

POLICY NOTES

Notes on Important Policy Issues in Georgia

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The research upon which this note is based was originally conducted in 1997. The authors have revised their forthcoming article to reflect the availability of more recent population figures and to correct an error in the comparative analysis of expenditure changes over time. This note has been updated and revised accordingly, and the text and table now present data on short- and long-term changes in general fund operating expenditures (real dollars).

...a number of Georgia communities every year consider combining their city and county governments into a single entity.

The unification charter contained provisions that contributed both to increasing costs and to holding them down.

Does City-County Consolidation Save Money? The Unification of Athens–Clarke County Suggests It Might

by Richard W. Campbell and Sally Coleman Selden

City-county consolidation is a significant issue in Georgia. While the vast majority of merger attempts fail, two of the four successful consolidations in the United States since 1990 have occurred in Georgia: Athens–Clarke County (1991) and Augusta–Richmond County (1998).

Interest in city-county consolidation is high in Georgia—a state where cities and counties essentially have the same authority to provide the full range of local government services. As a result, state and local policy makers share a concern that local government service delivery is characterized by costly duplication and overlap. One effort to resolve this problem was the 1997 Local Government Service Delivery Strategy Act passed by the Georgia General Assembly, calling for local governments to sort out service delivery responsibilities. Other efforts come at the local level. Recently, for example, after intensive communitywide efforts to prepare consolidation charters, voters rejected the proposed consolidations in Griffin and Spalding County and in Hawkinsville and Pulaski County.

In Georgia, proponents of consolidation invariably point to the inefficiencies associated with the duplication of city and county services and argue that creating a single government will save money. Opponents argue that city-county consolidation increases the cost of government. Unfortunately, little hard data exist to support either of these two claims. In fact, very few studies have examined the impact of city-county consolidation, and what little evidence does exist suggests that costs will actually increase in the short term. This finding is not surprising, since local government services tend to be labor intensive, and one might expect the cost of personal services to increase when the personnel systems of the two (or more) governments are combined (e.g., compensation and fringe benefit packages). Moreover, the likely increase in the cost of labor suggests that if a merged government is to save money, its policy makers and managers are going to have to make tough choices, both in the early stages of the new government's existence and throughout the process of building a foundation for its continuing operations.

Because of a lack of information on the financial impacts of city-county consolidation generally, we studied the finances of the Unified Government of Athens–Clarke County,

which began operating in FY 1992. Specifically, we examined expenditures between 1990 and 1997, which included the two years preceding and six years following unification. While the Athens–Clarke County experience demonstrates that merging two governments cannot be accomplished without incurring some costs, we found that cost savings were achieved in some functions and departments (e.g., finance). Moreover, comparing

Table I		
Comparison of Total General Fund Operating Expenditures*		
Percentage Change in Real Dollars**		
City/County	Short-Term (1990–92)	Long-Term (1990–97)
Albany–Dougherty Co.	43.08	58.34
Gainesville–Hall County	15.52	40.43
Warner Robbins–Houston Co.	8.87	33.41
Athens–Clarke County	6.74	20.97
* General fund expenditures related to education, library, hospital, garbage collection, and garbage disposal were excluded from the analysis since they do not appear in Athens–Clarke County's General Fund expenditures.		
** Expenditures were adjusted for inflation using 1989 as the base year.		

Athens–Clarke County expenditures (in real dollars) with the expenditures of three unconsolidated city-county governments in Georgia over the same eight-year period shows that expenditures in Athens–Clarke County increased at a rate noticeably lower than in the three comparison groups in both the short and long term (table 1). Selden and Campbell (2000) discuss these general findings and the supporting data in some detail. Selected findings are listed here:

- The unified government incurred \$470,353 in transition costs—one-time operating or capital expenses that would not have occurred without unification.
- It cost nearly \$5 million to implement the recommendations of outside consultants hired to conduct classification and compensation studies.
- The new personnel system, which combined the two previous governments' pay plans and fringe benefit packages, resulted in an increase in annual personnel-related costs of more than \$2 million, or about 5 percent of the general fund operating budget.
- Water rates were "equalized," as required in the unification charter, by increasing the rate paid by city users and decreasing the rate paid by county (unincorporated) users.
- In the five years after unification (FY 1992–97), general government expenditures (includes internal support units) declined by nearly 10 percent, the only major function to experience a decrease in expenditures.
- Whereas finance expenditures (in real dollars) in all three comparison groups increased in the short term (FY 1990–92), finance costs decreased in Athens–Clarke County by 16.63 percent. A decline in finance expenditures in Athens–Clarke County (-24.51 percent) is also reflected in the long term (FY 1990–97), although costs in one of the comparison groups (Gainesville–Hall County) also fell (-28.69 percent).

These findings suggest that a city-county consolidation can be efficient and can result in cost savings in some departments. However, this case also demonstrates clearly that the extent to which money is saved in a merger will depend on the design of the new government, as reflected both in its charter and the policy and management decisions of its elected and appointed officials. The act of consolidating will not guarantee more efficient operations, despite what some of its advocates would have us believe. On the other hand, consolidating governments will not necessarily cause expenditures to increase as some opponents suggest. Each consolidation must be considered case by case and its fiscal impacts forecast based on the local context.

The unified government's credit rating resulted in interest cost savings on solid waste and water and sewer bonds issued after unification.

This case demonstrates clearly that the extent to which money is saved in a merger will depend on the design of the new government.

Selected Resources

Condrey, Stephen E. 1994. "Organizational and Personnel Impacts of Local Government Consolidation: Athens-Clarke County, Georgia." *Journal of Urban Affairs* 16: 371-83.

Durning, Dan. 2000. "Post-Transition Employee Perspectives of City-County Unification: The Case of Athens-Clarke County." *Public Administration Quarterly*, forthcoming. (Available from the author at durning@cviog.uga.edu and 706-542-2736.)

Selden, Sally C., and Richard W. Campbell. 2000. "The Expenditure Impacts of Unification in a Small Georgia County: A Contingency Perspective of City-County Consolidation." *Public Administration Quarterly*, forthcoming. (Available from the author at campbell@cviog.uga.edu and 706-542-2736.)

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