State Shared Services and Regional Consolidation Efforts
By Marc Holzer, Leila Sadeghi and Richard W. Schwester

State governments are examining the prospect of interlocal shared service initiatives as a means of reducing service delivery costs and providing tax relief, as well as streamlining local services, eliminating duplicative services, and enhancing governmental responsiveness and transparency. In an effort to effectively encourage the development and implementation of shared services, states should: provide financial support or incentives; collect and disseminate concrete information regarding the benefits of shared service initiatives; establish shared service performance measures; develop a central point of information to field questions from communities who are in the process of developing, implementing, or sustaining shared services; and work to ensure that the long-term interests of the taxpayers are paramount.

Introduction
More recent calls for “doing more with less,” promoting a public sector that is “efficient and effective,” and bolstering public trust through greater governmental response have fostered interest in shared services at all levels of government. Several state governments are examining the prospect of interlocal shared service initiatives as a means of reducing service delivery costs and providing tax relief, as well as streamlining local services, eliminating duplicative services, and enhancing governmental responsiveness and transparency (see Figure A). The purpose of this article is to: provide an introduction to the possible array of shared services; highlight best state practices; discuss state funding mechanisms designed to encourage shared service agreements; and provide recommendations to state and local government leaders seeking to develop, implement or improve existing shared service programs.

Types of Shared Services
Sharing Personnel
Sharing staff is a straightforward concept. Smaller municipalities, in particular, face the issue of some functions that must be performed but may not require a full-time employee. This may be resolved by having a staff member handle multiple functions, but this solution is not practical when the function requires technical or professional skills. Hence, part-time employees are common in positions such as a certified assessor, certi-
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vided municipal finance officer, or zoning officer. The primary advantage of the part-time employee option is cost, but other problems arise around management control, availability to the public and accountability. Sharing personnel with other jurisdictions is usually a better solution, but requires planning and cooperation on the part of the jurisdictions involved, rather than leaving issues such as scheduling in the hands of the part-time employee. Sharing employees is preferable to the use of part-timers, due chiefly to increased accountability over a person employed and managed in concert by more than one municipality.

Sharing Equipment
Sharing equipment (or capital assets) assumes a partner model. Ownership is joint, or is shared by each community owning a separate part of the whole piece of equipment. In New Jersey, for example, an apparatus dubbed the “DitchMaster” is co-owned by the Townships of Franklin, Bridgewater and Montgomery in Somerset County; each has one-third ownership. The DitchMaster is used to clean roadside drain ditches. Franklin maintains and stores the equipment because it has a large garage and highly-trained mechanics, and Bridgewater maintains an escrow account of rental fees collected from other municipalities that are used to offset maintenance costs. The state dealt with the issue of scheduling simply by rotating the vehicle at the end of each month to the next municipality according to a pre-set schedule, but recognizing the need for flexibility in unanticipated situations.1

Sharing Internal Services
Internal services can be shared for functions where there is little interaction with the public. An example of this is the sharing of an animal shelter between municipalities, which is the case for the New Jersey municipalities of Maplewood and South Orange. The efficiency of this sharing arrangement is based on economies of scale and having one organization solely responsible for the performance. To the individual municipality, this is very much like a relationship with a vendor. The difference lies in the fact that it is in the interest of all the individual communities to have the relationship succeed, because it benefits all the participants acting as a group, and therefore a problem cannot be resolved by seeking another vendor.

Sharing External Services
“External services” refers to interlocal agreements whereby one municipality agrees to provide essential services to another municipality that no longer provides such services. Another alternative arrangement involves two or more municipalities consolidating services into one regional service delivery system. These types of shared service arrangements involve emergency services, such as police and fire, public works and waste disposal.

Shared Service Best Practices
States throughout the country are implementing shared service efforts in the interest of cutting costs, reducing property tax burdens and increasing governmental responsiveness by providing better services. The following examples highlight successful U.S. and international shared service efforts.

Established in 1999, the North Hudson Regional Fire and Rescue Department is a consolidated fire services initiative comprised of five New Jersey municipalities (Guttenberg, North Bergen, Union City, Weehawken and West New York). Serving nearly 200,000 residents, the North Hudson Regional Fire and Rescue Department is credited with saving each municipality roughly $5 million annually in fire service costs, while at the same time creating a more efficient and responsive fire department. Underscoring the point, shortly after the creation of this regional department, firefighters responded to a routine house fire in an enclave of West New York. However, the closest fire stations were in Weehawken and North Bergen, not West New York. In this case, eliminating jurisdictional boundaries proved valuable in terms of response time and therefore safety.2

The cities of Moreno Valley and Riverside, Calif., entered into a shared fire service agreement in 1996. Specifically, the cities agreed to construct a shared fire station, abandoning their original plans to construct separate stations roughly one mile apart. It was estimated that sharing a fire station saved $700,000 in capital costs and $50,000 annually in operating costs. Serving the western part of the Moreno Valley and the Canyon Crest and Canyon Springs areas of Riverside, the joint station has been credited with significantly reducing response times. For example, the response time to the Canyon Springs area of Riverside has decreased from roughly 15 to five minutes.3

The Pine-Marshall-Bradford Woods Joint Police Force is a model of service sharing. The small Pennsylvania communities of Pine, Marshall and Bradford Woods consolidated their police forces in 1969 in an effort to control costs and provide better services. Through consolidation, these communities support an 18-member police force, including a detective, a resource most small communities consider a luxury.4

Several other communities throughout the United States have followed the Pine-Marshall-Bradford
Woods model. The Illinois municipalities of Round Lake Park and Hainesville entered into a shared police agreement in 1999. The agreement proved mutually beneficial from a service coverage perspective, especially for Hainesville, which had a part-time police force prior to the consolidation. In 2006, the New Jersey municipality of Woodlynne dissolved its eight-member police force, agreeing instead to pay the municipality of Collingswood $650,000 annually (annual cost saving of $150,000) for the services of its 37-member police force. For Woodlynne, N.J., Hainesville, Ill., and many other communities, shared police services are particularly attractive from a safety and service quality perspective, the pros of which include: an enhanced police presence and officer coverage, better training, and opportunities for officer specialization.

In addition to shared fire and police services, solid waste and public works departments have emerged as focal points for interlocal service agreements. Most notably, three Wisconsin counties (Brown, Outagamie, and Winnebago) consolidated their waste disposal and recycling efforts in 2003. In terms of cost savings, this tri-county initiative is projected to save $35 million over 25 years for waste disposal, and $8 million over 12 years for recycling.

The Chautauqua County, N.Y., bridge program is a cooperative effort to ensure bridge and roadway safety. The bridge program was established to address the problem that 62 percent of the county’s 488 bridges were in need of repair, and 69 bridges alone were closed or weight restricted by the New York State Department of Transportation. By pooling municipal and county resources, bridge conditions within the county greatly improved. For example, when the bridge program was introduced in 1988, 55 percent of the county’s bridges were deemed “deficient.” This compares to 34 percent in 1996.

Local communities are not limiting interlocal agreements to essential services. Several communities are pooling their resources in order to provide better parks and recreational opportunities. In particular, the Village and City of Pewaukee, Wis., consolidated their Parks and Recreation departments which proved mutually beneficial. Prior to consolidation, the Village of Pewaukee was only able to provide summer recreational services because of limited resources, and even though the City of Pewaukee was able to provide recreational services year-round, its recreation director was a part-time employee. The Pewaukee Joint Parks and Recreation Department was officially established in 1997, and it has been credited with improving the quality of the parks and recreational services for both municipalities, as well as reducing operating costs. More recently, the Village and City are working on an effort to combine their water and sewer services.

To provide better library services with limited resources, the municipality of Chula Vista, Calif., partnered with the Sweetwater Union High School District. The jointly supported East Lake Branch Library opened in 1993. For both students and Chula Vista residents, the pooled municipal and school district resources provide access to a more extensive book collection than could be provided without this shared service agreement.

From an international perspective, Toronto, Ontario, and New Zealand are at the forefront of designing system-wide shared service models. In 2001, four local councils throughout the Southland region of New Zealand explored shared services with the hope of reducing costs. An initial investment of $60,000 yielded more than $1 million in cost savings over the first two years of implementation because of pooled resources and enhanced operational efficiency using the following strategies:

- Joint purchase of software operating systems.
- Creation of rural fire authority.
- Combination of economic tourism organizations.
- Adoption of protocol on shared planning policy.
- Establishment of regional landfill and joint waste management system.
- Combination of back-office services.

The city of Toronto has reportedly achieved cost savings of more than $300 million from 1998 to 2000 by eliminating duplicative services and streamlining operations. This was accomplished, in part, by:

- Reducing staff positions and work force.
- Implementing one-time transition costs and reducing permit fees.
- Consolidating social and children’s services with senior citizen services.
- Consolidating services in public health, library, shelter and housing support.

State Support of Shared Services

The substantial anticipated cost savings and service efficiency gains over time have prompted some states to establish funding mechanisms that serve as a springboard for the development and implementation of intermunicipal and/or regional shared service initiatives. Most notably, the Department of Community Affairs for the State of New Jersey established a program known as Sharing Available Resources Efficiently (SHARE).
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The SHARE program provides municipal and county governments with grant money for the purposes of studying the feasibility of and implementing shared service programs. Feasibility study grants assist local governments with planning and developing shared service initiatives. These grants are typically $20,000 and require a 10-percent match. Implementation grants (up to $200,000) aid local governments with the start-up costs associated with shared service plans and/or the consolidation of local units (SHARE 2006).

The State of New York established a similar funding mechanism known as the Shared Municipal Service Incentive Program (SMSI). The SMSI program is a $25 million grant program that assists municipalities with their efforts to consolidate local government services. For example, grants of up to $1 million are available for municipalities seeking to merge into a single government unit, while awards of up to $300,000 are available for the development of county-wide shared service programs.14

The Pennsylvania Department of Community and Economic Development established the Shared Municipal Services Program (SMSP). This program provides grants ranging from $10,000 to $25,000 (50-percent match required) for cooperative municipal agreements, which typically include:

- Shared police records administration.
- Shared technology initiatives.
- Municipal insurance pooling.
- Shared public works operations.
- Consolidated recreation activities.
- Shared code enforcement operations.
- Shared motorized equipment.15

Recommendations

Leaders at all levels of government have come to understand the importance of devising ways to provide more and better services with fewer resources. Interlocal shared service initiatives have emerged as a viable means of providing efficient and quality services without imposing a heavier tax burden. The following recommendations are presented to assist public managers and elected officials with adoption and implementation of shared service initiatives.

Recommendation 1

In an effort to effectively encourage the development and implementation of shared services, states must provide financial support or incentives. Local governments and citizens may resist sharing services upon reviewing the upfront costs of implementation. New Jersey’s SHARE program, New York’s SMSI program and Pennsylvania’s SMSP program serve as noteworthy examples of state efforts to reduce such costs.

Recommendation 2

States need to collect and disseminate concrete information regarding the benefits realized from shared service initiatives, such as cost savings, cost effectiveness gains and tax burden implications. This information should be disseminated to both municipal and county government leaders to promote the development and implementation of additional shared service initiatives.

Recommendation 3

Finding appropriate ways to monitor government performance, to provide mechanisms for citizen feedback and complaints, and to document government responsiveness in terms of timeliness and service quality is imperative. Shared service performance measures should be established in an effort to ensure shared service quality to the citizenry and stakeholders. Performance measurement will further help drive down costs. It is important that performance measurement data be made public in the interest of accountability.

The National Center for Public Performance (NCPP) at Rutgers University is developing a measurement collection system that provides an easy mode of collecting key indicators of government performance. The technology used within this system will allow users the possibility of directly inputting data from larger databases or manually inputting appropriate data measures as they see fit. The data collected can easily be transformed into graphs and/or charts, allowing users to produce accessible reports for interested parties.

Recommendation 4

A central point of information is needed to field questions from communities that are in the process of developing, implementing or sustaining shared services. By providing a centrally informed point of contact, municipalities may be more inclined to pursue shared services initiatives. For example, states could provide local governments with a toolkit of best practices and templates that better enable them to replicate successful models of shared services. Often, as is the case with government reform efforts, adequate support and models of excellence are not offered, leaving participants feeling helpless or using the process itself as a learning experience. By provid-
ing such models, states can rest assured that instead of municipalities wasting grant money and time trying to figure out essentially “what to do,” they can implement strategies immediately and effectively from the onset of the program.

**Recommendation 5**

One issue against the establishment of shared services is the fear that interlocal agreements may result in the termination of an employee. While laudable because of the loyalty to the staff, this may indicate a misplaced sense of purpose, particularly in an era when state and local resources are being stretched. The long-term interests of the taxpayer must come first. Indeed, some of those interests permit the enlightened view of maintaining employee morale and motivation for the best interests of the organization, but in the context of alternatives that are in the interests of citizens. Unless there are employee agreements to the contrary, looking for alternative work, even in another department, is an option that could be beneficial to all. The administration could also look for other employment opportunities for any staff that would be threatened in the communities they are trying to partner with or in other communities. Open communication is therefore essential when the agreement is being considered so the employee does not feel this is being done behind his or her back or that termination will result. A professional conversation with the employee, one that recognizes past contributions of that employee and discusses alternatives that demonstrate that recognition, may even uncover other options that would work for the individual as well as the municipality.

**Conclusion**

State and local governments throughout the U.S. have come to champion shared services as a means of “doing more with less.” Communities in New Jersey, Pennsylvania, Illinois and California are sharing fire and police services in order to reduce costs and improve safety through better service coverage. Counties in Wisconsin have realized significant cost savings through regional consolidation of their waste disposal and recycling centers, while a small California municipality partnered with a school district in an effort to provide better library services. These are but a few examples of what shared services and interlocal cooperation are achieving.

Despite the potential benefits of shared service agreements, several obstacles remain. First, shared services are likely to draw opposition from union, civil service and tenured government employees. Second, residents may resist shared services because of inadequate information regarding the potential benefits of such services. Third, many municipalities fear the loss of identity and control over their jurisdictions. The loss of “home rule” has proven a difficult obstacle to overcome psychologically for municipal leaders. This is particularly difficult for states that have many compartmentalized and autonomous governmental units, such as New Jersey, which has 566 municipalities, 611 school districts, 212 fire service districts and 21 counties. In order to overcome such obstacles, it is imperative that states take the lead in encouraging interlocal and regional service sharing by creating or expanding grant programs that support feasibility studies and help to offset start-up costs. Furthermore, measuring and disseminating cost savings and service delivery improvements attributable to shared service initiatives are key to winning over skeptics.

**Notes**

6. “Woodlynne votes to disband police,” Courier-Post, April 14, 2006, SB.
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