home to more than 18 million people, of which over 8 million live in the municipality called the City of New York. The geographic scope of city government was established in 1898 with the consolidation of five counties and all local governments into one city, making it one of the more centralized regions in the nation in population and land mass. Yet the larger metro region is governed by more than 200 municipalities, counties, and special districts. Chicago's metropolitan region, on the other hand, with only 9.2 million people, of which 2.9 million are in the incorporated municipality of Chicago, is more fragmented and decentralized. The six-county metropolitan region is home to 1,246 local governments, including 270 incorporated municipalities. Los Angeles, a city of 3.7 million people within a metropolitan region of over 16 million, is the second largest city in the nation. But it is only one of nearly 380 local governments in its metropolitan region. As these three cases illustrate, no one model of regional governance predominates in the United States.

CONSTITUTIONAL RECOGNITION OF LOCAL GOVERNMENTS

Creating, terminating, and consolidating local governments can be realized only with the express approval of the state. The federal Constitution does not mention local governments, whereas all state constitutions do. States create local governments through powers of incorporation, and states can abolish local governments, regulate their behaviour, limit their taxing authority, and in all ways make them comply with their demands within state constitutional limits. The constitutional and legal lives of local governments have been shaped by the ruling of a state judge in Iowa, John Dillon, who declared in 1868: "Municipal corporations owe their origin to, and derive their powers and rights wholly from, the legislature. It breathes into them the breath of life, without which they cannot exist. As it creates, so it may destroy." Dillon's construction of local governments was not shared by all observers or judges at the time. Judge Thomas Cooley of the Michigan Supreme Court held that local governments had an inherent right of self-governance.[28] Yet Dillon's Rule has enjoyed the most legal and popular support. In the 150 years since then, reformers have encouraged state legislatures to enact, or placed on the ballot through the initiative and referendum process, constitutional or statutory provisions that give local governments, or certain local governments (e.g., municipalities), expansive or restrictive powers to tax, legislate, provide services, and otherwise meet the needs of local citizens. Legal provisions for local government home rule have been granted by constitutional provision in thirty-six states and by statute in eight states.

One interpretation of home rule, based on the common-law maxim *imperium in imperio,* essentially grants local governments broad autonomy in service delivery, taxation, and other areas of traditional local concern within the constitutional strictures of the state.[29] Another version, which fairly weakens any liberal grant of home-rule authority, is the common-law *ultra vires* rule, which allows states to restrict the powers of local governments to only those things that are granted to them. A delegation-of-powers arrangement, or Fordham model, grants local governments broad discretion to do what they want, except for the fields of felony law and civil relations. Nevertheless, the powers of local government under any grant of authority by states, whether restricted or expansive, can be affected and altered by statutory or constitutional adjustment, although constitutional changes are more difficult to enact than statutory changes.

GOVERNANCE ROLE OF LOCAL GOVERNMENTS

Local governments provide goods and services to people and firms that consume those services in one place, whether in the home, the school, on the street, or in a park. These places of consumption, however, are the target areas of, in many cases, more than one local government. School districts, for example, deliver education to children who live in a household; the same household receives public safety from the city fire and police departments; the family consumes water and sewer services from the water district; and, if poor, the family receives welfare assistance from the county. Moreover, many states regulate the fiscal policies of local governments by, for example, capping the property-tax levy. States also regulate the fiscal and operational policies of public school districts. Local governments and states, then, have overlapping responsibilities: several governments provide a distinct bundle of services to households or citizens,[30] such as public education; and several governments provide similar services to households or citizens, such as the public-safety responsibilities of the city (police), county (sheriff), and state (state police).

The functional responsibilities of local governments today are not uniquely assigned to one local government or another. Although there is no prescribed set of required functions for each type of local government, there are commonalities.[31] Municipalities and counties (and townships with general-government responsibilities) provide the following services, among many others: utilities (water, electricity, gas), public safety (police, fire protection), highways and transportation, general governmental administration, social services and income maintenance, education and libraries, parks and recreation, community development and housing, sewerage, and solid-waste management. Special districts have been created for the following services in at least a few states: air transportation, cemeteries, electric power, fire protection, gas supply, health, highways, hospitals, industrial development, libraries, mortgage credit, natural resources, parking facilities, parks and recreation, sea and inland port facilities, sewerage, solid-waste management, transit, and water supply.

Local government budgets amounted to \$1.1 trillion, or 25.7% of total federal-state-local government spending in 2002. State spending was \$1.3 trillion, and the federal government, which does not operate under a balanced-budget requirement (as do all local governments and all but one state) and which can thus deficit spend, had a budget of \$2.1 trillion. Local government spending increased in constant-dollar terms between 1992 and 2005. The largest expenditure item was education, which increased from \$319 billion to \$439 billion during the period 1992 to 2005, an increase of 37%. Spending on public safety increased the most in relative terms, by some 42%, and local government expenditure on social services and utilities increased to \$122 billion and \$116 billion, respectively, in 2005.

FINANCING LOCAL GOVERNMENTS

Although nearly all general-purpose local governments and school districts have the legal authority to place a tax on real estate and structures (i.e., property tax), their reliance on the property tax has waned over the past several decades. As states have granted access to other forms of general tax revenue, or as they have not legally proscribed access to other revenue, there has been a gradual adoption of other forms of general taxing, especially local option taxes on retail sales and on income. Local governments in those states that are authorized to tax sales or income have opted to diversify their revenue structures. School districts and townships, nevertheless, remain highly dependent on the property tax, whereas counties and municipalities have diversified considerably. Local governments are also permitted to charge a fee for certain services. Fees, or user charges, have become the fastest growing and most important type of own-source revenue for counties and municipalities. Fees and charges continue to be the dominant revenue source for special-district governments because these governments were created in many cases to provide a service whose characteristics are similar to those of private, quasi-monopoly goods, such as water, transit, electricity, and sewerage.

Between 1972 and 2002 counties reduced their reliance on the property tax from 63% of own-source revenues to 39%, while increasing user-fee reliance from 26% to 43%; municipalities, in a similar vein, increased user-fee reliance from 28% to 40%, while reducing property-tax reliance from 47% to 29% and increasing their reliance on other general tax revenues (i.e., sales, income, and other) from 26% to 31%. Even school districts and townships, although still highly reliant on the property tax for own-source revenues, have diversified their revenues. In 2002, 79.3% of school districts' own-source revenues was derived from the property tax, down from 86% in 1972, while fees and charges jumped from 12.3% to 17.5%. Townships' reliance on the property tax declined from 89.1% to 72.7% during the same period, and their user-fee reliance increased from 10.9% to 20.6% (table 12.1).

Local governments now rely more on user charges and fees to support their budgets than they have at any other time in their history. Yet the relative decline in general tax support for budgetary outlays has not been replaced by an increase in intergovernmental aid, except for state aid to schools. Federal aid has remained relatively constant over the past twenty years, amounting to approximately 4% of local governments' total revenues, and state aid has increased only slightly from 30% in the 1982 financial year to 32% in the 2002 financial year, and most of that increase supported the education function of local governments.

Since the late 1970s, when homeowners experienced rapidly inflating property values and attendant property-tax liabilities, local officials have been encouraged to hold down tax increases and individual tax burdens. Citizens and elected officials can impose Tax and Expenditure Limitations (TELS) on state and local budgets. The antitax sentiment is best illustrated by a 1978 citizens' initiative in California (i.e., Proposition 13) that rolled

Table 12.1
United States: Percentage own-source revenue composition of local governments, 1972 and 2002

	Own-source revenues	Counties	Municipalities	Townships	School districts	Special districts
2002						
	Property	39.3	29.1	72.7	79.3	16.6
	Sales and gross receipts	12.5	17.7	0.5	1.8	5.9
	Income taxes	2.1	7.6	2.2	0.8	0.0
	Other	3.4	5.7	4.1	0.6	1.3
	Charges and misc. revenue	43.2	40.1	20.6	17.5	76.2
1972						
	Property	63.0	46.6	83.3	86.0	24.5
	Sales and gross receipts	6.6	13.6	2.0	0.3	1.3
	Income taxes	1.4	8.0	0.8	0.6	0.0
	Other	2.6	4.3	3.0	0.8	0.0
	Charges and misc. revenue	26.4	27.5	10.9	12.3	74.1

Source: US Census Bureau, 2002 Census of Governments, *Government Finances, 2002*, http://www.census.gov/prod/2005pubs/gc024x5.pdf (viewed 10 February 2008).

back the property-tax rate and limited annual growth in property-tax liabilities to 1%. Between 1978 and 1980, "43 states had implemented some kind of property tax limitations or relief."[32]

The balanced-budget requirements that govern local governments' fiscal policies are universal. The balanced-budget policy requires that current-year revenues (including any carryover balances from the previous year) equal or exceed expenditures. Deficit spending for operating purposes is not an option. Most local governments certainly are permitted to borrow funds for the construction and purchase of capital facilities (i.e., infrastructure) or fixed assets, such as streets, school buildings, water and wastewater treatment facilities, mass transit, jails, and courthouses. Long-term debt for local government capital facilities is restricted by states, usually by capping the amount of debt a local government can issue or the total amount of outstanding debt it can hold. When local governments pledge their taxing powers to retire the debt by guaranteeing their full faith and credit, it is referred to as general-obligation debt.

Local governments can also issue revenue debt if the facility funded by the loan generates an income stream (e.g., payment for water and sewer services). Revenue bonds, which pledge a portion of the income stream toward debt retirement, do not pledge the local government's full faith and credit. Consequently, the risk of owning revenue debt rests with the investors in the facility rather than with the government. This results in revenue bonds being priced higher than general-obligation bonds, which pledges the government's taxing powers to retire debt.

In recognition of the differential capacity to generate adequate revenues for service delivery, states can, and often do, create equalization formulae or revenue-sharing grants that redistribute wealth to low-resource jurisdictions. Most states' formulae for aiding public schools contain a factor that includes an indicator of property wealth, or per capita income, or some other resource-related measure of the school district. State revenue sharing is typically a program that provides unrestricted aid to local governments related to some measure of need, such as poverty, property values, or income.

State aid to local governments has fluctuated slightly as a percentage of local government revenues over the past thirty years. In 1972 state aid to municipalities amounted to 20% of total municipal government revenues and 36.8% of total local government revenues (excluding municipalities); by 2002 state aid had declined slightly to 18.5% of total municipal revenues and increased slightly to 39.9% of local government revenue (excluding municipalities). Even though the proportion of city revenues and of other local government revenues derived from the states remained relatively smooth throughout the period, the actual dollar contribution from states to local governments paints a different picture. State aid to nonmunicipal local governments from 1972 to 2002 increased from $26.7 billion to $293.1 billion, or a ten-fold increase, whereas state aid to municipal governments during the same period grew from $8.4 billion to $62.4 billion. The growth in state aid to local governments can be explained in large part by states' assistance to just one of those governments, namely public school districts. In 1972, 44.3% of expenditures by public school districts were derived from state aid; by 2002, state aid had increased to 56.4%.[33] State aid to all local governments in 2002 was $355.7 billion, of which 58.3% was directed to school districts.

Local Governments and the Federal Government

Although local governments were partners with the federal government during the nineteenth century, in part as a consequence of the federal government's control over waterways and harbours, which placed them in contact with municipalities, local governments operated with little direct and sustained contact with the federal government. The Great Depression of the 1930s changed the relationship significantly. Federal aid to local governments as direct beneficiaries rose dramatically, especially in the area of public works, through the Works Progress Administration, the Public Works Administration, and the Civilian Conservation Corps; then aid was extended to hospitals and welfare and later to education. The federal government now provides support for highways, elementary and secondary education, libraries, hospitals, police and fire services, mass transit, and wastewater-treatment construction, among others. Local governments, in return, developed a strong political presence in Washington, DC, as federal aid and regulations increasingly affected local government operations. Although the lines demarcating the responsibilities between local governments and the federal government were fairly clear prior to this time, they had become quite blurred by the mid-twentieth century, causing some analysts to speak about "cooperative" federalism or "marble-cake" federalism.

Federal aid to local governments reached its apogee in the late 1970s. In 1982 a drastic reduction in federal aid accompanied a sweeping transformation of federal-local relations initiated by President Ronald Reagan. Direct federal aid to local governments declined, and the most visible program, General Revenue Sharing (State and Local Fiscal Assistance Act of 1972), came to an end in 1987, severing direct unrestricted aid to local governments (the state portion ended in 1981).[34] Nevertheless, the decline in federal support coincided with a surge in federal regulatory actions. If the policy movement toward devolution told local governments to live within their means, the federal government's presence did not by any means evaporate. Federal aid as a means of directing policy was replaced by federal partial pre-emption, in which the federal government pre-empts the fiscal or service-delivery powers of state and local governments, resulting in a fundamental shift in intergovernmental relations from an arrangement that at one time had been characterized as "cooperative federalism" to one that reflects the new relationship of "coercive federalism."[35] Either way, local governments (and states) were forced, or guided, by the heavy hand of Washington.

SUPERVISING LOCAL GOVERNMENTS

Local governments must abide by the regulations imposed by their states and by the federal government. Since the 1980s local governments have complained about federally imposed mandates, but state mandates are also the object of their frustration.[36] Two methods have been adopted as mechanisms to limit the fiscal effects of state mandates. One is called "fiscal noting," in which states are required to identify the fiscal impact of their legislation on local governments, a practice that has been approved by more than half the states.[37] The other is called "mandate reimbursement," in which the states are expected to cover the full costs incurred by local governments for mandated activity. This has been approved in fourteen states.[38]

Because local governments are creatures of their states, states monitor their fiscal health and perform a fiduciary oversight responsibility. Although the federal government can become involved in local government bankruptcy cases through Chapter IX of the federal tax code, it is highly unusual for local governments to file for bankruptcy.[39] The process of filing in federal bankruptcy courts involves demonstrating that the local government has no liquid assets and has failed to meet state-emergency or fiscal-exigency standards. More likely, states monitor the fiscal position of local governments, and when the local government reaches some predetermined point that the state considers to be at or near "insolvency" or "fiscal exigency," the state will take over the operations and/or financing of the local government. This action is seldom employed by states, in large part due to the broad-based taxing powers of local governments, although some poor or underperforming school districts have been subjected to state takeover.[40] Yet states can, and do, take over the budgeting and operating powers of other local governments, such as occurred with New York City in 1976, Cleveland in 1978, Miami in 1996, Orange County (California) in 1994, and Buffalo in 2003.

States do not, however, assume the debt of their local governments, nor do states (or the federal government) back the debt issues of local governments. Instead, local governments pledge (1) their own full faith and credit (not that of their states) when issuing general-obligation bonds or (2) a portion of the revenue stream from an income-producing facility when issuing revenue (or nonguaranteed) bonds.

INTERGOVERNMENTAL RELATIONS

Local governments interact with the federal government less frequently than with their states. Local and state governments' responsibilities during the first century and a half of the federal republic's existence overlapped little with the federal government's responsibilities of regulating commerce, providing a common defence, coining money, and exercising other powers listed in the US Constitution. For the past century the federal government has expanded its activities into a variety of areas that had been the primary purview of the states and local governments, including funding and regulating health, education, welfare, and transportation as well as ensuring pure food and drugs, among other activities. Consequently, all three orders of government now share overlapping responsibilities for many of these activities.[41] Local governments today, then, are linked to the federal government, as well as to their states. These connections vary by activity and function but can include funding, regulation, and coproduction of services.

The importance of the regulatory environment in shaping the intergovernmental system was documented by the US Advisory Commission on Intergovernmental Relations (ACIR) before its untimely demise in 1996. The ACIR provided a historical count of federal pre-emption statutes, reaching over 557 in the late 1980s, which according to the latest estimates by the congressional agency, the General Accounting Office (renamed the Government Accountability Office in 2004), may be approaching some 700.[42] In 1995, however, Congress passed the Unfunded Mandates Reform Act (UMRA), which was intended to reduce the number of federal unfunded mandates and also to require Congress to estimate the fiscal impact of proposed laws.[43] Yet UMRA's effectiveness in restraining federal intervention in the affairs of local governments is suspect because UMRA requires an estimation of costs associated only with "statutory direct orders" (these do not deal with constitutional rights, prohibition of discrimination, national security, and social security) and not an estimation of costs associated with other forms of regulation, such as conditions (i.e., rules) of federal aid.[44] In addition to congressional intrusion into the affairs of local governments, the regulatory environment created by the federal government also includes the federal courts, which intervene in a variety of arenas, from environmental policy to living conditions in jails; one federal court has even required a local school district to raise taxes to meet race desegregation orders.[45]

Local governments have organized themselves to protect their interests and relative autonomy and to obtain financial aid. Their lobbying organizations, known as public-interest groups, include the National League of Cities, US Conference of Mayors, National Association of Counties, National Association of Towns and Townships, and smaller groups. These organizations are nonpartisan and employ professional staffs that undertake research, technical assistance, and training. The interests of municipalities and counties within states are also represented by state-specific lobbying organizations, such as the state municipal leagues (representing the interests of cities) and county associations. These public-interest groups are active in state capitals and in Washington, DC, in promoting their individual constituencies' needs and, at times, their collective needs. In the absence of either a federal government department that represents the interests of local governments or a local government department in a state government,[46] the voices of local governments, as reflected in the public-interest groups, are sometimes influential in guiding legislation and regulations in both the national and state arenas.

POLITICAL CULTURE OF LOCAL GOVERNANCE

Two dominant national political parties, the Democratic Party and the Republican Party, compete for power and control of many local governments (although in some areas of the country, other parties predominate, such as in Minnesota with the Democratic-Farmer-Labor Party and in New York City with the Liberal Party and Conservative Party). However, a majority of local governments require nonpartisan elections, and some local governments' governing boards are appointed by city mayors and state governors. The mayor of the nation's federal district, the District of Columbia, is elected, as is the city council, and prior to 2005 the city's budget was controlled by the US Congress.

Local government elections are governed by state law. Consequently, there is no one date for local elections nationwide, although states do coordinate state and local elections with federal elections (the second Tuesday in November of even-numbered years). Turnout for elections in November tends to be much higher than at other times. In 2004 approximately 61% of eligible voters cast ballots in the presidential election, the highest turnout since 1968.[47] The turnout in nonpresidential, even-numbered years since 1974 has ranged from 42% to 47%. In 2006 the nation's highest turnout was in Minnesota (60%), South Dakota (59%), Montana (56%), and Vermont (55%), with the lowest turnout in Mississippi (30%), Texas (31%), North Carolina (33%), and West Virginia (33%).[48] When elections are held in odd-numbered years, and at times other than November, voter turnout tends to be lower.

There were nearly a half-million local elected officials in 2005, including officials in all types of local government. Prior to 1970 few local government offices were held by minorities. For example, 715 city and county offices were held by blacks in 1970, a number that had increased to 4,485 by 1990 and to 5,753 by 2002.[49] The number of Hispanic elected officials in city and county governments was 1,316 in 1985, 1,819 in 1990, and 2,151 in 2002. Moreover, in 2006 in the 1,137 cities with populations greater than 30,000, nearly one in five mayors (17.3%) were women.[50]

ISSUES AND TRENDS

The challenges confronting America's local governments and regions are manifold and varied, but they are not the same for each type of government. General-purpose governments face different issues than do special districts, due in part to the broad array of services and broad-based taxes of the former, compared with the latter's narrow revenue sources and reliance on user fees. The nation's school districts, which are highly dependent on the property tax and subject to tight scrutiny and regulation by their states, and increasingly by the federal government, are subject to an even different set of issues. Yet even though different local governments face varying challenges, and even though the challenges vary across the states, a few observations about general trends can be made, namely the tugging and pulling between forces arguing for consolidation of local governments and those extolling the virtues of decentralization, the increasing prevalence of market-like pricing of government services, and the calls to both enhance local government autonomy and meet future problems regionally.

Complexity in governing arrangements among local governments has been recognized over the past few decades by scholars and practitioners alike, who speak about regionalism or metropolitan governance. Regional or metropolitan governance allows for, and recognizes, the fact that the authority to govern over a spatially contiguous area is no longer within the purview of the standard players in American federalism, namely the horizontal (overlapping) local governments, state government, and federal government. Metropolitan governance must now recognize, and include, the diversity of nonprofit service providers (especially the growing influence of religious organizations); the intrusion and involvement of universities, colleges, real estate developers, banks, chambers of commerce, and the broader corporate community (especially with regard to their engagement in economic development, transportation, land use, and housing); and the public-private partnerships and the sharing of service-delivery responsibilities with private-sector providers.

The rapid rise in nongovernmental, nonprofit service providers, which rely on local government contracts as crucial revenue sources, has led some observers to refer to the "hollow state."[51] Research suggests that the contracting-out of services is becoming commonplace. The International City/County Management Association (ICMA) has published a book that outlines the intricate legal and financial procedures that local governments can follow to perform their service-contracting activities efficiently, effectively, and adequately.[52] As a consequence of the engagement of local governments with the private sector in searching for solutions to providing efficient services, the concept of third-party government has become an important part of the lexicon of governance. This is a formal recognition of the importance of nongovernmental stakeholders in both shaping and implementing public policy. The resulting complexity in coordinating service delivery from several government providers challenges the managerial capabilities of local governments.

The scale of complexity in managing program delivery, which requires input from or communications with a variety of organizations and other intergovernmental players, has spawned increasing interest in how the intergovernmental system can be better managed.[53] More precisely, how can service delivery by one order of government (or a contractor of one government) be effectively coordinated with other governments and stakeholders? The intertwining of the relevant government actors requires collaboration at some basic level to ensure that the intergovernmental system meets citizen demands.[54] The challenges of intergovernmental management have also taken on a new urgency in the past decade, as the inner-ring suburbs have begun to experience problems that have been thought to exist primarily in regions' central cities. Unemployment, crime, abandoned properties, and other ills that observers once thought to be confined to central cities are beginning to be noticed in the inner-ring suburbs.[55] Coalitions of central-city and inner-ring suburban local governments based on these common problems have been growing, as they perceive the need to work together to resolve the problems and also the need to petition their states and the federal government for support.

Forces favouring consolidation contend that both negative externalities and destructive competition among local governments for economic-development opportunities can be addressed under a more centralized and integrated governing system. Economies of scale can enhance productivity and performance, and positive externalities can be encouraged. Yet consolidation can create conditions of noncompetitive pricing policies, monopoly control over wages and prices, and a lack of transparency, especially in the area of transaction costs. These serious challenges and concerns about both centralizing and decentralizing local governments will continue to be debated.

The push toward both competition and cooperation has enormous implications for the future of metropolitan governance.[56] Under the fragmentation scenario, local governments will be locked into competing for resources by bundling just the right type and quality of services at just the right tax price, an activity that characterizes much of the local government landscape today.[57] What makes twenty-first-century competition distinct from the twentieth-century variety can be traced in part to what has happened to local governments during the past three decades.

Local governments are less dependent on general tax revenue today than ever; they are becoming even more reliant on user charges and fees. This trend forces local governments to continue to search for ways of unbundling services and goods that possess private-good characteristics from the bundle of services that have public-good characteristics (being nondivisible and nonexcludable) and that are supported by general tax revenue.[58] This approach to providing services by local governments, based on the particularistic demands of individuals and firms, resembles a vending machine; that is, one chooses what one wants to consume.[59] The switch toward user fees – by which individuals can measure their consumption of government services and match it to the fee they pay – has made the connection between supply and demand much clearer. Individuals, then, can opt out of consuming certain services or reduce demand, thereby lowering revenues for local governments.

User fees are the best market-like pricing mechanisms available to local governments. The concern, then, is that some government services that are subject to user-fee pricing cannot be unbundled from local government services without consequences for those who can least afford the user fee yet still need public services.

Although local governments have adapted to challenges by unbundling services and charging users a fee, more individuals are choosing to reside in dwellings that are part of residential community associations (RCAs), which often provide services that duplicate their local governments' services, such as street cleaning, safety, refuse removal, and parks. At what point, one may ask, will residents of RCAs mobilize to reduce their tax burden or to withdraw from their local governments' jurisdiction completely?[60] The challenge for local governments in the future is one of managing cooperation among local governments, RCAs, and private-sector providers of government services.

History demonstrates that local governments in the United States are resilient in the face of adversity and entrepreneurial in their will to survive; they adapt to their environment, and as part of their will to survive, they innovate.[61] Local governments, then, have adapted to their fiscal environments (e.g., taxpayer revolts and reduced federal aid) by providing more user-fee supported services (and decreasing the tax support of those services), raising tax rates when possible, and choosing to cooperate or compete with other local governments. Local governments have also adapted to a declining federal presence in the form of financial assistance, and the prospects of increased federal aid in the near future seem remote. Moreover, local governments continue to pressure states and the federal government for regulatory relief by reducing unfunded mandates, providing greater access to revenue, and allowing public-private partnerships in financing projects and delivering services.

In short, local governments continue to seek greater flexibility and more operational and financial autonomy. As globalization quickens the movement of capital and labour, local governments' capacity to meet the changing needs of residents, immigrants (especially for housing and education), and firms is challenged. Another critical area for local governments is transportation. Ports, roads, transit systems, and other transportation facilities are often owned and operated by local governments (although the private sector is taking an increasing role in operating facilities and even in owning turnpikes), which demand autonomy and flexibility in designing an appropriate financial package, constructing the facilities, and putting the plans together very quickly. Yet these demands for more modernized transportation facilities, such as deep harbours for supercargoes, longer runways for aircraft, rapid-rail systems, and "smart" highways, come at a time when infrastructure repair and maintenance have been underfunded. The American Society of Civil

Engineers estimates the backlog in maintenance nationwide, including federal- and state-owned facilities, at over $1.6 trillion.[62] Addressing that backlog and meeting the new demands of the global economy will require additional local government resources, such as allowing public-private partnerships, removing debt restrictions, accelerating planning, enhancing management capacity, modernizing budget practices, and the like.[63]

But just as local governments are demanding greater autonomy to shape their own affairs and to craft policies that address problems they consider unique, local governments in the nation's regions also understand the need to cooperate, work together, and move forward. Although many of the nation's central cities are growing in population, most of the population growth since the 1950s has been in suburbia. Suburbs that are primarily residential in nature have increasingly come to understand that their growth and survival depend on the region's economic well-being, which includes the region's central city and other employment centres. Formal interlocal agreements, enforced as a contract, as well as informal agreements of cooperation among these local governments in the region have been increasing. In Chicago, for example, the suburban municipalities and the City of Chicago collaborated in creating a Metropolitan Mayors Caucus as a venue to air common concerns facing the region.[64]

How local governments adapt to these major forces will result in a configuration of local government institutions that will be different from earlier structures. Just how different is not yet known. What is known is that metropolitan regions cannot be understood today by focusing only on the major central city or even on the governments of the region. Instead, the multiplicity of stakeholders from the private and nonprofit sectors, in addition to the hundreds of government institutions, constitute the governance structure of metropolitan regions. More actors, more governments, and more entanglements will characterize the new institutional features of local governments and metropolitan governance in the foreseeable future. The patchwork quilt of local governments will most likely become more complex and more variegated.

NOTES

1 Data on local governments from US Census Bureau, 2002 Census of Governments, *Government Operations*, http://www.census.gov/prod/2003pubs/gc021x1.pdf (viewed 10 February 2008). In a biennial survey, respondents rated local governments ahead of state or federal governments in eight of ten surveys as the order of government from which "you get the most for your money." See Richard L. Cole and John Kincaid, "Public Opinion on US Federal and Intergovernmental Issues in 2006: Continuity and Change," *Publius: The Journal of Federalism* 36 (Summer 2006): 443–59.

2 The special status of Washington, DC, places its governing structure under the jurisdiction of Congress, which enacts statutes for implementation by the Washington, DC, government. It is governed by an elected mayor and council, and it has taxing authority to fund services, including public education.

3 This notion of a "patchwork quilt" is inspired by Daniel J. Elazar's description of a "mosaic" of space, time, and culture in American politics. See Daniel J. Elazar, *The American Mosaic: The Impact of Space, Time and Culture on American Politics* (Boulder, CO: Westview, 1994). Quilts are patches of fabric sewn together, or quilted, in shapes, some of which are overlays of patches that provide both a vertical and horizontal connection to adjacent patches.

4 See, for example, Saskia Sassen, *The Global City* (Princeton: Princeton University Press, 1991); and Susan Clarke and Gary Gaile, *The Work of Cities* (Minneapolis: University of Minnesota Press, 1997).

5 US Census Bureau, "Population Change in Metropolitan and Micropolitan Statistical Areas: 1990–2003," Current Population Report issued September 2005, http://www.census.gov/prod/2005pubs/p25-1134.pdf (viewed 30 August 2008).

6 See, for example, G. Alan Tarr, "United States of America," in *Constitutional Origins, Structure, and Change in Federal Countries*, ed. John Kincaid and G. Alan Tarr, 381–408 (Montreal and Kingston: McGill-Queen's University Press, 2005); and John Dinan, "United States of America," in *Legislative, Executive, and Judicial Governance in Federal Countries*, ed. Katy Le Roy and Cheryl Saunders, 316–43 (Montreal and Kingston: McGill-Queen's University Press, 2006).

7 See, for example, Ellis Katz, "United States of America," in *Distribution of Powers and Responsibilities in Federal Countries: A Global Dialogue on Federalism*, ed. Akhtar Majeed, Ronald L. Watts, and Douglas M. Brown, 295–321 (Montreal and Kingston: McGill-Queen's University Press, 2006); and William Fox, "United States of America," in *The Practice of Fiscal Federalism: Comparative Perspectives*, ed. Anwar Shah, 344–69 (Montreal and Kingston: McGill-Queen's University Press, 2007).

8 The US Census Bureau defines local government as "an organized entity subject to public accountability, whose officials are popularly elected or are appointed by public officials, and which has sufficient discretion in the management of its affairs to distinguish it as separate from the administrative structure of any other government unit." See US Census Bureau, 2002 Census of Governments, *Government Units in 2002, Preliminary Report*, July 2002, i, http://ftp2.census.gov/govs/cog/2002COGprelim_report.pdf (viewed 15 February 2008).

9 J. Edwin Benton, *Counties as Service Delivery Agents: Changing Expectations and Roles* (Westport, CT: Praeger, 2002); J. Edwin Benton, "County Government Structure and County Revenue Policy: What Is the Connection?" *State and Local Government Review* 35, no. 2 (Spring 2003): 78–89.

10 J. Richard Aronson and Eli Schwartz, eds, *Management Policies in Local Government Finance* (Washington, DC: International City Management Association, 1975), 166.

11 Tax increment finance (TIF) districts have become fairly common economic-development tools for cities. According to legal criteria (most often "blight"),

cities create TIF districts as subareas within the city's limits and then assess the value of the property. At the time the TIF is created, this value is referred to as the base. As the property escalates in value, the incremental growth in property-tax collections over the base is set aside in a TIF fund to be used on projects (typically infrastructure) within the TIF district. The TIF fund can be used to support bond issuances for major infrastructure projects. See, for example, Rachel Weber, "Equity and Entrepreneurialism: The Impact of Tax Increment Financing on School District Finances," *Urban Affairs Review* 38 (May 2003): 619–44; and Craig Johnson and Joyce Man, *Tax Increment Financing and Economic Development* (Albany: State University of New York Press, 2001).

12 See, for example, Alberta Sbragia, *Debt Wish: Entrepreneurial Cities, US Federalism, and Economic Development* (Pittsburgh, PA: University of Pittsburgh Press, 1996); Eric Monkonnen, *The Local State: Public Money and the American Cities* (Stanford, CA: Stanford University Press, 1995); and David Perry, ed., *Building the Public City* (Thousand Oaks, CA: Sage, 1995).

13 See, for example, Sbragia, *Debt Wish*; Kathryn A. Foster, *Political Economy of Special-Purpose Government* (Washington, DC: Georgetown University Press, 1997); and Barbara McCabe, "Special-District Formation among the States," *State and Local Government Review* 32 (2000): 121–31. For a contrary perspective, see Jered Carr, "Local Government Autonomy and State Reliance on Special District Governments: A Reassessment," *Political Research Quarterly* 59 (September 2006): 481–92.

14 Nancy Burns, *The Formation of American Local Governments: Private Values in Public Institutions* (Oxford, UK: Oxford University Press, 1994).

15 School systems dependent on counties can be found in North Carolina, Tennessee, and Virginia; school systems dependent on town or township governments can be found in Connecticut, Maine, Massachusetts, New Jersey, and Rhode Island, although cities are responsible for schools in eight other states. There are no independent school districts in the District of Columbia, Alaska, Hawaii, North Carolina, and Maryland. See US Census Bureau, 2002 Census of Government, *Government Organization*, 2002, viii, http://www.census.gov/prod/2003pubs/gc021x1.pdf (viewed 10 February 2008).

16 William R. Barnes and Larry Ledebur, *The New Regional Economies: The US Common Market and the Global Economy* (Thousand Oaks, CA: Sage, 1998).

17 "City/County Consolidation: A Brief Overview Presented to the Mississippi Legislature," prepared by the John C. Stennis Institute of Government, Mississippi State University, January 2002.

18 Richard W. Campbell and Dan Durning, "Is City-County Consolidation Good Policy? A Symposium," *Public Administration Quarterly* 24 (Summer 2000): 133–9; Ronald Vogel and H.V. Savitch, "Metropolitan Consolidation versus Metropolitan Governance in Louisville," *State and Local Government Review* 32 (2000): 198–212.

19 Allen Wallis, "The Third Wave: Current Trends in Regional Governance," *National Civic Review* 83 (1994): 290–310. See also, William Dodge, *Regional Excellence* (Washington, DC: National League of Cities, 1996); G. Ross Stephens and Nelson

Wikstrom, *Metropolitan Government and Governance: Theoretical Perspectives, Empirical Analysis, and the Future* (New York: Oxford University Press, 2000); Myron Orfield, *Metropolitics: A Regional Agenda for Community and Stability* (Washington, DC: Brookings Institution Press, 1997); Donald Norris, "Whither Metropolitan Governance," *Urban Affairs Review* 36 (March 2001): 532–50; David Young Miller, *The Regional Governing of Metropolitan America (*Boulder, CO: Westview, 2002); and Ronald K. Vogel and H.V. Savitch, eds, *Regional Politics: America in a Post-City Age* (Thousand Oaks, CA: Sage, 1996).

20 Vincent Ostrom, Charles M. Tiebout, and Robert Warren, "The Organization of Government in Metropolitan Areas: A Theoretical Inquiry," *American Political Science Review* 55 (December 1961): 831–42. See, for example, Daphne A. Kenyon and John Kincaid, *Interjurisdictional Tax and Policy Competition: Good or Bad for the Federal System?* (Washington, DC: US Advisory Commission on Intergovernmental Relations, 1991); US Advisory Commission on Intergovernmental Relations, *Metropolitan Organization: The Allegheny County Case* (Washington, DC: US Advisory Commission on Intergovernmental Relations, 1992); Mark Schneider, *The Competitive City: The Political Economy of Suburbia* (Pittsburgh, PA: University of Pittsburgh Press, 1989); and Ronald Oakerson, *Governing Local Public Economies* (Oakland, CA: ICS Press, 1999).

21 David Osborne and Ted Gaebler, *Reinventing Government: How the Entrepreneurial Spirit Is Transforming the Public Sector* (Reading, MA: Addison-Wesley, 1992).

22 US Advisory Commission on Intergovernmental Relations, *The Organization of Local Public Economies* (Washington, DC: US Advisory Commission on Intergovernmental Relations, 1987).

23 In some states, interlocal agreements were proscribed by constitution or statute, which had to be changed to allow for such cooperation. The State of Washington, for example, disallowed agreements between local governments until the end of the its first century of existence in 1967. See State of Washington, Interlocal Cooperation Act, Chapter 39.34 (1967).

24 See, for example, Richard Feiock, "Metropolitan Governance and Institutional Collective Action," *Urban Affairs Review* 44, no. 3 (January 2009): 356–77; David Morgan and Michael Hirlinger, "Intergovernmental Service Contracts," *Urban Affairs Quarterly* 27 (1991): 128–44; Kurt Thurmaier and Curtis Wood, "Interlocal Agreements as Social Networks: Picket Fence Regionalism in Metropolitan Kansas City," *Public Administration Review* 62 (2002): 585–98; William C. Seyler, "Interlocal Relations: Cooperation," *Annals of the American Academy of Political and Social Science* 416 (1974): 158–69; and Ann O'M. Bowman, "Horizontal Federalism: Exploring Interstate Interactions," *Journal of Public Administration and Research* 14 (2004): 535–46.

25 See, for example, Daphne A. Kenyon and John Kincaid, eds, *Competition among State and Local Governments: Efficiency and Equity in American Federalism* (Washington, DC: Urban Institute Press, 1991); and Roger Parks and Ronald Oakerson, "Comparative Metropolitan Organization: Service Production and Governance Structures in St. Louis (MO) and Allegheny County (PA)," *Publius: The Journal of Federalism* 23

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26 Charles Tiebout, "A Pure Theory of Local Expenditures," *Journal of Political Economy* 64 (1956): 416–24.

27 See, for example, Feiock, "Metropolitan Governance."

28 See, for example, Jesse J. Richardson Jr, Meghan Zimmerman Gough, and Robert Puentes, "Is Home Rule the Answer? Clarifying the Influence of Dillon's Rule on Growth Management," a discussion paper prepared for the Brookings Institution Center on Urban and Metropolitan Policy, January 2003, http://www.brookings.edu/es/urban/publications/dillonsrule.pdf (viewed 28 May 2007).

29 See, for example, ibid.; US Advisory Commission on Intergovernmental Relations, *Measuring Local Discretionary Authority* (Washington, DC: US Advisory Commission on Intergovernmental Relations, 1981); Dale Krane, Platon N. Rigos, and Melvin G. Hill Jr, *Home Rule in America: A Fifty-State Handbook* (Washington, DC: CQ Press, 2000); Joseph F. Zimmerman, "Governance Capacity and Mobilization of Resources," paper presented at the conference "Challenge of New Governance in the 21st Century: Achieving Effective Central-Local Relations," sponsored by the National Academy of Public Administration and the National Institute for Research Advancement, Tokyo, 7 July 1998, http://napawash.org/aa_federal_system/98_national_governance.html (viewed 28 May 2007).

30 In his classic essay "A Pure Theory of Local Expenditures," Charles Tiebout theorized that local governments bundle services together and offer them at a tax-price to consumer-citizens who then locate on the basis of which government provides the best bundle of services at the optimal tax-price.

31 See US Census Bureau, *Finances of County Governments, 2002* (Washington, DC: US Government Printing Office, 2002); US Census Bureau, *Finances of Municipal and Township Governments, 2002* (Washington, DC: US Government Printing Office, 2002); and US Census Bureau, *Government Organization* (Washington, DC: US Government Printing Office, 2002).

32 Daniel Mullins and Bruce Wallin, "Tax and Expenditure Limitations: An Overview," *Public Budgeting and Finance* 24 (Winter 2004): 2–15, at 2–3.

33 Sonya Hoo, Sheila Murray, and Kim Rueben, "Education Spending and Changing Revenue Sources," *State Tax Notes,* 10 April 2006, 223.

34 For a history of revenue sharing, see Bruce Wallin, *From Revenue Sharing to Deficit Sharing* (Washington, DC: Georgetown University Press, 1998); Timothy J. Conlan, *From New Federalism to Devolution* (Washington, DC: Brookings Institution Press, 1998); and Ben Canada, *Federal Grants to State and Local Governments: A Brief History* (Washington, DC: Congressional Research Service, 2003).

35 John Kincaid, "From Cooperation to Coercion in American Federalism: Housing, Fragmentation, and Preemption, 1780–1992," *Journal of Law and Politics* 9 (Winter 1993): 333–433.

36 Joseph F. Zimmerman, *State-Local Relations: A Partnership Approach*, 2nd ed. (Westport, CT: Greenwood, 1995).

37 Janet Kelly identifies twenty-eight states that have adopted fiscal noting, whereas the US General Accounting Office (GAO) puts the number at forty-two. See Janet Kelly, *State Mandates: Fiscal Notes, Reimbursement, and Anti-Mandate Strategies* (Washington, DC: National League of Cities, 1992); and US General Accounting Office, *Legislative Mandates: State Experiences Offer Insights into Federal Action* (Washington, DC: GAO, 1988).

38 Kelly, *State Mandates*, and the US GAO, *Legislative Mandates*, each identify fourteen states.

39 The noteworthy bankruptcy case of the Washington Public Power Supply System in the early 1980s is an exception to this broad statement.

40 See, for example, David Berman, "Takeovers of Local Governments," *Publius: The Journal of Federalism* 25 (Summer 1995): 55–70.

41 See, for example, Deil Wright, *Understanding Intergovernmental Relations*, 3rd ed. (Pacific Grove, CA: Brooks and Cole, 1988); and Katz, "United States of America."

42 US General Accounting Office, *Highlights of a GAO Symposium: Addressing Key Challenges in an Intergovernmental Setting* (Washington, DC: US Government Printing Office, March 2003).

43 See, for example, Paul Posner, *The Politics of Unfunded Mandates* (New York: New York University Press, 1998). The Congressional Budget Office is the federal agency charged with monitoring compliance with UMRA.

44 Paul Posner, "The Politics of Coercive Federalism," *Publius: The Journal of Federalism* 37 (Summer 2007): 390–412.

45 *Missouri v. Jenkins*, 110 S. Ct. 1651 (1990).

46 Most states have created a Department of Community Affairs, but these departments are not designed to advocate for the interests of local governments. Rather, they assume a variety of responsibilities, including promoting community economic development, acting as conduits for federal grants (primarily for housing and community development), assisting in local planning, and providing administrative support and guidance.

47 See website managed by Michael McDonald of George Mason University: http://elections.gmu.edu/voter_turnout.htm (viewed 21 January 2009).

48 Nonprofit Voter Engagement Network, "America Goes to the Polls: A Report on Voter Turnout in the 2006 Election," http://www.nonprofitvote.org/wp-content/uploads/AGttP.pdf (viewed 26 May 2007).

49 US Census Bureau, *Statistical Abstract of the United States: 2006–2007* (Washington, DC: US Government Printing Office, 2007).

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52 Donald F. Harney and Kelly LeRoux, *Service Contracting: A Local Government Guide* (Washington, DC: ICMA Press, 2007).

53 One approach to managing these overlapping governments is intergovernmental management (IGM), which involves solving problems through networks of actors in a process that often requires bargaining and negotiations. See, for example, Robert Agranoff, *Intergovernmental Management: Human Services Problem-Solving in Six Metropolitan Areas* (Albany: State University of New York Press, 1986); Robert Agranoff and Michael McGuire, *Collaborative Public Management: New Strategies for Local Governments* (Washington, DC: Georgetown University Press, 2003); Jeffrey Pressman, *Federal Programs and City Politics* (Berkeley: University of California Press, 1975); and Robert Agranoff, "Intergovernmental Policy Management: Cooperative Practices in Federal Systems," in *The Dynamics of Federalism in National and Supranational Political Systems*, ed. Michael A. Pagano and Robert Leonardi, 248–84 (Basingstoke, UK, and New York: Palgrave, 2007).

54 See, for example, Agranoff and McGuire, *Collaborative Public Management*; and Richard C. Feiock, ed., *Metropolitan Governance: Conflict, Competition, and Cooperation* (Washington, DC: Georgetown University Press, 2004).

55 See, for example, Robert Puentes and David Warren, *One-Fifth of America: A Comprehensive Guide to America's First Suburbs*, Brookings Institution Survey Series, February 2006, http://media.brookings.edu/mediaarchive/pubs/metro/pubs/20060215_FirstSuburbs.pdf (viewed 25 July 2007); Margaret Weir, Harold Wolman, and Todd Swanstrom, "The Calculus of Coalitions: Cities, Suburbs, and the Metropolitan Agenda," *Urban Affairs Review* 40 (July 2005): 730–60; Rebecca Hendrick, "Assessing and Measuring the Fiscal Health of Local Government: Focus on Chicago Suburban Municipalities," *Urban Affairs Review* 40 (September 2004): 78–114; and Juliet Gainesborough, "Slow Growth and Urban Sprawl: Support for a New Regional Agenda?" *Urban Affairs Review* 37 (May 2002): 728–44.

56 Michael A. Pagano, "In the Eye of the Beholder: The Dynamics of Federalism," in *The Dynamics of Federalism in National and Supranational Political Systems*, ed. Michael A. Pagano and Robert Leonardi, 1–18 (Basingstoke, UK, and New York: Palgrave, 2007).

57 Liesbet Hooghe and Gary Marks refer to consolidated, general-purpose jurisdictions as Type I governance and to specialized, task-specific jurisdictions as Type II governance. See their "Unraveling the Central State, but How? Types of Multi-Level Governance," *American Political Science Review* 97 (May 2003): 233–43.

58 I am grateful to Kathryn Foster, who articulated the notion of "unbundling" at the Forum of Federations roundtable, Chicago, 18 January 2007.

59 Michael A. Pagano, "Good Governance in Federal Polities: Issues for the 21st Century," in *Federalism and Good Governance: Issues across Cultures*, ed. Kousar J. Azam, 11–22 (New Delhi: South Asian Publishers, 1998).

60 A similar set of questions about RCAs and local governments is raised in Michael A. Pagano, "Metropolitan Limits: Intrametropolitan Disparities and Governance in US Laboratories of Democracy," in *Governance and Opportunity in Metropolitan America*, ed. Alan Altshuler, William Morrill, Harold Wolman, and Faith Mitchell, 253–92 (Washington, DC: National Academy Press, 1999). See also Evan McKenzie, *Privatopia: Homeowner Associations and the Rise of Residential Private Government* (New

Haven, CT: Yale University Press, 1994); and George Glasze, Chris Webster, and Klaus Frantz, eds, *Private Cities* (London, UK, and New York: Routledge, 2006).

61 See, for example, Dora L. Costa and Matthew E. Kahn, "Civic Engagement and Community Heterogeneity: An Economist's Perspective," *Perspectives on Politics* 1 (2003): 103–12; and Christine Kelleher and David Lowery, "Political Participation and Metropolitan Institutional Context," *Urban Affairs Review* 39 (July 2004): 720–57.

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