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IDEAS FOR SHARED PROSPERITY

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Regionalism, New England Style

Evan D. Richert

Shortfalls in state revenues in New England are reviving a word that is spoken freely only in difficult times: regionalism. In a nation where counties deliver many services and metropolitan government is not uncommon, New England recognizes only the town as its general purpose unit of local government.

The New England town is an icon because it is a model of self-assembly: individuals organizing themselves into a community, not by executive order, but by following simple rules of civility and democracy. For three centuries the New England town has adapted when it had to, slowly and conservatively, and kept its preeminence.

It has, for example, molded home rule to its needs, even when it did not actually exist. The tradition of self-government stems from colonial days. But tradition isn't law, and for most of their histories New England towns have been entirely creatures of the state. It was only 50 years ago, during a new era of federalism, that voters fortified towns with constitutional home rule in a majority of New England's states (Vermont remains the exception). Even now home rule is limited: in the words of a recent report from the Brookings Institution, "one part law and two parts motto." But it has helped the New England town resist top-down efforts to impose regionalism, despite calls for efficiency, the protection of large environmental systems, and the management of sprawl.

New England towns do cooperate with each other, but on their own terms. The Maine Municipal Association (MMA) has documented the cooperation among Maine's towns. For example, 222 of Maine's 492 units of local governments share a code enforcement officer or plumbing inspector with at least one other town. One hundred sixty-nine towns share animal control officers with at least one other town. Virtually every municipality has a mutual aid agreement for fire protection, and most are bound by agreement to shared regional waste handling facilities. Many towns, often through a regional planning agency, have joint purchasing alliances for road salt, public works equipment, computers and other necessities. A half-century ago, given financial incentives by the state, Maine's school districts began a process of consolidation that resulted in the 283 school administrative units that exist today.

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These examples, MMA suggests, are only part of the story: "…municipal cooperation is widespread but collaboration is achieved today in many different forms, so it is not as visible to the naked eye as it might be."

Losing Control

Yet, the New England town may not be adaptive enough to preserve itself far into the 21st Century. External forces may simply overwhelm it, even if it continues to exist in name. Joint purchasing and mutual aid agreements can't match the forces of land use, technology, and regional economics that live by rules on a larger scale.

The New England town can't adapt its boundaries to match the flow of people, energy, water, cars, wildlife, dollars, or just about anything else that moves. Unlike other regions of the United States, where annexation of unincorporated territory is possible, New England's town boundaries are fixed. They are mostly small. They range from an average of 22 square miles in Massachusetts to an average of 35 to 40 square miles in northern New England. The largest encompasses about 80 square miles.

Until World War II, 35 or 40 square miles were still ample for relative self-sufficiency. But over the last 50 years, sprawl and strip development have obliterated many town boundaries. The geography of typical residents—where they work, shop, socialize, and recreate-- which once matched town boundaries now covers a few hundred square miles, not 40 or 50.

Another sign of loss of control is the degree to which authority over local budgets is now split between town councils and state legislatures. In Massachusetts, according to the U.S. Census, where a tax revolution 22 years ago imposed limits on the property tax, about 44% of all local general revenue comes from other levels of government, mostly the state. In Vermont, which in 1997 was forced by the courts to equalize funding for education among poor and rich towns, a statewide property tax yields more than the local property tax, and local governments get 57% of their general revenues via the state.

Municipalities that serve as the hubs of their regions are watching control over their tax bases slip away for other reasons. Large shares of the property taxes generated inside must be used to support demands from the outside – to support a daytime population that declares its address in the suburbs but uses the hubs for jobs and services.

As with land use and budgets, control over environmental and educational policies is marginal in towns with political jurisdiction over small areas. The quality of lakes, coastlines, and rivers has improved largely because higher levels of government have stepped in with environmental laws and often with regulations that fall upon the town at its expense, another thing it can't control. The standards for competing in a worldwide economy long ago superseded local educational curricula, and local schools are living by budgets shaped by rules and expectations set elsewhere.

The New England town is still relevant. Anyone who plows your street, collects your trash, puts out your fires, teaches your children, patrols your neighborhood and taxes your home is relevant. But this is not the same thing as being in control.

Unable to adapt – to change its skin, as it were – it is left to respond to the things it can't control but that translate into taxes, mandates, etc., within the skin that it has. It has done so with a combination of determination, anger, and obliviousness.

On the one hand, the elected volunteers who debate what budget to send to town meeting are frugality itself. On the other hand, they rail against "unfunded mandates," which has led to constitutional protections against them in New Hampshire and Maine, and for large additional shifts in funds to the local level. And their belief that home rule is not merely a principle of governance but the armor that keeps the external forces of change at bay is unshaken by the realities around them. Home rule in today's small political jurisdictions packs plenty of political power but, with respect to the regional forces washing over towns, it is an illusion.

Small Town vs Small County

The frugality of New England town government makes its inefficiency a puzzle. In fact, the number of people (full-time equivalents or FTEs) needed to deliver local governmental and K-12 services in the geographically smallest, densest New England states – Rhode Island (1,045 sq. miles, 1003 persons per sq. mi.), Connecticut (4,845 sq. miles, 703 persons per sq. mi.), and Massachusetts (7,840 sq. miles, 810 persons per sq. mi.) is competitive with the nation. However, as the geography gets larger and density falls among the northern three states, the number of local and school employees per 10,000 population increases to well above the national median.

But geographic size and density appear not to be the most important determining factors. Idaho, West Virginia, South Dakota, North Dakota, and Oregon each is geographically larger with lower densities of population than the northern New England states. Each is also a peer state: similar in population and demographics and located in whole or part north of the 40th parallel. On average, according to the Census, they employ 350 full-time equivalents per 10,000 population to deliver local services. The three northern New England states average 389, or 11% more, including 378 in New Hampshire, 379 in Vermont, and 410 in Maine.

If Maine delivered local services with the same proportion of FTEs as its demographically closest peer state, Idaho, it would reduce its costs by $141 million per year. If the three states performed at the average of the peer states, they would collectively reduce their costs by $397 million per year.

The number of general purpose units of governments with taxing authority, rather than geographic size and density, appears to be a driver behind the cost of local government. The peer states depend on counties to deliver services to large shares of their population, while New England's states depend almost exclusively on towns and cities.

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The counties are more numerous in the peer states. However, with its 44 counties, each with an average of 29,000 people, Idaho (for example) gets along with only 200 municipalities, versus 492 in Maine. It might be said that New England states have small town government, while many of its peers have small county government.

Although efficiency in local government is harder to quantify than efficiency in a widget factory, economies of scale do come into play. Josephine LaPlante of the Muskie School of Public Service has noted the U-shaped pattern produced by scale in local government, yielding the highest costs when density is very low or very high and lower costs over the middle range of densities.

Philip Trostel of the University of Maine recently tracked the U-shape among Maine's 285 school districts. Excluding districts that tuition their students elsewhere, the districts average just over 1,000 students, which is one-third of the modeled optimal size of about 3,400, imposing a cost penalty of as high as 13.5%. In contrast, Idaho has 115 school districts, an average of 2,100 students each, and 1,800 fewer non-instructional FTEs than Maine.

Beyond the question of fiscal inefficiency, the New England town everywhere has been unable to cope with another kind of inefficiency: the kind that comes with the pattern of development called "sprawl." As commentators since at least the mid-1970s have observed, sprawl's costs are environmental and social as well as fiscal, and no part of any state in

New England has conquered them. It doesn't matter if the state is urban or rural, whether its home rule is constitutional or legislative, or whether it has state-level growth management law (as Rhode Island, Vermont, and Maine have), the New England town has been powerless to rein in sprawl or shape a less costly or damaging pattern. It is simply too small to be able to do so.

A large geography under a single political jurisdiction does not assure a better outcome, but it is a prerequisite. Even if small jurisdictions favor alternatives to sprawl, according to the Brookings Institution report, they "may not be able to implement effective policies simply because they do not have the geographic or population size to contend with region-scale forces."

The few places in the U.S. that have meaningfully tackled sprawl are on a regional scale. The metropolitan area of Portland, Oregon, encourages and contains urbanization within urban growth boundaries. Its governing body, Portland Metro, has jurisdiction over 24 cities in three counties with 1.1 million people. In Maryland, where a package of fiscal and market-oriented tools is in force, the average jurisdiction is upwards of 500 square miles. The Pinelands of New Jersey, where the trading of development rights preserves fragile lands and manages growth, covers 1,700 square miles.

Emergent Regionalism

In his recent book Emergence, Steven Johnson says that the most important principle that allows individual agents – whether ants in a colony, cells in a brain, or neighborhoods in a city – to assemble themselves into a larger working organization is "local information." Local information – signals – sent back and forth by many single entities among each other creates the "global wisdom" that allows the coordinated whole.

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Johnson would recognize the New England town as an example of "emergence," the bottom-up assembly of individuals into a more complex level of organization. But in New England, artificial boundaries fortified by cultural and legal home rule create a barrier to continued adaptation and assembly into an organization large enough to respond to regional forces.

There is, in the New England town, plenty of local information being generated. But the barriers prevent them from being picked up by their neighbors in any meaningful way. The signal in one town might be "more young children moving in," and in the next town over it might be "surplus school capacity," but there isn't a mechanism to quickly and easily engender a coordinated response. In fact, the structure of the New England town tends to assure that there won't be one. Self-assembly ends at the town (or school district) borders.

One solution is to force a lowering of the barriers or a breaching of the borders by an imposed regional structure. But an imposed solution will lack the features that have had the benefit of 300 years of evolution and made the New England town an icon. Nor will the politics of New England allow it.

The challenge is to find a form of regional governance that simultaneously reduces the number of general purpose units of government with taxing authority, resembles the New England town in its accessibility, frugality, and volunteerism, and allows that form to take shape through self-organization. The approach must be bottom-up, participatory, and producing regions that match up better with contemporary movements of people and resources. This means reaching agreement on a few rules of engagement, and then letting a higher order pattern evolve, as it will, from the town level upward.

Such an approach has been proposed by the New England Environmental Finance Center at the Muskie School. The concept has been adapted by Governor John Baldacci as part of his fiscal reform package for Maine. Gov. Baldacci calls the voluntary association of municipalities that is at the heart of the concept "municipal service districts."

Under the Governor's proposal, a municipal service district is an assemblage of five or more contiguous towns, containing within their boundaries at least two school administrative units, with a population of at least 20,000 and at least 3,000 students (or, in more sparsely populated areas, an area of at least 250 square miles and at least 1,000 students). In Maine, the result theoretically would be 60 to 80 municipal service districts. Service center communities, such as Portland, Rockland, and Bangor, many of which are much larger than their neighbors and have higher property tax rates, might find themselves frozen out of a municipal service district. If so, they would be authorized to establish a municipal service district on their own.

The assemblage of any municipal service district would be voluntary, with towns choosing their partners. The incentive to enter into a municipal union would be financial. The state would assume half of participating towns' (and their school districts') general obligation debt. It would provide a 10 per cent bonus in school aid, with nonparticipating towns reduced by a like amount. In states where county government still exists, its cost to participating towns would be paid by the state.

The municipal service district would be town or small-city sized, but would have clout, by virtue both of its critical mass and delegated powers. For example, in the Oxford Hills region of western Maine, the largest town is under 5,000 people, the largest property tax base is about $200 million, and the largest geography is 50 square miles. But an 11-town municipal union would have a population of 25,000 and would command a tax base of $1.2 billion and an area of 420 square miles.

Individual towns would not be required by order from above to give up their fire departments or similar familiar services. However, the organization of the municipal union would make the costs of duplication obvious and the decision to tolerate them unlikely. That is part of the architecture of regional governance that is emergent rather than imposed. It creates the setting in which locally elected leaders can pick up signals from across town borders and make decisions accordingly. For example, it is unlikely that a single legislative body would approve two new public safety buildings five miles apart in adjacent communities – as the separate councils of the adjacent municipalities of South Portland and Cape Elizabeth, Maine, recently did and as has been repeated across New England.

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Only the load-bearing elements of the architecture need be specified. The details will fill in around them, municipal union by municipal union. Those foundational elements, in addition to the requirements for threshold size and the financial incentives, could be as few and straightforward as:

- The participating municipalities will prepare a charter for adoption at referendum, and the municipal service district will be governed by a council formed according to the charter;
- School administrative units within the municipal service districted will merge and be governed by a single popularly elected school board;
- The municipal service district will have final authority for all

- municipal budgets, incorporating them into a single district-wide budget, and for setting a single district-wide property tax rate;
- The municipal service district will have sole authority over planning and development within the union's boundaries, consistent with state comprehensive planning and land use law;
- Towns will continue to deliver other local services within the budget adopted by the municipal union but could choose to consolidate those services at the regional level;
- The state could delegate to the municipal service district special discretionary authority that does not make sense in today's highly fragmented landscape but would make sense for a general purpose government whose jurisdiction covers a few hundred square miles and a large share of any given labor market: a local option sales tax, for example, to replace some part of the property tax.

Efficiencies from regionalism will not be instantaneous. But the Environmental Finance Center estimates that if this kind of emergent regionalism were in place in Maine, net savings ultimately would be in the range of $125 to $150 million per year. It would also provide the first genuine opportunity to manage growth at a regional scale. And for the New England town as an institution, it would be an opportunity to use its skills of self-organization to continue to adapt to changing times. It can re-create itself, one level up, and preserve its preeminent role for years to come.

Evan D. Richert is associate research professor at the Muskie School of Public Service, University of Southern Maine. From 1995-2002, he served as director of the Maine State Planning Office.

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124 Sewall Street P. O. Box 437 Augusta, ME 04332
Tel: 207-622-7381 Fax: 207-622-0239
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