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Recommended Citation

Homsy, George C.; Qian, Bingxi; Wang, Yang; and Warner, Mildred, "Shared services in New York state: A reform that works" (2013). *Public Administration Faculty Scholarship*. 4.

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Shared Services in New York State: A Reform That Works

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August 2013

Introduction

Local governments in New York State face many challenges: to improve service quality, to control costs and to encourage service coordination with neighboring governments to promote regional development. Shared service delivery is often recommended as one approach to address all three goals.

This issue brief reports on a statewide survey, conducted in Winter 2013, of New York towns, counties, villages and cities to assess their level of collaboration in the delivery of public services, as well as the motivators and barriers to such service sharing. Cornell University partnered with the following organizations in this survey: New York Conference of Mayors, New York State Association of Towns, and New York State Association of Counties. This was part of a larger project that also included surveys of school superintendents and planners. New York City and its five counties were not included in the survey.

The survey had an excellent response rate – 60 percent of all municipalities responded. Elected officials (mayors, supervisors, county executives) account for 69 percent of respondents, while 31 percent were appointed officials (village clerks, county administrators, etc). While the highest response rate was from cities and counties, the largest number of responses was from towns. See Table 1.

Table 1: Response Rate

Category	Cities	Counties	Towns	Villages	Total
Total NYS	62	57	932	556	1607
Number of Respondents	49	44	494	359	946
Response Rate	79%	77%	53%	65%	59%

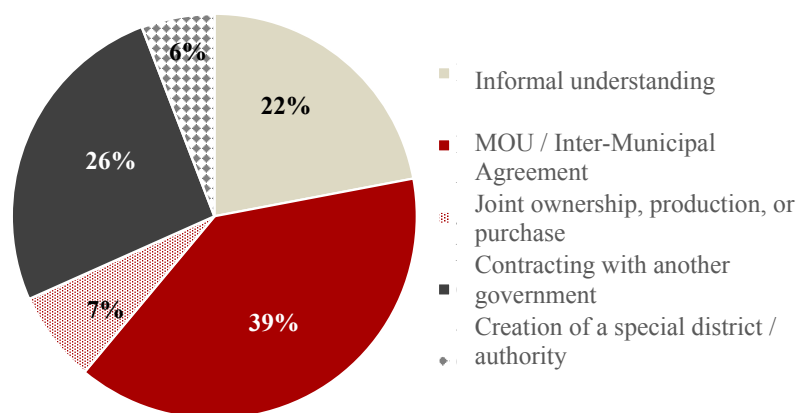
Source: Cornell University, New York State Municipal Shared Services Survey, 2013

Service Sharing is Common

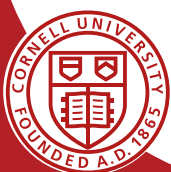
New York's municipalities have been sharing services – and doing it for a long time. Across the responding municipalities, service sharing accounts for 27 percent of the 29 services measured on the survey. On average, inter-municipal sharing agreements have been in place about 18 years.

More than one-fifth of sharing arrangements are informal understandings between local officials. Almost 40 percent use a somewhat more formal memorandum of understanding (MOU). Contracting with another government is used by one-quarter of local governments, while joint ownership/joint production/joint purchase and the creation of a special district are less frequent sharing strategies. See Figure 1.

Figure 1: Service Sharing: How Formal Is the Arrangement?



Source: Cornell University, New York State Municipal Shared Services Survey, 2013, N=946



The Shared Services project is directed by John Sipple and Mildred Warner of Cornell University and funded by the US Department of Agriculture Hatch and Smith Lever grant programs, which are administered by the NYS Agricultural Experiment Station at Cornell University. Additional information can be found at www.mildredwarner.org/restructuring.

The amount of sharing and the kind of agreement varies significantly across services. The survey measured 29 services grouped into 5 categories: Public Works & Transportation, Administrative/Support Services, Recreation and Social Services, Public Safety, and Economic Development & Planning.

The public safety sector traditionally has high rates of sharing and some of the longest standing agreements. (See Table 2.) More than two-thirds of municipalities report sharing Dispatch/911 services. This helps ensure cross-jurisdictional coordination, which is critical to a timely response – and it saves money. Fire departments are the pioneers of service sharing with their longstanding mutual aid agreements (since World War II). Police, dog/animal control and municipal courts, have much lower levels of service sharing and are potential areas in which sharing might grow.

Table 2: Service Sharing: Public Safety

Category	Municipalities Engaged	Ave. Length of Arrangement (Years)	Most Common Arrangement (Years)
Dispatch/9/11	69%	19	MOU
Ambulance/EMS	58%	26	MOU
Fire	53%	34	MOU
Dog/Animal Ctrl.	36%	16	MOU
Police	29%	20	MOU
Municipal Courts	18%	21	MOU

Source: Cornell University, New York State Municipal Shared Services Survey, 2013, N=946

Along with public safety, roads and highways are the most common services provided by local governments in New York State. Almost half of all municipalities share in the maintenance and construction of their roads and highways. (See Table 3.) More than half of all local governments share in public transit or paratransit for elderly/disabled, which is typically a regionally coordinated service. Road and highway agreements are longstanding (average of 20 years), while public transit and paratransit agreements are more recent services (average of 12 years). Water and sewer agreements are also longstanding.

Table 3: Service Sharing: Public Works & Transportation

Category	Municipalities Engaged	Ave. Length of Arrangement (Years)	Most Common Arrangement (Years)
Public transit or paratransit	55%	12	Contracting with another gov't
Roads and highways	48%	21	MOU
Water	38%	21	MOU
Sewer	38%	25	MOU
Refuse, garbage, landfill	26%	17	MOU

Source: Cornell University, New York State Municipal Shared Services Survey, 2013, N=946

Recreation and Social Services also show high levels of sharing. (See Table 4.) Almost half of municipalities share recreation programs with their neighbors. More than half share library systems, this could be with a school district or a local library coordinated in a regional system. Parks, a physical asset, are harder to share although almost one-fifth of municipalities do. Elderly and youth social service programs show high levels of sharing. They are typically run by county governments with municipal participation.

Table 4: Service Sharing: Recreation and Social Services

Category	Municipalities Engaged	Ave. Length of Arrangement (Years)	Most Common Arrangement (Years)
Library	52%	25	MOU
Youth Recreation	49%	22	MOU
Youth Social Services	45%	20	MOU
Elderly Services	37%	20	MOU
Parks	17%	19	MOU

Source: Cornell University, New York State Municipal Shared Services Survey, 2013, N=946

Administrative and Support Services have the lowest levels of sharing and those agreements have been in place the shortest length of time. (See Table 5.) For this reason, this area may hold the greatest potential for increased service sharing for municipalities. More than one-third of local governments share tax assessment. When we shared the survey results with some local leaders, they revealed that sharing of assessment and other administrative / support services goes beyond villages and their towns to also include other neighboring towns and cities.

Joint purchase of supplies and energy offer cost savings. Also, by joining together, municipalities can gain economies of scale and purchasing power in the market for liability insurance and health Insurance. Already, purchasing of supplies, energy, and insurance is coordinated by state contract. Information technology and payroll/bookkeeping are two areas with low amounts of sharing. Changes in technology may make service sharing a more attractive option in these areas.

Table 5: Service Sharing: Administrative and Support Services

Category	Municipalities Engaged	Ave. Length of Arrangement (Years)	Most Common Arrangement (Years)
Tax Assessment	39%	17	MOU
Energy	25%	10	MOU
Health Insurance	12%	12	MOU
Tax Collection	12%	23	MOU
Professional Staff	8%	11	Informal Understanding
Information Technology	8%	7	MOU
Building Maintenance	8%	18	MOU
Liability Insurance	6%	12	Joint Ownership
Payroll/Bookkeeping	4%	8	Informal Understanding

Source: Cornell University, New York State Municipal Shared Services Survey, 2013, N=946

Another area where more service sharing could be beneficial is in economic development and planning. These services call out for regional coordination, but are often subject to inter-jurisdictional competition. Just one-in-ten municipalities share planning and zoning services, often the most prominent example of local control in New York State. (See Table 6.) Some of the local officials reviewing the survey results reported that these services are often the first to be cut as local officials seek to reduce budgets. Among the municipalities sharing these services, the average length of agreements is 15 years.

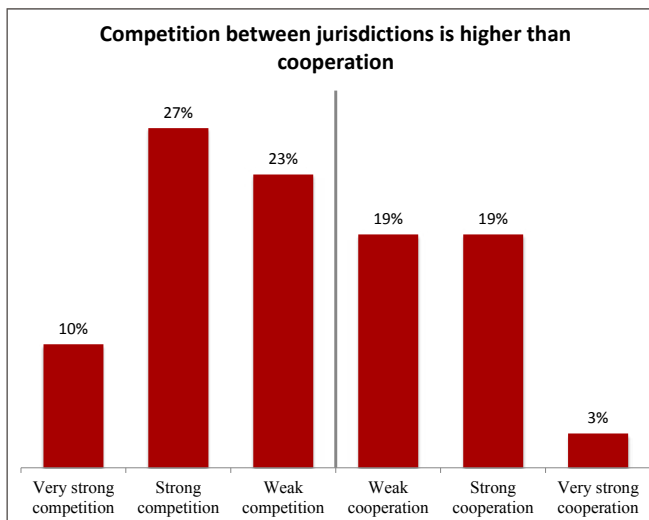
Table 6 – Service Sharing: Economic Development and Planning

Category	Municipalities Engaged	Ave. Length of Arrangement (Years)	Most Common Arrangement (Years)
Economic Development Admin and Promotion	37%	15	MOU
Building Code Enforcement	22%	13	MOU
Planning and Zoning	11%	16	MOU

Source: Cornell University, New York State Municipal Shared Services Survey, 2013

Sharing economic development services is more common. In addition to saving money, research shows that economic development is more effective when coordinated within regions and almost 40 percent of responding municipalities cooperate (Table 6). At the same time, as shown in Figure 2, most respondents feel their local government is in competition with other municipalities for development projects and property tax dollars. The persistence of this perspective surprised local officials, who reviewed the survey results. A number said that the widespread use of PILOT (payment in lieu of taxes) agreements, which reduce the tax advantage of developments, should have lowered such feelings of inter-municipal competition.

Figure 2 – Competition between Jurisdictions



Source: Cornell University, *New York State Municipal Shared Services Survey, 2013*, N=733

Involving Non-profit and For-profit Partners

When municipalities share services, they often involve non-governmental partners as well as other local governments. (See Table 7.) Non-profit organizations are the most likely to be involved in shared service delivery. In economic development administration and promotion, 55 percent of municipalities report having non-profit partners as these duties often are turned over to local or regional industrial development agencies. Library services are the next most likely to involve non-profits (50%). Interestingly, building maintenance, at 46 percent, is higher than we expected. This is due to local government engaging with agencies that provide training and work opportunities to disabled and disadvantaged people. Working with such organizations is seen as socially responsible and saves money as local governments do not incur the long-term costs of full-time employees. Liability insurance also shows high non-profit involvement (46%) due to the creation of inter-municipal consortiums. Forty-five percent of municipalities bring non-profits into sharing partnerships in public transit and paratransit.

For-profit partners are less common in shared service arrangements. One-third of municipalities use the private sector for payroll and bookkeeping, where new information technologies increase service efficiency. Next is refuse, garbage, and landfill, a

service area that has seen substantial innovation, but only 16 percent report engaging private companies. We would expect that as more municipalities decide to share services, more would engage the private sector. This is because such inter-municipal cooperation increases the size of the contract, which makes attracting a private company easier. At the same time, such cooperation boosts the bargaining power of local governments when they negotiate contracts.

Table 7 – Shared Services Most Likely to Have Non-Governmental Partners

	% of Arrangements	No. of Arrangements
NON-PROFIT PARTNERS		
Economic development admin. and promotion (N=110)	55%	60
Library (N=190)	50%	95
Building maintenance (N=50)	46%	23
Liability Insurance (N=44)	45%	20
Public transit or paratransit (elderly and disabled) (N=95)	45%	43
Roads and highways(N=413)	43%	176
Youth recreation(N=317)	43%	135
Ambulance/EMS(N=292)	42%	122
Fire(N=338)	41%	138
Tax assessment(N=271)	35%	96
FOR-PROFIT PARTNERS		
Payroll/bookkeeping (N=26)	31%	8
Refuse, garbage, landfill (N=122)	16%	19
Liability Insurance (N=44)	7%	3
Health insurance (N=83)	6%	5
Public transit or paratransit (elderly and disabled) (N=95)	5%	5

Source: Cornell University, *New York State Municipal Shared Services Survey, 2013*

What Drives Cooperation in Service Delivery?

The next part of the survey explores the motivators, obstacles, and management challenges that local governments face when trying to share services. As shown in Table 8 below, the top three motivators for service sharing are cost savings, fiscal stress, and maintaining service quality. Local governments seek to increase service effectiveness through more effective use of labor and improved inter-municipal coordination. Sharing also is used to maintain services and promote regional equality in service delivery. Other motivators relate to experience, and political variables such as local leadership, trust and community support.

Table 8: Motivators for Inter-Municipal Shared Services

Issue	% Municipalities Ranking As Important
Cost Savings (N=815)	98%
Fiscal stress on local budget (N=794)	95%
Maintaining service quality (N=788)	94%
Local leadership/trust (N=787)	91%
More effective use of labor (N=785)	91%
Service coordination across municipalities (N=765)	89%
Past experience with sharing arrangements (N=771)	85%
Gaining purchasing/bargaining power in the market (N=783)	82%
Community pressure/expectations (N=776)	80%
Unable to provide important services without sharing (N=764)	80%
Business community support (N=771)	78%
Regional equality in service delivery (N=745)	76%
Political support (N=766)	72%
Staff transitions (e.g. retirements) (N=775)	60%

Source: Cornell University, New York State Municipal Shared Services Survey, 2013

Design of the agreement is critical. Sharing requires a partner and the availability of a partner municipality turns out to be the biggest management issue. (See Table 9.) The second biggest issue, a common one with any inter-municipal agreement, is the effort it takes to implement and maintain a relationship along with planning and design of that agreement. The compatibility of data and budget systems are also listed as important management issues for three-quarters of local governments.

Table 9: Management Challenges in Shared Services

Issue	% Municipalities Ranking As Important
Availability of willing partners (N=772)	95%
Implementation and maintenance of sharing agreement (N=767)	91%
Planning and design of sharing agreement (N=769)	90%
Policy, legal, or governance structure to facilitate sharing (N=768)	88%
Combining multiple funding sources (N=761)	80%
Similarity among partners (size, population, income, etc.) (N=771)	80%
Compatible data and budget systems (N=765)	74%

Source: Cornell University, New York State Municipal Shared Services Survey, 2013

Liability and accountability are the most important obstacles. Concerns about liability are the most important obstacles to forming a sharing arrangement. (See Table 10.) Worries about accountability in the partnership are a very close second. State rules and regulations are also a major obstacle. Some of the rules listed by respondents as hurdles to sharing include restrictions on municipal cooperation between school districts and BOCES as well as obstacles to service sharing across the border to municipalities in Pennsylvania. Loss of flexibility, local control/community identity, and local employment impact were the next most important obstacles. Although conventional wisdom suggests that politics, unions, and personality conflicts are

major obstacles to shared service agreements, these obstacles are ranked lowest by New York municipalities.

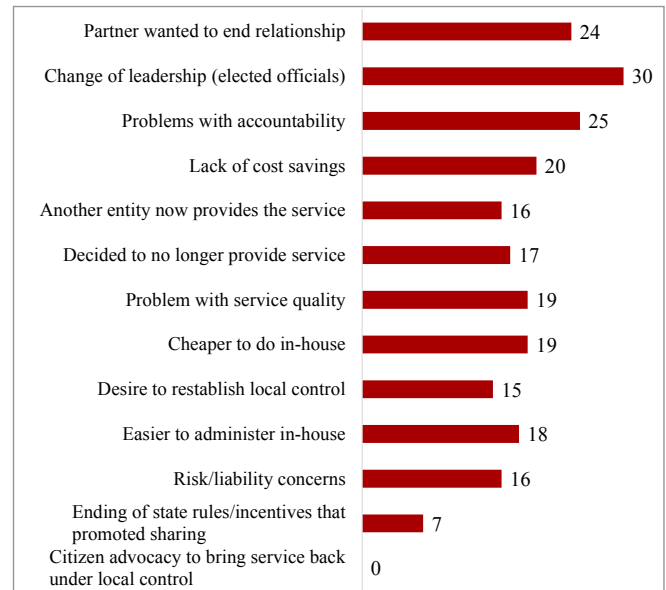
Table 10: Obstacles to Shared Service Agreements

Issue	% Municipalities Ranking As Important
Liability/risk concerns (N=771)	85%
Accountability concerns in sharing arrangements (N=764)	85%
State rules/legal regulations (N=754)	83%
Local control/community identity (N=770)	81%
Loss of flexibility in provision options (N=760)	76%
Job loss/local employment impact (N=762)	70%
Elected official opposition/politics (N=773)	66%
Restrictive labor agreements/unionization (N=769)	65%
Personality conflicts (N=768)	55%

Source: Cornell University, New York State Municipal Shared Services Survey, 2013

We also asked respondents why shared service agreements end. Of the municipalities that reported ending a shared service agreement in the last five years, the number one reason was due to a change in leadership. (See Figure 3, which lists raw numbers, not percentages, because the total number of responses was low.) The number two reason was problems with accountability. The third most common reason was that the partner wanted to end the relationship. Management and efficiency issues (accountability, lack of cost savings, cheaper to do in-house, problems with service quality) were also important factors in the downfall of service partnerships. This is not surprising since these are also the top mentioned management issues and obstacles that officials raised. Although the desire to reestablish local control was listed by fifteen respondents, citizen advocacy to bring service back under local control was not mentioned by any municipality.

Figure 3: Reasons for Ending Shared Service Agreements



Source: Cornell University, New York State Municipal Shared Services Survey, 2013, N=99, multiple responses allowed.

Outcomes of Shared Services

Sharing services allows governments to achieve economies of scale and cost savings. Moreover, it can improve service quality and regional coordination. Across the 29 services measured, municipalities reported on average that they achieved cost savings (56%), improved service quality (50%) and improved cross-jurisdictional service coordination (35%). (See Table 11.) These three outcome indicators do not vary significantly across service categories: public works & transportation, recreation & social services, public safety and economic development & planning. What surprises us is the administrative/support services category. In this category, 70 percent of municipalities report that they achieve cost savings by sharing services. This is far above the overall average (56%) and suggests that opportunities to gain economies of scale in administrative and support service are a fruitful area for expansion in service sharing. However, only 39 percent of municipalities report improved service quality and 25 percent report improved cross-jurisdictional service coordination in administrative and support services. Quality and coordination are outcomes achieved much more often in the other service areas.

Table 11 – Outcomes of Service Sharing by Service Area

Service Area	Cost Savings	Improved Service Quality	Improved Cross-jurisdictional Service
All Services	56%	50%	35%
Public Works & Transportation	53%	56%	39%
Administrative Support/ Services	70%	39%	25%
Recreation & Social Service	44%	59%	38%
Public Safety	48%	54%	38%
Economic Development & Planning	51%	52%	46%

Source: Cornell University, New York State Municipal Shared Services Survey, 2013, N=946

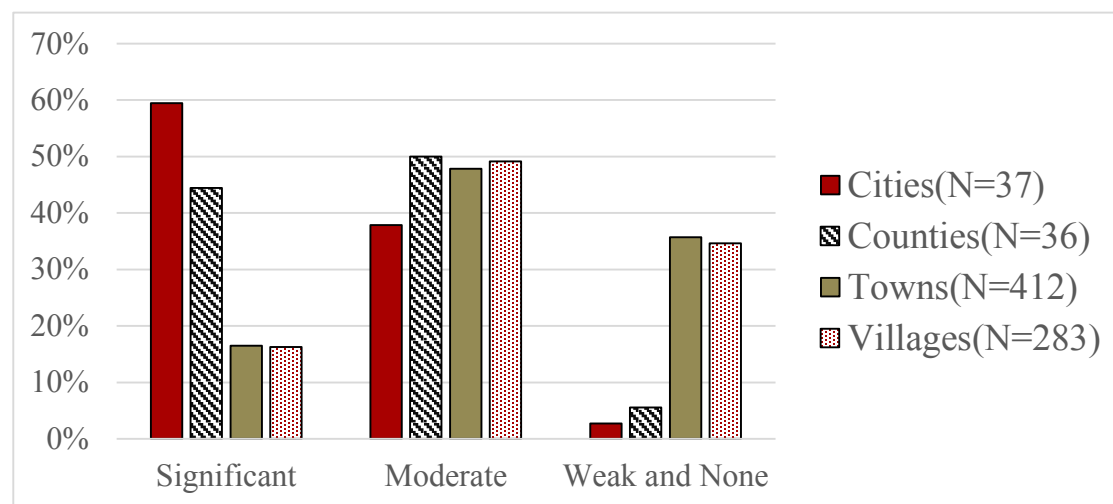
Fiscal Stress

Municipalities across New York State are experiencing significant fiscal stress. The tax cap, cuts in state aid, and rising pension costs force local governments to make hard choices. The last section of the survey explores fiscal stress and local government response. First, in terms of the amount of fiscal stress, Figure 4 shows that cities and counties

are more likely to report significant fiscal stress than towns or villages. As providers of significant services and often facing declining property values, nearly 60 percent of cities report significant fiscal stress. Counties, which also provide many services, but have a geographically broader tax base, are split between reporting significant stress and moderate stress. Villages and towns, which provide the fewest services, report the least stress, though nearly two-thirds say the burden is at least moderate.

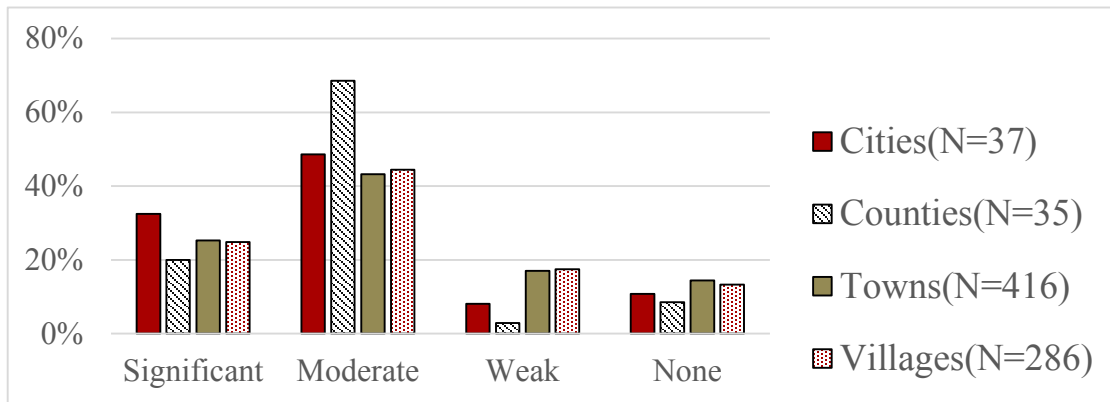
A majority of local governments report the tax cap is a moderate or significant contributor to their fiscal stress. (See Figure 5.) This is particularly true in cities and counties, which are likely pushing up against the limits of the tax cap already. Ninety percent of counties and 80 percent of cities report the tax cap makes a significant or moderate contribution to their fiscal stress. Towns and villages report slightly less of an impact from the tax cap.

Figure 4 – Fiscal Stress Faced by Municipalities



Source: Cornell University, New York State Municipal Shared Services Survey, 2013, N=946

Figure 5: Tax Cap's Contribution to Fiscal Stress



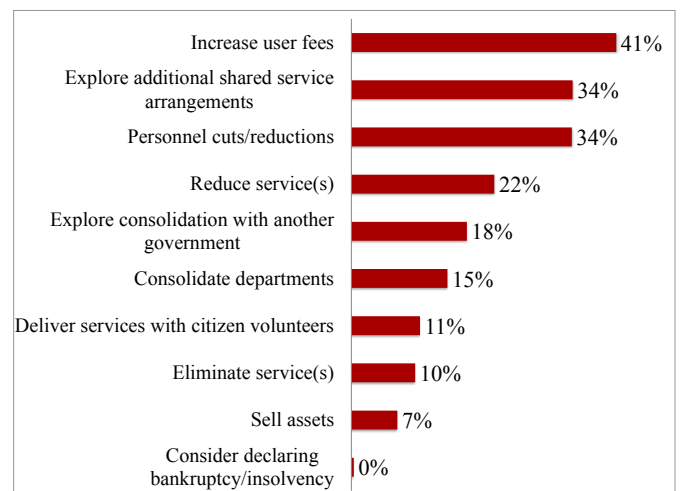
Source: Cornell University, New York State Municipal Shared Services Survey, 2013

Local government officials are very pragmatic when it comes to alleviating fiscal stress. When money gets tight, the most popular course of action for municipalities is to raise user fees on the services they provide (41%). (See Figure 6.) Sharing services is the second most common approach to address fiscal stress – twice as popular as consolidation with another government (18%). Just over one-third of respondents have cut municipal staff to save money, while half that number has looked into consolidating departments. Reducing services (22%) and eliminating services (10%) are responses municipalities try to avoid. A small group of municipalities attempt to find ways to deliver services using volunteers. Bankruptcy is currently contemplated by less than one percent of respondents. Although municipal bankruptcy is often talked about in the popular press, this approach is the last resort, something New York municipalities seek to avoid by employing other reforms.

Conclusion

Local government officials adopt pragmatic approaches to the fiscal stress they encounter. Shared services is an old reform – one New York State municipalities have been using for decades. Today, local leaders are opening new areas of public service delivery to sharing, especially in administrative and support services as well as in economic development and planning. Broadening this practice demonstrates the willingness of New York's local leaders to pursue reform.

Figure 6: Local Government Responses to Fiscal Stress



Source: Cornell University, New York State Municipal Shared Services Survey, 2013, N=800

Obstacles to shared service delivery are primarily regulatory and managerial. Municipal leaders in New York are keen to save costs while improving service quality and cross-jurisdictional service coordination. While there is pressure to consider consolidation, little has occurred to date and research does not support claims of cost savings. In contrast, service sharing is widespread and does lead to cost savings and service quality improvements. Municipalities across New York are engaging in this quiet reform primarily through informal agreements and MOUs, to ensure their citizens receive quality services at lower costs. Shared services is the reform that works.