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## **Choices in Regional Governance Structures: Special Districts as Collaboration Mechanisms**

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### **Abstract:**

This paper uses contextual explanations of regional governance to explore how the limitations to voluntary regionalism can lead to the more centralized, more regulated method of using regional special districts. An ICA perspective is used to discuss the range of choices in institutional arrangements available to jurisdictions. Motivations that jurisdictions may have to use more versus less autonomous methods of ICA are outlined to frame how regional districts fall within this spectrum. A rational choice perspective is also employed to identify the collective and selective benefits that motivate local actors to cooperate, as well as identify the potential transaction cost barriers to doing so. The analysis of this piece focuses on three specific types of special districts (fire, hospital and library districts) that are compared within the context of motivations to regional collective action. The assumptions from this analysis suggest that regional districts will act as a substitute for voluntary cooperation when the individual and collective benefits are threatened by high transaction costs. These assumptions are worked into sets of contextual propositions about how regional districts can present themselves as mechanisms of addressing collective action problems where substantial transaction cost barriers to voluntary cooperative efforts exist.

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## **Choices in Regional Governance Structures: Special Districts as Collaboration Mechanisms**

Debates about whether local governments should cooperate using centralized versus decentralized governance structures have continued on the public administration forefront for several decades. The first line of these debates, entails the traditional connotation of regional governance, and sees full government consolidation as being the focal point of regionalism and efficiency while equity and accountability are attainable only through centralization. This perspective builds upon the progressive reform tradition of the early 20<sup>th</sup> century, which relied on centralizing authority to remove the control of local governments from the political machines that dominated municipal politics. However, this centralized view-point of regionalism gained little acceptance, as nearly eighty-percent of city-county consolidation proposals in the United States have been rejected by voters (Olberding, 2002).

The second line of debates places an emphasis on centralized regional governments to enhance efficiencies and maximize economies of scale. This viewpoint of regionalism gained popularity during the 1960's, and placed a focus on the creation of formalized regional planning agencies to administer regional governance. This method was widespread and was backed by federal funding efforts to motivate local governments to facilitate coordination in this fashion (Olberding, 2002). Nevertheless, the popularity of this system dwindled as the federal government cut many regionally oriented programs during the 1980's (Olberding, 2002). A more recent focus of regional cooperation is viewed as encompassing a system of horizontally and vertically linked organizations to centralize regional efforts through coordinated interlocal collaboration (Lowery, 2000; Feiock, 2004; 2007). Here, organizations voluntarily work together under institutional arrangements to coordinate efforts to meet regional needs. This

perspective, which has been referred to as institutional collective action (ICA), entails the facilitation of regionalism through such efforts as voluntary intergovernmental contracts, agreements and exchanges to achieve collective benefits (Feiock, 2007).

Collective action of this sort borrows from notions of individual collective action, which see individuals acting collectively to achieve aims that enhance their individual interests (Olson, 1965). ICA applies these concepts to regional governance and sees multiple jurisdictions working together to enhance their own interests, while still contributing to the broader collective need. Such efforts allow local governments to augment the provision of their services and address citizens' demands where doing so on an individual basis may be more difficult. However, "where transaction cost barriers to institutional collective action are substantial, voluntary regional governance may not be possible and governmental approaches such as consolidation and regional districts may be more efficacious" (Feiock, 2007: 48).

Contextual assumptions about voluntary ICA entail that such efforts can bring forth a collective benefit to regional communities, yet limitations based upon general explanations of group theory and rational choice exist (Feiock, 2007). As ICA borrows from the concept of basic group theory (Olsen, 1965), it is hypothesized that the basic conditions of group action must exist for voluntary regionalism to take place. The number of participants willing to form groups must be small, a certain level of homogeneity among participants must exist, and similarities in goals or policy objectives must be established (Post, 2004). A rational choice perspective entails that the individual and collective benefits of interlocal cooperation must outweigh the costs (Feiock, 2007; Coase, 1988). To facilitate voluntary arrangements, actors must meet the condition of overcoming problems of coordination, division, and defection (Maser, 1998). The transaction costs of monitoring and enforcement must be minimized in order

for successful bargaining agreements to be achieved. When these conditions are minimal or non-existent, barriers to voluntary institutional collective action are said to exist. In such cases, local governments must look to other more regulated means of collective action when regional cooperation is imperative.

This paper uses contextual explanations of regional governance to explore how the limitations to voluntary regionalism can lead to the more centralized, more regulated method of using regional special districts. An ICA perspective is first used to discuss the range of choices in institutional arrangements available to jurisdictions. I identify the motivations that jurisdictions may have to use more versus less autonomous methods of ICA and frame how regional districts fall within this spectrum. I next use a rational choice perspective to identify the collective and selective benefits that motivate local actors to cooperate, as well as identify the potential transaction cost barriers to doing so. The analysis of this piece focuses on three specific types of special districts (fire, hospital and library districts) that are compared within the context of motivations to regional collective action. The assumptions from this analysis suggest that regional districts will act as a substitute for voluntary cooperation when the individual and collective benefits are threatened by high transaction costs. These assumptions are worked into sets of contextual propositions about how regional districts can present themselves as mechanisms of addressing collective action problems where substantial transaction cost barriers to voluntary cooperative efforts exist. These propositions are contextual in the sense that they are framed within the context of the collective and selective benefits of cooperation. These propositions are used within the final section of this essay to explain how this framework development can be applied empirically to future research endeavors.

## **Choices in Institutional Arrangements of Cooperation**

The institutional mechanisms for resolving collective action problems range from simply specifying the “property rights” of authorities and letting them negotiate through informal arrangements to the full consolidation of existing units into a regional general purpose government (Feiock, 2007; Stein, 1990). In between these extremes are several alternatives including voluntarily established regional districts for specific functions. As illustrated in figure 1, Scholz and Feiock (2007) array eight regional governance institutions according to the autonomy retained by the individual local government actors involved. High levels of autonomy retention entail more voluntary methods of regional cooperation. Low levels of autonomy retention entail more regulated methods.

At the high autonomy end of the spectrum informal policy networks are used to harness regional collaborative efforts. At the other end lay fully consolidated general purpose governments. Policy networks entail informal connections among agencies that are designed to reduce obstructions to coordinated policy solutions (Scholz, Feiock, and Ahn, 2006). The success of these networks greatly depends on the interconnectedness and density of the participating organizations. Larger networks with greater density will usually have greater chances for collaboration (Schneider et al., 2003; Scholz, Feiock, and Ahn, 2006). However, the informal voluntary nature of these networks makes them the most limited in their abilities to resolve regional problems (Feiock, 2008). In instances where the costs of negative externalities are high institutions will require more formal cooperative arrangements to assure compliance. High transaction costs make policy networks a less attractive method of cooperation due to their weaknesses in monitoring and enforcement.

Government consolidation, on the other hand requires the formal merging of jurisdictions, which requires one or both to give up government autonomy. Although full consolidation efforts have historically encountered voter resistance, partial consolidation efforts have been more prevalent. Specific functions are merged among governmental units with the intent of both jurisdictions maintaining their autonomous governing powers while sharing the costs and benefits of service provision. The success of these endeavors, however depend on the levels of political and fiscal compromises that jurisdictions may have to make to formulate agreements. The merging of police functions, for instance may be difficult to achieve as neither jurisdiction may be willing to sacrifice a police chief or impose additional tax burdens on citizens. The political and financial costliness of consolidation may deem it as being a less feasible choice in resolving regional dilemmas (Feiock, 2008).

**Figure 1 about here**

As opposed to policy networks or consolidation endeavors, voluntary regional districts allow jurisdictions to resolve collective problems through regulated means without requiring jurisdictions to bare undue fiscal costs. Special districts maintain autonomous taxing and borrowing powers that allow them to incur costs that are separate from general government budgets. The revenue generation powers of districts allow them to act as servicing mechanisms while having the ability to act as self supporting entities. Taxing districts specifically, have a significant advantage as they can relieve jurisdictions of the pressures of imposing additional taxes on citizens (McManus, 1981). Their abilities to undertake public debt with less public scrutiny also gives them the advantage when it comes to making substantial investments in large

capital infrastructure (Foster, 1997; McCabe, 2000). Services with a capital intensive nature can create scale economies for special districts that may otherwise require investments that are too costly for general governments (Mullin, 2009). The self revenue generation powers of special districts give them the ability to undertake more investment risks that require substantially higher start-up costs in order to obtain the long-term benefits of economies of scale.

Regional districts have the flexibility to resolve collective action problems across jurisdictional boundaries (Mullin, 2009; Carr, 2005; Gerber and Gibson, 2005). The dilemmas inherent within the fixed boundaries of general purpose governments entail complexities in addressing spillover problems. The inflexibilities of local government boundaries are often realized through state regulations and the political/cost complications of annexation. Where states impose heavy city boundary changing constraints, general governments will have little opportunity to adjust their borders to reflect changing service demands. The procedural intricacies of annexation often involve voter notification and approval, as well as the availability and development of annexable land. Legal caution must be taken into consideration, as officials must be careful such that annexation procedures do not create enclaves. Special districts can often address these dilemmas by offering efficiencies in the enhancement of economies of scale through expanding or crosscutting existing boundaries. The difficulties of annexation can make districts an attractive substitute in regional endeavors. The flexibility of special districts to create territorial change can promote creative intergovernmental problem solving as the creation of overlap or a common boundary can prompt jurisdictions to become more like service partners within a cooperative agreement (Mullin, 2009).

### **The Costs and Benefits of Cooperation**



Discussions about voluntary interlocal cooperation can be summed up within the cost/benefit explanations of transactions. The rationale behind collective action can be approached from a perspective that sees the collective and individual benefits of cooperation as major motivating factors (Feiock, 2007 Ostrom, 1990; Olsen, 1965). Collective benefits are attained when group efficiencies and economies of scale are gained through the resolution of externality problems (Feiock, 2007). The motivation to cooperate in this instance may be driven by the need to act collectively to bring forth joint efforts that alleviate negative externalities in order to realize positive benefits for the regional community as a whole. The individual or selective benefits are generated when the benefits of group action directly advance the individual interests of public officials or their immediate community (Feiock, 2007). Such motivations may stem from the need of a public official to look for an innovative method of outsourcing services that the community may not be able to provide on its own. Barriers to these collective and selective benefits however are realized when voluntary interlocal collaboration is faced with risks associated with problems of coordination, division and defection. The costliness of mitigating risks through the efforts of agreement monitoring and enforcement can bring forth difficulties in voluntary cooperation efforts, and lead to the implementation of mechanisms with institutional safeguards that promote stability and efficiency (Maser, 1998).

### **Collective Benefits of Cooperation**

The notion behind assumptions of collective benefits entail that the benefits of interlocal cooperation are such that advance the group as a whole. Interlocal cooperation can generally bring forth specialized governance structures to promote collective gains among multiple jurisdictions in efforts to overcome service allocation problems. Such problems can come when single institutions have difficulties internalizing spillovers. Spillovers can be costly when the

services intended for one population unintentionally affect another, especially when the unintended beneficiaries are already receiving such services from another local institution. This overlap represents wastefulness in resources, which can be costly on local budgets. Additional service allocation problems will materialize when the unintended beneficiaries are simply free-riding from services not provided otherwise, and therefore have no incentive to contribute to production (Ostrom, 1999). This issue can be problematic, especially on the behalf of the institutions providing the services. When service providers are forced to recoup investments through even exchanges, free-ridership problems can lead to a disincentive to adequately provide services (Ostrom, 1999). Such problems can lead to an underinvestment in the development of infrastructure. Group efforts to alleviate such service allocation problems can give rise to the collective benefits of interlocal cooperation.

Collective benefits are also likely to be realized when large scale service problems stand to bring forth large aggregate gains from cooperation (Feiock, 2007). The individual investments made to address service inefficiencies must be outweighed by respective group gains in order for interlocal cooperation to exist.

“Interlocal cooperation can be the product of efficiency-enhancing efforts of local officials seeking economies of scale in production, especially in the case of capital-intensive goods (Post, 2002). A Polycentric system of governments enhances allocative efficiency if it produces a match between community preferences for quantities and qualities of a service and actual service choices and resource allocations; but it can also result in diseconomies of scale in service production and interjurisdictional externalities. Economies of scale result when average cost declines as output increases. Fragmented governments are constrained by their size if there are not enough citizen consumers in a jurisdiction to produce a service at minimum cost. For this reason, economies of scale are often cited as the impetus for interlocal agreements” (Feiock, 2007: 49).

The transaction costs encompassed within the nature of services dictate the levels of scale economies that local governments can achieve. Services with higher fixed costs can bring forth

higher cooperative efficiency gains as large short-term investments may stand to bring forth long-term benefits. High fixed costs may also entail costly large scale production endeavors with high individual unit costs. The mutual gains of collective action can be realized through the reduction of costs to individual investors.

### **Individual/Selective Benefits of Cooperation**

The individual incentives that are afforded to actors have implications for their willingness to act collectively (Feiock, 2007; Olsen, 1965; Ostrom, 1990). The understanding behind the individual and selective motivations of interlocal cooperation can come two-fold. From one standpoint, the specific institutional benefits that general governments are due to gain from cooperation must be higher than the respective costs. From another standpoint, the benefits of cooperation must bring specific gains to the individual actors within the institutional decision making process. This perspective sees the motivations of local government officials as playing an important role in local government decisions to cooperate.

Advocates of the traditional view of regionalism cite competition within a decentralized system as having negative impacts on regional governance, thus making the existence of cooperation difficult. However, “proponents of decentralization have a powerful body of economic theory backed by formal models and empirical evidence to explain competition in public good provision and its generally positive implications for efficiency” (Feiock, 2004:12). In this light, governmental organizations can be viewed as firms that often must provide desired services as demanded by consumers. Yet, some services are more costly to provide than others, bringing forth limitations in production. Limitations of this nature motivate governments to look beyond their own boundaries to expand their capacity for service production. Service capacity problems can bring forth institutional specific incentives that will motivate local governments to

enter into cooperative agreements. General governments often seek to improve their positions by maintaining or improving their capacity to provide services (Peterson, 1981). According to the “Tiebout Model,” the lack of the ability of institutions to meet service demands, especially for essential services can have negative impacts on the local tax base (Bickers et al., 2006). Where service demands are high, and service capacity problems exists, institutions may seek cooperative arrangements with other government institutions to overcome this dilemma. This is especially true in cases where local governments must look outward for the provision of non-market services or services that require highly asset specific resources for production (Feiock, 2007; Mullin, 2009; Brown and Potoski, 2002).

To complement the competition argument, Feiock (2007) cites the personal incentives of local leaders as playing a major role in decisions to enter into cooperative agreements. Selective incentives of this sort can come from both the political and the professional incentives of managers to benefit from institutional transactions. Within the political realm managers are the focus of political activity and as a result are driven to minimize political hassles and turmoil (Miller, 2000). The ability of an elected official to respond to service demands will dictate her ability to maintain her political position. External stakeholders can make life difficult for officials through strikes, slowdowns, sabotages (Miller, 2000) or by simply reducing political support. The desire to minimize these difficulties forces officials to find creative ways to contend service delivery problems. Here, the selective benefits of collaboration can be viewed as driving the desire of elected officials to provide desired services to electoral constituents and minimize political difficulties.

The professional incentives of local leaders stems from their desires to improve their careers by conducting successful institutional transactions (Miller, 2000). Finding innovative

ways to address service inefficiencies and stimulate economic growth can raise the professional stock of the public managers who orchestrate these events. Instances such as this give public officials the opportunity to be the residual claimants of institutional gains by putting them in the position to find better paying positions in larger and wealthier communities (Feiock, 2007).

Collaborative service arrangements can produce personal benefits for local officials through the creation of bargaining positions that represent the better interests of constituents (Feiock, 2007).

Managers who successfully negotiate the distribution of cooperative gains can bring forth a social benefit that represents their competence as public leaders. However, agency problems may complicate this matter in that “the preferences of public officials negotiating interlocal agreements may depart from the preferences of citizens they represent” (Feiock, 2007:54). The shorter time horizons of elected officials may conflict with long-term community needs (Clingermayer and Feiock, 2001). Conversely, the willingness to credibly commit to long-term investments may conflict with constituency fears during times of budgetary uncertainties.

### **Transaction Cost Barriers to Voluntary Cooperation**

Why would local governments need to move towards more regulated, less autonomous methods of the regional governance? The general assumption advanced within this paper entails that when transaction cost barriers to voluntary cooperation exist, governments will rely on regional centralized institutions such as special districts to manage regional problems. When the collective and selective benefits to regional cooperation are blocked or at least outweighed by transaction costs, actors within cooperative arrangements will require institutional safeguards to protect their interests. The collective benefits of cooperation are thought to be jeopardized when the basic assumptions of group dynamics are violated, and division and defection problems are

existent. The selective benefits are threatened when cooperative arrangements are presented with problems of coordination.

From a collective standpoint, conditions of ICA are similar to those for individual cooperation, in that group size, the homogeneity of community characteristics and policy objectives, and the existence of coercive incentives will dictate the successfulness of collective efforts (Post, 2004). To elaborate, smaller groups in voluntary cooperative efforts will give acting governments more benefits to forge agreements. Whereas larger groups seeking collective action efforts will yield higher transaction costs due to the decreasing benefits of cooperation (Post, 2004). An increase in the number of local governments within a region generates competition among those governments for limited resources such as capital and labor, which at times may act as a hindrance to voluntary cooperation (Post, 2004; Peterson, 1981; Tiebout, 1956). Complexities of this nature come forth as competition for valuable resources lead to costly defection problems. Because actors may be tempted to succumb to opportunistic behavior and deviate from collaborative agreements, regulative cooperative arrangements will be required that provide institutional safeguards through monitoring and enforcement.

Due to geographic limitations, local governments will generally cooperate with other governments within their immediate proximities while occasionally working with governments from different regional areas (Post, 2004). However, long distance cooperation may reduce the cost-to-benefit ratio often associated with contracting (Post, 2004) as such relationships may entail substantial investments in high fixed costs. Geographic limitations dictate the number of available partners that a metropolitan area will have to forge agreements. If an area has a large number of partners, the chances are that there will be a larger number of opportunities for

intergovernmental cooperation (Post, 2004). However, more jurisdictions lead to larger groups involved in ICA efforts, which may lead to less voluntary means of cooperation.

In order for group action to take place, homogeneity in goals, objectives and attributes must exist between participants. Common policy objectives and characteristics may include such things as a common desire to realize cost savings, the mutual desire to service a community across jurisdictions, and the homogeneity of constituent preferences for specific goods and services (Post, 2004). Other commonalities may include decisions to invest in large capital infrastructure, fiscal strengths and weaknesses, and policy spending directions. Cooperative agreements between communities may be difficult to achieve if the preferences of one community are different from those of another. For example, income inequalities may lead to difficulties in forging joint efforts as one government may be averse to the risk of taking on the fiscal burdens of another (Gerber and Gibson, 2005). The lack of homogeneity in goals and policy objectives can bring forth differing bargaining positions which may require more regulative institutional arrangements to harness cooperative tradeoffs. Without such mechanisms, collaborative efforts would be hindered by division problems. Voluntary cooperation would be difficult to achieve as the parties involved would encounter problems in agreeing to the division of their mutual gains (Feiock, 2007).

From a selective benefits standpoint, complexities brought forth by coordination problems can have implications on general governments' willingness to voluntarily cooperate. These problems can complicate cooperative efforts when information regarding the details and outcomes of arrangements is not common to all participants (Feiock, 2007). Barriers to voluntary cooperation often exist when actors have difficulties identifying opportunities for mutual gains. Such problems will arise if parties misunderstand the risks and results of the

processes of cooperation (Maser, 1998). When resources are limited and information is costly, rational actors will have difficulties organizing agreement efforts as the expected outcome for cooperation may be vague or unknown. Participants will have problems initiating voluntary agreements with one another due to the presence of unknown variables that cloud expectations.

### **Design of Descriptive Research and Findings**

The preceding sections highlighted the choices available to participants in cooperation, and the costs and benefits of doing so. The major proposition brought forth within this study entails that actors will use less voluntary methods of cooperation and lean more towards more regulated methods when the collective and selective benefits are threatened by high transaction costs. This analysis operates off of the assumption that regional districts will take the place of voluntary cooperation, as the options of partial and full consolidation are rarely available and may not be feasible. This proposition is examined by exploring the implications that transaction costs barriers had on the inception of specific special districts. The purpose of this approach is to systematically connect the concepts drawn from this study to formulate ideas that explain the given phenomenon (Straus and Corbin, 1998). While this descriptive analysis is not a grounded theory approach per se, it seeks to shed some light on the conditions that drive local governments to use more versus less regulated cooperative methods to address regional needs by using these specific cases as examples. The observations that are made from these cases offer meaningful insight and guidance to this framework.

The methods within this descriptive analysis consist of three major components; data, data coding, and procedures of data interpretation (Straus and Corbin, 1998). In the summer of 2007, I interviewed the officials of 18 independent multi-jurisdictional special districts by phone to collect their insight on the roles that regional collective action played in their creation. Of the 18



districts surveyed, were five fire districts, six library districts, and seven hospital districts selected randomly from a larger population. The respondents within each district were either the district's head administrative officer or someone of equal administrative capacity. As regional effects may have implications on governmental choices in institutional arrangements the locale of the examined districts spread across various regions of the country<sup>1</sup>.

All interviews were semi-structured, and entailed a battery of 10 questions that asked about the specifics of the implications of collective actions on the creation of these special districts. Following the technique of prior qualitative work (Argonoff, 2003; Brower and Abolafia, 1996; Lofland and Lofland, 1995; Schensul, et al., 1999; Straus and Corbin, 1998), this research uses an open coding system to codify data based upon information gathered from the surveys (Straus and Corbin, 1998). As data emerged, various concepts were created that systematically established relationships between different characteristics, actions, and themes brought forth throughout the analysis. This data coding system allowed the data to be bridged within this framework, while providing this research with an analytical method of assessing the information drawn from the administered surveys (Straus and Corbin, 1998).

The data were then interpreted and conceptually ordered according to their property and dimensions and described based upon specific categories (Straus and Corbin, 1998). This step led to the process of developing ideas which were conceived based upon data interpretation, and then formulating them into explanatory schemes. Finally, specific aspects of these explanatory schemes were developed into contextual propositions that are set to develop a theoretical framework, and guide future analyses in the development of empirical investigations.

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<sup>1</sup> Please note that this is not a strong method of controlling for regional effects. This was more so a method of obtaining general representation for descriptive purposes.

## **Analytical Findings and Discussion**

Table 1 summarizes the results of the conducted inquiry. Regional districts were found to be used as mechanisms of cooperation. However, the extent to why officials chose districts for service provision as opposed to more voluntary methods of cooperation varied among the given service types. When questioned, officials revealed that fire and hospital districts were more so driven by cost than library districts. Fire and hospital districts were seen primarily as tools of financing large capital infrastructure and supplying highly asset specific equipment.

Specifically, fire district officials reported that their districts were most useful in areas where local governments had problems generating tax revenue and sustaining adequate fire services. The abilities of these districts to generate revenue make them valuable assets in efforts to cooperatively provide regional services. Hospital officials revealed that their districts were useful when it came to providing an additional source of debt financing. In these cases hospital districts were found to be valuable because of their ability to borrow large sums of cash without impacting general government budgets.

The nature of fire and hospital services entails high fixed costs which were found to be best internalized by special districts. The capital-intensive nature of these services creates scale economies that can make it particularly costly for individuals to engage in more voluntary methods of regional cooperation (Mullin, 2009). The data brought forth from these specific findings indicate that where the individual costs were high, and where collective benefits were stood to be gained; fire and hospital districts were more apt to be used.

Library districts on the other hand, were found to be used primarily as mechanisms to provide a service that was deemed as having high popularity. Officials reported that citizens' desire to promote reading and gain access to free information were the major issues that sparked

the creation of these districts. Additionally, it was reported that citizens were concerned with enhancing their communities' educational and cultural needs. Library districts in this instance were found to be established in areas where residents had little or no access to such services. In essence, regional libraries were used as a means of extending the accessibility of services to citizens. For these respondents, regional library districts were developed as a direct result of communities desiring to acquire services. These responses lend support to Burns' (1994) findings that local government formation is often the result of citizens' desires to enhance service provision. Given the current analysis, library districts were found to be used more so in the instance of obtaining the selective benefits of addressing service demands.

Regarding group dynamics, the hospital and fire districts in question were found to exist in areas where jurisdictions were fewer and more disbursed. As suggested in the table, these districts were more so used in the midst of high individual costs that stood to bring large collective gains. Conversely, library districts were found to exist in areas where jurisdictions were more geographically concentrated, and more participants were willing to participate in cooperative efforts. The current findings suggest that these specific library districts were more so used as mechanisms to overcome higher collective costs or barriers to group formation. From a homogeneity standpoint, common policy objectives were found to exist among jurisdictions within all three district types. However, approaches to achieving those common objectives tended to differ. In this light, districts were seen as bridges of communication that helped officials overcome disagreements in approaches to achieving given policy goals.

**Table 1 about here**

## **The Roles of Service Demands and Group Dynamics**

The first proposition entails combining the perspectives of regional service demands and group dynamics. From this perspective, it was evident that the creation and usage of the surveyed library districts were motivated by the selective benefits of cooperation (Feiock, 2007). The selective benefits of cooperation entail the benefits directly gained by local leaders from successful collaborative service innovations (Feiock, 2007). As highlighted above, the usage of regional library districts were found to be driven by motivations to fulfill citizens' service preferences. Additionally, these districts were seen as addressing service preferences where preferences were more abundant and diverse. This was reflected in the number of available cooperating jurisdictions. Fire and hospital districts were found to exist in areas where groups were deemed as being smaller and more disbursed, whereas library districts were found to be in areas where groups tended to be larger. Likewise, fire and hospital districts were reported to exist in areas that were more rural and less geographically concentrated, whereas library districts were found to be in more urbanized areas where jurisdictions were larger and more condense.

Considering service demands, library and hospital districts were found to be useful when populations tended to increase. However, library district usage within this analysis was deemed as being driven more so by the perception of service value. This particular finding gives some support to the selective benefits argument in that the incentives of local leaders to address the preferences of constituents have implications for their willingness to enter into cooperative arrangements (Feiock, 2007). However, voluntary cooperative arrangements were difficult to achieve in these cases due to the higher transaction costs brought forth by their group dynamics. Transaction costs in this scenario were deemed higher because these library districts often operated within areas that were more geographically concentrated, entailing larger groups with

more diverse preferences. Given these group dynamics, regional districts were deemed as being the safer arrangement, as participants may have been left vulnerable to potential collective action problems associated with high information and coordination costs (Feiock, 2007; Inman & Rubinfeld, 1997). From this perspective, coordination problems can arise as more governments bring forth more competition over limited resources. More governments in these cases hindered coordination as the benefits of mutual gains became limited as groups became larger. Here, benefits and costs may not have been distributed equally as some jurisdictions may have incurred more costs, while others gained more benefit. Additionally, the economies of scale would be severely reduced, as larger groups by nature may produce proportionally smaller benefits to its members. Larger groups can also bring forth problems of delivering and obtaining perfect information as higher potential exists for communication to become blocked or distorted between members. “Even where local officials have complete information, achieving agreement on formulas or procedures to allocate costs or benefits can be difficult” (Feiock, 2007:51) because larger groups may involve some members having a disproportionate share of decision making powers as opposed to others.

*Proposition 1: When the selective benefits of cooperation are present, the usage of regional districts is positively related to the extent that the organizing of services entails information and coordination complexities.*

### **The Cost of Regional Needs**

The second implication brought forth from the surveys is that a regional need must exist in order for multi-jurisdictional special districts to come forth. However, the more latent lesson learned within this analysis is that the extent of these needs are determined by the nature of the service sector. Fire and hospital districts were shown to be driven by motivations to capture the scales of economies encompassed within collective benefits (Feiock, 2007). The collective

benefits perspective sees cooperation being motivated by the benefits of obtaining efficiency gains. Here, we can begin to conceptualize special districts as tools of harnessing financial resources to address regional needs. This may be especially true when regional needs require substantial long-term financial investments. As suggested within the beginning of this essay, high financial costs brought forth by service endeavors can bring forth barriers to voluntary ICA.

From another more economical standpoint, the responses within these interviews suggested that regional districts can be beneficial in the provision and delivery of services that require significantly high fixed costs. Unlike general purpose governments, special districts have the ability to maintain autonomous control over revenue generation, which allows them to have access to government sources of revenue with less scrutiny (Farmer, 2008). They have the luxury of being private organizations that enjoy the benefits of governmental resources. From this perspective, they have the ability to undertake more investment risks that require substantially higher start-up costs in order to obtain the long-term benefits of economies-of-scale. High fixed costs within cooperative efforts may also require costly methods of contract monitoring and enforcement to assure that all actors are in compliance with the agreement, which would make voluntary methods of cooperation difficult to achieve (Farmer, 2008). Further, higher fixed costs within cooperative efforts can naturally act as a fertile ground for problems of adversarial legalism (Anderson and Kagan, 2000). Therefore, special districts may be more apt to be employed to provide services with higher fixed costs, as opposed to voluntary methods of regional cooperation.

*Proposition 2a: When the collective benefits of cooperation are present, the usage of regional districts is positively related to the extent that services require substantial long-term financial investments.*

*Proposition 2b: When the collective benefits of cooperation are present, the usage of regional districts is positively related to the extent that services require high fixed costs.*

## **Communities Advancing Collective Policy Objectives**

The third implication within this study suggests that homogeneity plays an important role in decisions to use regional districts. Regarding community attributes, implications of community commonalities could be brought forth from physical attributes such as the environment and geographic location. From this perspective, certain industrial and environmental needs may have driven local governments to seek special district formation rather than voluntarily cooperate. Though officials did not report to this implication directly, an examination of the geographic location and industrial and socio-economic makeup gave hints to the behaviors of the local governments within these areas. In this light, spatial proximity was suggested to play an important role in regional district usage. Specifically, it gave hints to the importance of similarities between communities. When we consider the dynamics of the given service sectors, the sectors that entailed higher financial costs tended to have districts within less geographically concentrated areas. This assertion brings forth two implications. First, services with higher costs that require cooperation between indirect neighbors will be likely candidates for regional district usage. Higher scales of economies in the face of high financial and fixed costs may be achieved through special districts for regional needs that incorporate non-conterminous jurisdictions. Second, this supports an argument ingrained within explanations of community characteristics (Feiock, 2007), and suggests that the cooperation for services that span beyond the borders of direct neighbors may be more difficult to achieve through voluntary ICA efforts.

This particular finding supports arguments of interlocal cooperative transaction costs and presents that regional districts are useful when bargaining positions differ between local officials. Though the findings revealed that the government institutions in question had similar policy

objectives regarding all district types, they had dissimilarities in their approaches to achieving said objectives. This situation brings forth potential problems with bargaining and compliance, as defection may occur if one or all of the parties do not comply with the agreement in the first place (Feiock, 2007). Local governments that have different approaches to policy outcomes may have difficulties converging preferences, which may bring forth incentives for some parties to renege. While one local government's approach to economic development may entail investing solely in tax exemptions for business recruitment, another government's preference may be to invest in land site development assistance for distressed areas. Though, the given policy objective appears to be the same, the specific interests regarding its outcome tend to drift apart. "The higher the probability that their interest will drift apart, the less likely a contract can be struck" (Feiock, 2007:52).

Within the current analysis, regional districts were brought forth as tools of information bridging to overcome differences in approaches to achieving policy objectives. In this light, regional districts can be looked upon as network structures for mitigating collective action problems (Scholz, Feiock, and Ahn 2006). Regional districts can act as a link that bridges connections between government structures to enhance information flows. The nature of this relationship allows clustered networks to be more carefully monitored as third-party governments increase the flow of information and reduce information/coordination costs (Feiock, 2007). As approaches to policy objectives tended to diverge, the cost of enforcement within these cases tended to rise. Due to the lack of consensus on how to achieve policy objectives, threats of renegeing severely hindered the credibility of voluntary collaboration. This brought forth the need to use regional districts to reduce the costs of monitoring and enforcing the compliance of interlocal agreements.



*Proposition 3a: When the collective benefits of cooperation are present, the usage of regional districts is positively related to the extent that service provision spans across indirect jurisdictional boundaries.*

*Proposition 3b: When the selective/collective benefits of cooperation are present, the usage of regional districts is positively related to the extent that the organizing of services entails negotiation and division complexities.*

*Proposition 3c: When the selective/collective benefits of cooperation are present, the usage of regional districts is positively related to the extent that the organizing of services entails enforcement and monitoring complexities.*

### **Further Institutional Considerations**

The presented argument regarding regional district usage in the face of collective action involves a rational choice perspective that focuses on the selective and collective benefits of interlocal cooperation. The three specific service sectors observed within this study gave hints as to how variations in cooperative benefits can play an important role in decisions to use voluntary or non-voluntary methods of cooperation. Though the descriptive analysis brought forth important assumptions that were worked into propositions, it is important to remember that the discussed factors are contextual at best, and therefore require at least the mentioning of other institutional considerations.

One such important consideration to be mentioned is the existence of institutionally coercive measures that may hinder cooperation. State mandates have often encouraged or discouraged cooperation among local governments through regulation (Post, 2004). State laws influence the number of governments that are available for cooperation by regulating local government formation and the expansion/contraction of existing local government boundaries (Burns, 1994; Post, 2004). The assumption that lies here is that state regulations on boundary changes may have implications on the abilities and willingness of local governments to cooperate. Likewise, state laws also influence the cost of intergovernmental collective action

through the regulation of intergovernmental agreements (Post, 2004). When states impose heavy regulations on localities regarding interlocal cooperation, the use of voluntary ICA's efforts will be difficult to achieve. The institutional constraints imposed by states will have a heavy hand in decisions of jurisdictions to cooperate through regional special districts.

The institutional authority of local governments dictates the powers, which give jurisdictions the ability to function. Non-chartered governments will function differently than chartered governments. Local governments with charters (or home rule) will generally have a higher degree of service authority and will generally have the abilities to provide a broader variety of services (Benton 2002). This distinction is important when examining local government service arrangements because the degree of service provision authority within local governments will dictate their willingness to cooperate. Basically, since a charter government has the ability to expand its service provision and production, it would have a lesser need to collaborate with other jurisdictions for service provision. Therefore, more authority and stronger service abilities within governments may act as a barrier to ICA efforts of any sort.

Finally, it is important to consider the nature of the given service sector when considering regional district usage in light of ICA efforts. Special districts are unique in that fire districts differ from hospital districts, and hospital districts will differ from water utility districts. Therefore, it is not safe to assume that because one service is provided through a special district, others will be as well. As different district types incorporate different production efficiencies, some districts will more likely be used in cooperative efforts than others. By nature, some service sectors will enable actors to realize more economies of scales, therefore promoting the likelihood that voluntary efforts will be realized.

It is also important to consider the nature of the transaction costs encompassed within given services. Some services are less tangible than others, and will therefore require more efforts in specifying levels of output (Brown and Potoski, 2003). By nature, these services may be more difficult to realize through voluntary ICA efforts simply because difficulties in output measurability raise the transaction costs of compliance monitoring and enforcement. The same logic may apply to services with high asset specificity. Here, services that require highly specific pieces of equipment, human skills, locations, or time periods may be less likely to be administered through voluntary arrangements of cooperation, as the nature of these services can potentially bring forth opportunistic behavior among actors. Accordingly, high asset specificity entails high transactions costs that will require formal institutional arrangements to ensure fairness among bargaining positions, as well as ensure that agreement compliance is maintained (Williamson, 1985; Brown and Potoski, 2003; Feiock, 2007).

*Proposition 4a: The usage of regional districts is positively related to state level constraints on local government boundary change.*

*Proposition 4b: The usage of regional districts is positively related to state level constraints on interlocal agreements.*

*Proposition 4c: The usage of regional districts is negatively related to the existence of home rule authority within local governments.*

*Proposition 4d: The usage of regional districts is positively related to the extent that services have complex output/outcome measurements.*

*Proposition 4e: The usage of regional districts is positively related to the extent that services require asset specific resources.*

## Conclusions

The purpose of this paper was not to bring forth concrete inference, but rather instigate a line of questioning about choices in efforts to implement ICA. The propositions brought forth in this analysis sought to explore the implications of transaction cost barriers to voluntary cooperative efforts on more regulated methods of collaboration. Though, the current study placed an emphasis on regional districts, the intent behind this piece was to suggest a unique way to begin exploring the spectrum of cooperative service choices in ICA efforts. The idea was to conceptualize why institutions would rely on alternative methods of regional cooperation when barriers to voluntary cooperative institutions exist. The special districts examined within this analysis were used more so as real world examples to illustrate how the implications of transaction costs to ICA efforts affect regional choices within the context of specific benefits to institutions and actors.

Using these contextual propositions, empirical investigations could be conducted that explore the notions brought forth within this framework. Here, researchers can explore the implications of the collective and selective benefits on regional collective action, and address important questions regarding rational choices in institutional arrangements. At this point, we can develop formal empirical models that test the assumptions of these propositions and bring forth concrete evidence about the effects of transaction cost barriers on such choices. A more specific question could entail more empirical work that explores the strengths and weaknesses of policy networks versus regional districts. This question could also be expanded to entail a broader array of service sectors that capture a fuller picture of production and provision attributes. To date, many of the studies that explore ICA make general assumptions that assume that the same rules of cooperation and transaction costs are applicable across service sectors.

What the current analysis has shown us is that services are contextual and should be treated as such. By nature some services will require the consideration of higher transaction costs, while others have more political implications. Some services are more suitable for policy networks, while others may require the installation of stricter institutional safeguards. Yet, other services may be statutorily mandated to be implemented regionally by institutions that afford less autonomy to participants. These and several other factors should be considered when exploring institutional service collaboration choices. As the exploration of institutional choices in ICA efforts brings forth a growing body of literature, students of this area can explore and postulate new hypotheses that will continue to shed light on these phenomena.

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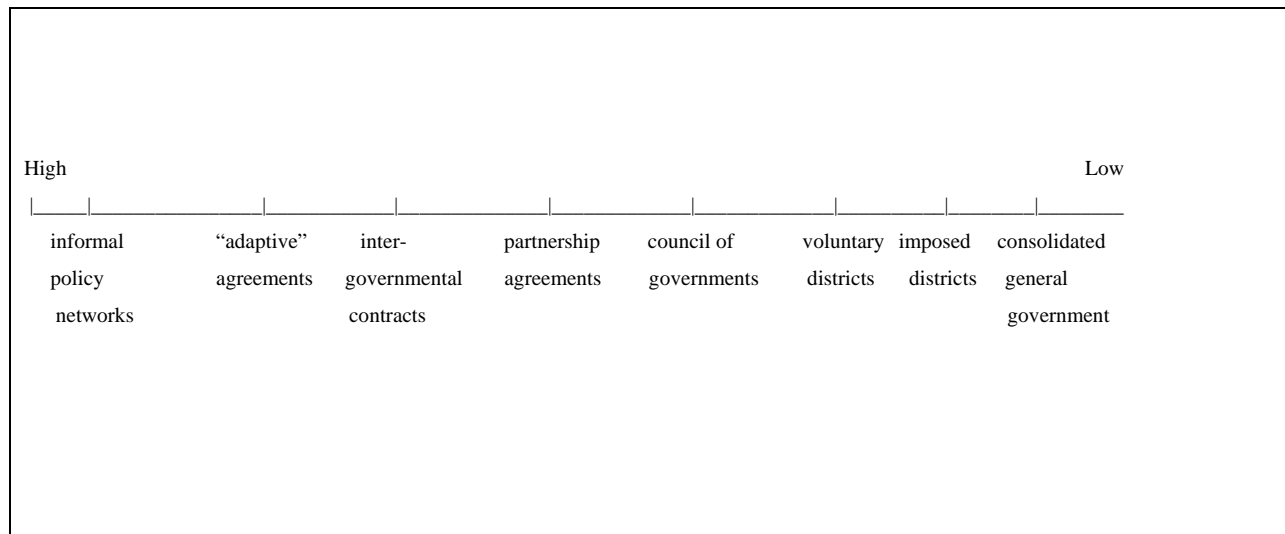
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Figure 1. Array of Regional Governance Institutions



Source: Scholz and Feiock (2007).

Table 1. The Cost and Benefits Associated with Specific Regional Districts

	Fire Districts	Library Districts	Hospital Districts
Collective Benefits	Large economies of scale; Reduction of taxation burden to jurisdictions; Internalization of fixed costs		Large economies of scale; Mechanism of debt financing; Internalization of fixed costs
Selective Benefits		Provision of an important service to citizens; Government officials meet service demands; Access to otherwise missing services	
Collective Costs	Division in tactics to achieve policy objectives	Complexities to group dynamics; Division in tactics to achieve policy objectives	Division in tactics to achieve policy objectives
Selective Costs	High fixed costs; Capital intensive infrastructure; Asset specific equipment		High fixed costs; Capital intensive infrastructure; Asset specific equipment