

**THE FEASIBILITY OF ADJUSTING
COUNTY BOUNDARIES
IN MINNESOTA**

prepared by

**The Minnesota Board of
Government Innovation and Cooperation**

January 1997

**Board of Government Innovation and Cooperation
Third Floor, Centennial Office Building
Saint Paul, Minnesota 55155**

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1: Historical Review of County Government Throughout the U.S.

Prior to determining the feasibility and advisability of adjusting Minnesota's county boundaries, it is important to consider the development of county government and the existing geographic boundaries. This chapter explores the development of county governments in the United States, and then focuses specifically on the development of county government in Minnesota. In addition, it surveys some of the county-county consolidations which have occurred throughout the history of the United States, the reasons for their occurrence, and the benefits, drawbacks, and obstacles to consolidation.

County governments were established in the U.S. as transplanted English shires (counties) or parishes (which is a subdivision of a county often coinciding with an original church parish and constituting a unit of local government¹) modified to meet the local needs of a particular area. The United States constitution had less of an impact on county governments than did early state constitutions and statutes, which established the structure of the county government as an administrative arm of the state. All counties were originally created as general law units of government subject to almost unlimited state control.²

Counties underwent some organizational change during the Jacksonian era of the middle-nineteenth century. Counties still had administrative duties but more county officials became elected than had previously been the case. As the general competence of, and public confidence in, county government increased, counties expanded as service providers. After World War I, counties increased the number of services and expanded into such areas as libraries, airports, hospitals, and functions of planning and zoning, etc. Counties had a clear presence during the Depression era, when states were unable to deal with the economic dislocation and sought federal help.³

¹Merriam-Webster, Inc. (1990). Webster's Ninth New Collegiate Dictionary. Springfield, MA: Merriam-Webster, Inc. pp. 856.

²Currie, G. (1993, December). Minnesota House of Representatives report: Counties, towns, and cities and state and local relations. St. Paul, MN.

³Stewart, M. D. (1991, Winter). Counties in the federal system: The Washington connection. Intergovernmental Perspectives 16(1), 19-20.

Historical Developments of Counties in the United States

In order to understand fully the structure and functions of American county government today, it is important to review the historical developments that have influenced it. Similar to many governmental institutions, the American county government structure is a product of history. The role of the county took several forms depending upon whether the state borrowed from the early colonies of Virginia, Massachusetts or Pennsylvania. American county government has largely been affected and transformed by three major influences, (1) the English county government, (2) American colonial settlement patterns, and (3) the democratization of county government. This section of the report will discuss these historical impacts.

The English County Government

American county government originates from the old English shire (county) system. The legal status of the shire was that of an administrative arm of the crown, which is similar to how the forefathers of the American Constitution viewed the American county. Depending upon the population and size, each county had at least one justice of the peace. Later, additional county officers, such as the coroner and the constable, were given responsibilities. As the number of county officials grew the more pluralized became the county government.

Aspects of the old English system are relevant to the way our county government operates today. The blending of the county judicial and legislative powers in county court is associated with the lack of concern with the separation of powers in county government. For the most part, counties today still have very little concern with the separation of powers doctrine in our constitution. However, the overlap today is in relation to the executive and judicial branches.

The second major influence is the preference to divide powers among several county officials. This pluralization has led to significant problems with regard to accountability and consensus in the administration of counties.

Finally, the county's legal status as an administrative arm as well as a unit of local government stems from the English influence. The county is limited in its power to function independently of the state in terms of policy making. However, as a unit of local government, county officials are responsible for responding to their citizen's concerns.

Colonial Settlement Patterns

The original colonists clustered in small communities for public support. As a result of this, clustering towns were the first units of local government in the North. The southern colonies adopted a manorial system. This settlement pattern was very conducive for large working farms and plantations. In these colonies the county became the primary unit of local government. The first county was established in Virginia in 1624. Since the state was agricultural with dispersed populations, larger counties were established. Virginia was divided into eight counties that served

as the administrative districts of the state. These counties also held the responsibility of judicial, military, public works and taxation districts.⁴

The second form of county government was established in the North in Massachusetts Bay County in 1643. Structurally the government was similar to Virginia. However, there were less county government officers, since towns and cities were considered more important units of local government. These townships preceded counties; they held the majority of responsibilities that were carried by county officials in Virginia.

The middle colonies such as New York, New Jersey, and Pennsylvania took on the third permutation of county government. Pennsylvania stands out because it consciously established counties as the principle unit of local government. The lack of competitive positioning between counties, cities, and townships permitted citizenry to be the unit of representation for the election of to governing boards. These boards were called commissions and they consisted of three commissioners that were elected at large.

The colonial settlement patterns established that, overall, counties would be relatively weak units of government in the Northeast, relatively strong in the South and mixed in the middle states. These three main structures expanded throughout the century and throughout the new colonies. In particular, the middle states like Wisconsin and Minnesota subscribed to the Pennsylvania model, which eventually garnered widespread support since the county commissioners were elected at large.

Democratization of the American County Government

As settlements spread to the west, new lands created new communities and new units of local governments. A major difference between the original colonial states and the West was the West's desire to elect rather than appoint colonial officials. Thus far, most of the states had appointed county officials, but the era of Jacksonian Democracy was characterized by egalitarianism and an overall distrust of aristocracy.

Indiana is a good example of Jacksonian democracy. The first Indiana state constitution adopted in 1816, required elections for the county commissioners, auditor, surveyor, treasurer, clerk of the court, and sheriff.⁵ The influence of this frontier spirit also affected older states that decided to change their structure in favor of elected positions. This influence not only made direct elections popular, but also extended the old English notion of pluralization.

⁴ Duncombe, H. S. (1977). Modern county government. Washington, DC: National Association of Counties, 21-22.

⁵ Bergman, D. (Ed.). (1993). County government in an era of change. Westport, CT: Greenwood Press, 1-21.

According to U.S. Census, there are currently 3,043 county-government types in the U.S. These include counties, city-county consolidations and 39 independent cities. The number of county governments in each states varies from as many as 254 in Texas to as little as three in Delaware.

Since the 1930's, counties have been established in Hawaii, boroughs have been given county status in Alaska, and some counties have consolidated with cities. The only two county-county consolidations occurred in Tennessee in 1919 and in Georgia in 1932, when two counties merged. County consolidations and boundary changes are particularly difficult to achieve due to restrictive provisions by state constitutions. Most state constitutions requires a two-thirds or larger majority vote in each county to be consolidated.

Counties in Minnesota

Counties in Minnesota may be defined as local entities organized as political subdivisions of the state for governmental purposes. The state legislature has a great deal of control over Minnesota Counties. Counties have the responsibility of providing certain functions and services desired by the county residents, including many services which county residents are entitled to receive. In Minnesota, counties also have the authority to supply a number of urban and municipal type functions such as public transportation.

In 1849 the remnants of the territories of Iowa and Wisconsin formed the territory of Minnesota. This territory not only included what we now consider Minnesota but also parts of North and South Dakota. Minnesota inherited its county government structure from Wisconsin. The first legislative assembly of the territory of Minnesota borrowed liberally from Wisconsin laws to enact legislation.

At the inception of the Territory of Minnesota in 1849, nine counties were created. Three of these counties covered the whole region between the Mississippi River and the St. Croix River. The other six counties covered the Northern territory West of the Mississippi. These northern counties had not removed the Indian's right of occupancy, but were merely nominally established. Once the "Suland " territory west of the Mississippi was opened for settlement, the legislative assembly began the process of establishing new counties.

Since the original nine counties were created, all modifications to county boundaries have increased the number of counties and have decreased the size of the counties. Immediately following the creation of the Territory of Minnesota, during what is known as the Territorial Period, (1849-1858) Minnesota established 60 counties. The Territorial Period was a time of extensive planning and realignment of county boundaries. But, demand for the creation of new counties declined after Minnesota formally became a state in 1858. From this point on, the State

Constitution prescribed the method for the creation of new counties. The State Constitution, enacted on May 11, 1858, stated that:⁶

The legislature may from time to time establish or organize new counties, but no new county shall contain less than 400 square miles, nor shall any county be reduced below that amount; and all laws changing county lines in counties already organized, or for removing county seats shall, before taking effect, be submitted to the electors of the county or counties to be affected thereby, at the next general election after passage thereof, and be adopted by as majority of such electors. Counties now established may be enlarged, but not reduced below 400 square miles.⁷

The State Legislature had full power to establish and organize counties within the broad regulations quoted above. Between May 11, 1858, and the end of the next decade, fourteen of the present 87 counties were established. In the decade of the 1870's, only four of our present counties were established, and in the 1880's only two additional counties were created.

In 1892, the State Constitution was amended and "The legislature shall pass no local or special law regulating the affairs of incorporating, erecting or changing the lines of any county." This mandate provides some general guidelines with regard to the establishment of counties and for changes in the boundaries. The following year, the Legislature enacted a general law upon the subject, which has been amended from time to time, but still is enforced. Under this law counties may be established and county boundaries may be changed through a process which requires filing a petition for the purpose of holding an election upon the counties concerned. If the procedure has been followed and there is a legal majority in the election, the governor will proclaim the consolidation or boundary change. Since the law was established, only seven new counties were organized, and only one since 1910. Lake of the Woods County, formed in 1922 from a portion of Beltrami County, was the last to be added to the list. While some county changes may still be desired, (particularly in cases where counties are large or irregular shape and/or many people are remote from the county seat), there have been few serious attempts to adjust county boundaries in Minnesota.⁸

Today, the total area of Minnesota is 86,943 square miles and is divided into 87 counties. There are great variations in the size of the counties and the southern counties tend to be smaller than the northern counties. The smallest county is Ramsey, with 155 square miles, which is 1/40th of the size of the largest county, St. Louis, which is approximately 6,092 square miles. The

⁶ Anderson, W. & Lehman, B. (1927). An outline of county government in Minnesota. Minneapolis, MN: University of Minnesota Press.

⁷ Article II, sec. I.

⁸ Anderson, W, & Lehman, B. 1-20.

population density is also much more concentrated in the southern regions. (Refer to table on Minnesota County Population and Sizes in Appendix 1).

The Creation of New Counties in Minnesota

During the initial three decades of Minnesota's statehood, the Legislature found it necessary to enact a new law for the creation of new counties. Such special legislation was originally prohibited until 1892. The legislation procedure (summarized):

The boundaries of counties may be changed by taking territory from a county and attaching it to an adjoining county and new counties may be established out of territory or more existing counties. A new county shall contain at least 400 square miles have at least 2,000 inhabitants and have a market value of at least 17 million dollars. An existing county shall not be reduced by an area below 400 square miles, have less than 2,000 inhabitants and market value of less than 17 million dollars.⁹

A petition must be signed by at least one-fourth of those voting in the county at the last preceding election. If the petition is for a change of boundaries, it must contain a description of the territory to be taken, the name of the county from which the new county is to be detached, and the county to which the territory will be attached. It is speculated that if any new counties are created in Minnesota, they will most likely come into existence from the large northern counties. But even this seems unlikely. The largest county in Minnesota, St. Louis, (which is actually larger than four states: Hawaii, Connecticut, Delaware, and Rhode Island), has been considering issues related to dividing into two smaller counties on and off for over 100 years. The latest attempt, occurring in 1996 to reopen the study of dividing St. Louis County, has some support, though many feel it would be much more effective to continue pursuing intergovernmental cooperation as a means of improving service efficiencies.¹⁰ The rationale for dividing large counties into two or more smaller counties is no longer as compelling as it once was. The transportation difficulties, which originally made smaller counties a necessity, are no longer a problem with improved roads and automobiles. Further, the evolution in electronic technology and telecommunications is reducing and minimizing the necessity for residents to travel to the county seat to conduct official county business.

Traditional Processes for Changing or Establishing Government Boundaries in the U.S.

Having summarized the evolution of county governments in the U.S. and in Minnesota, it is also important to understand the methods for changing and establishing governmental boundaries locally and nationally. Four general methods exist: (1) the creation of special districts, (2) annexation, (3) consolidation/merger, and (4) joint powers agreements.

1. Special Districts: Creating special districts does not necessarily remove territory from existing local units. Special districts can overlie county or municipal units, and they often create an additional tax base. Creating special districts allows counties a means to overcome strict financial limits. Special districts provide counties which cannot finance or perform needed services with alternative funds.

2. Annexation: Annexation laws vary drastically among the states. In states where annexation is relatively easy, the municipality can add territory at will. In Minnesota, where the laws are more

⁹ General Statutes. Chapter 370.

¹⁰ Editorial. (1996, May 23). Study of county split OK. Duluth News Tribune.

constraining than states such as Nebraska, the landowners or townspeople have veto power. In many states, annexation must be authorized by special state legislation, though in Minnesota it may be ordered by the Minnesota Municipal Board.

3. Consolidation or Merger: Incorporated territory cannot be annexed. A merger is the alternative procedure that must be followed if existing local governments are to be enlarged. This process requires the approval of the concurrent majorities in each of the units to be adjoined. Such majorities are hard to come by especially if the state is completely incorporated.

4. Joint Powers Agreements: This type of legislation allows any local unit to work with other jurisdictions by mutual agreement. Such an agreement can foster interstate cooperation with units of state and federal government. Most states have counties that are empowered to provide urban services and to finance those services through special taxing areas under the jurisdiction of county government.¹¹

Counties As Local Governments

Counties have been undergoing change in response to the demands of residents living within expanding metropolitan areas. It would also be accurate to say that counties in Minnesota and throughout the country have assumed expanded agendas. From May 1985 to May 1986, Barbara P. Greene from the National Association of Counties surveyed 3,000 counties with regard to their structure, administrative capacity, and fiscal viability. Survey responses indicate that counties generally are no longer just an administrative arm of the state. They have evolved from administrators to delegators of rural government functions. As cities increase in population, counties are also expanding their roles.

Some of the most important policy concerns listed by county officials include:

1. Public safety planning
2. Financial management
3. Land-Use planning and zoning
4. Transportation - roads and bridges

The major problems facing county officials appear to be in functional areas in which the majority of the respondent counties operate. Activities performed by other government sectors were not considered major concerns.

¹¹ Advisory Commission on Intergovernmental Relations. (1992). Local boundary commissions status and roles in forming, adjusting and dissolving local government boundaries. Washington D.C.:Author.

Counties have a dual role. Traditionally they have subdivided states into manageable regions, delivering the services that state government wanted localized. Decisions of governing such functions were determined primarily by the state rather than through the local political process.

The legal authority of the state over the counties makes the relationship especially significant. The state is not limited by the federal constitution and could technically have the power to control counties even to the extent of abolishing or creating new counties. Individual states determine the form(s) of county government. Ramsey County for example, is the only county in Minnesota which has a provision for charter home rule. States play a major role in supporting county governments. States have the permission to prohibit counties from levying certain taxes and counties are limited in the amount of revenue they can collect. For the reasons mentioned above, it will be important for us to consider county-state relations when examining individual county government operations.

Historic Obstacles to County Consolidation

The cost of local government has been a major concern nationwide since the turn of the century when per capita costs tripled in two decades. One method suggested to reduce costs was to reduce the number of governmental units, particularly local units. Thus, county consolidation has been proposed as a possible means of cost reduction. Although this has been widely advocated, it has proven to be one of most difficult processes to implement. With the exception of counties in Georgia, most county lines in other states have remained intact.¹²

County boundaries were established in a horse and buggy age. These boundaries conformed to what was logical and convenient for administration before the changes in transportation and communication technology. However, there is an obvious gulf between the conceptual rationale that would tend to favor county consolidation and the social and political aversion to these proposals. Counties and townships appear to be traditional instruments of government with precedent behind them. Historically, unlike cities, county government has undergone few changes in its structure, but there has been a rapid change in the basis of support for county government and increasing its functions.

County consolidation has been urged time and again by government officials and unofficial commissions. In 1926, Alfred Smith proposed a plan to reorganize the state government of New York including the consolidation of existing counties. Five years later, Governor Roosevelt advocated a series of amendments to the constitution of New York to authorize consolidation. The legislature declined to approve the amendments.

¹² Bergman, D. (Ed.). (1993). County government in an era of change. Westport, CT: Greenwood Press. 3.

Following New York's attempt at consolidation in 1931, Governors in Michigan, North Carolina, Indiana, and Mississippi recommended various forms of consolidation to their state legislators. The recurring theme in all of their arguments was the changes in transportation and communications, as well as forecasts of improved efficiency by reducing the number of counties within the state. In general, however, most county officials did, and continue to, rally against a complete loss of identity. Furthermore, financially secure well-to do counties are not likely to support mergers with less secure counties.

The issue of dividing a county into a new county has recently surfaced in Michigan. Wayne County residents are debating whether or not to create two additional counties out of the current County of Wayne. If the county were divided, two new counties would be created: Erie and Newburgh Counties. The city of Detroit, located in Wayne County, is at the heart of the issue for residents of suburban Wayne County. The concern for suburban county residents is the increased case load that has been placed on the Wayne County Circuit Courts due to the elimination of the Detroit Recorder's Court. It has been suggested that civil and criminal trials will now be backed up for one to three years.

Residents of Wayne County also feel that the tax burden is unevenly distributed in the county. The Wayne County Reorganization Effort opines that, "In the southern half of Wayne County, approximately 23% of Wayne County's taxes are collected. In the western part of the county, approximately 45% of Wayne County's taxes are collected. In the cities of Detroit, Hamtramck and Highland Park, approximately 24% are collected. Finally, in the northeast section of Wayne County, 8% of the taxes are collected."

Suburban Wayne County residents also feel that they are under represented in county government. The Wayne County Commission is composed of 15 members. Nine of these members represent Detroit, three represent western Wayne County, and the other three represent southern Wayne County. Many of the residents of the suburban portions of Wayne County feel that the board is only concerned about issues which are closely related to Detroit (i.e. like building sports stadiums) rather than issues affecting other areas of the county, such as landfills.

County residents outside of the city of Detroit believe that by creating the new counties, a number of these problems could be addressed or eliminated. The Patriots for Erie County (who support the boundary changes initiative) are in the process of conducting a petition drive to change the State Constitution Boundaries Act, which allows for county boundary changes. They want to lower the number of signatures needed to change the county boundaries from 247,000 signatures to 10,000, or 10% of the residents of the affected county or counties. Through this effort, they hope to make it easier for Wayne County to be reapportioned, and for other counties with smaller populations to join together to cut governmental costs.

Successful Consolidation Efforts

Before discussing the possibility of consolidation today, it is important to briefly look at the two successful county-county consolidations in Tennessee and Georgia. Similar to Minnesota,

Georgia and Tennessee's counties derive their powers from their state constitutions and statutes. Both have commissioner forms of county government.

Tennessee

The annexation of James County to Hamilton County took place in 1919. It was the merger of a poor county with relatively affluent one. This consolidation was established through a unilateral agreement and Hamilton County, which contained the prosperous city of Chattanooga, was forced to accept the agreement. The local referendum only took place in James County (the less economically viable county). The procedure while highly unusual was supported by the legislature to assist James County in reducing its tax rates and to encourage industrial expansion. The act required all county officials of James County to transfer their records and funds to like officials in the other county. When James County consolidated, it had very little public infrastructure and a heavy tax burden which jointly discouraged industrial expansion. After the consolidation, taxes were reduced and there was an improvement in public infrastructure. It is estimated that James County residents reduced the costs of government by 15 to 30 percent through consolidation. After this annexation, many other counties attempted to consolidate, but counties failed to get legislative authorization.¹³

Georgia

Georgia had 160 counties in 1930. A review of Georgia's tax system in 1930 revealed the need for county consolidation. Under the guidance of the Georgia Tax Association, consolidation efforts gained support from the newspapers. In 1929, the legislature provided that Campbell County might consolidate with Fulton County (which adjoins the city of Atlanta) with a two-thirds majority vote in Campbell County and a simple majority vote in Fulton County. Two years later, Milton County was permitted to merge with Fulton County. Favorable votes allowed this tri-county consolidation. While the financial benefits were not as great as in Tennessee, there were benefits for the taxpayers in the form of improvements in health, welfare, road and other services.¹⁴

Modern County Government Today

There has been a national trend, especially in rural counties, for cooperation, coordination, and collaboration. Counties in most states have made a notable effort at joint ventures with their municipalities. There have been several recent consolidations in rural areas that have been facilitated by state action. For example, in Montana the state's new constitution allows local governments the opportunity to consolidate. Two cities and counties, the city of Anaconda and

¹³ Bromage, A. W. (1933). American county government. New York: Sears Publishing Company Inc., 204-225.

¹⁴ Bromage, A.W. 219-221.

Deer Lodge County and the city of Butte and Silverbow County, consolidated to conserve fiscal resources and manage more efficiently.¹⁵ Currently residents of the city of Miami are undertaking a petition drive to eliminate the city of Miami by merging it with Dade County. Some other examples of other city-county consolidations include:

1. Virginia Beach-Princess Anne County, Virginia 1962
2. South Norfolk-Norfolk County, Virginia 1962
3. Jacksonville-Duval County, Florida 1967
4. Sitka-Greater Sitka Borough, Alaska 1971

Since the 1930's there have been few proposals for county-county consolidation, most improvements have either focused on functional consolidations or city-county consolidation.

Consolidation in Iowa?

In Iowa there has been transient support for county consolidation. The Governor's Committee on Government Spending Reform in 1991 considered consolidation of Iowa's counties as one possible reform. However, the Iowa State Association of Counties (ISAC) is firmly against the redrawing of county lines. Paul Coates, former Executive Director of ISAC, argues that school aid, entitlement programs, and regents institutions consists of 73% of annual state general fund expenditures. The argument follows that even after consolidation there will be the same amount of school children, Medicare recipients etc. He also argues that county boundaries are not relics from the horse and buggy era. Rather, Iowa counties were formed in order to allow access to the government. If anything, county governments are more important today than ever before. Already Iowa counties are burdened by 190 separate duties which the Iowa code details; it would be unfair to ask them to reduce their government. County officials are already forced to operate on a tight budget. They are constantly trying to provide more services with less money.

Similar to Minnesota, Iowa's Constitution requires that consolidation be approved by voters in each affected county. The evidence from states throughout the past few decades is that the citizen's oppose consolidation because it means a loss of local pride. Changes in political boundaries upsets the continuity of their lives.¹⁶

County consolidation has created a rural-urban division in Iowa. It is argued that urban leaders look at the declining population in rural communities and the higher state aid per capita in rural counties and assume that this trend is related to efficiency issues. Urban and rural counties both feel the leakages are benefiting the other area. Opponents of county consolidations contend that forcing consolidation is a sure way to guarantee failure in trying to create better results. They suggest that proposals for boundary consolidation overlook the 1,700 agreements for joint service

¹⁵ Bergman, D. (Ed). 103.

¹⁶ Bromage, A. W. 204-221

delivery that the Iowa local units have.¹⁷ Many feel that consolidating services makes more economic sense, so that two adjacent counties are not duplicating services.

In 1993, the Iowa Governor's Commission on Spending Reform estimated that "consolidating 99 counties into 14-30 sub-state units of government would generate \$27 million to \$34 million in savings."¹⁸ However, these figures have received much criticism by economists since the commission simply assumed the elimination of 69-85 counties and their respective officials and employees and totaled the resulting reduction in salaries and benefits. It is unrealistic to assume that the work done previously by 1,353 local officials could be done with as few as 90 county officials without an increase in staff or pay.

Alternative studies by the Iowa Association of Counties indicate that only about 15 of Iowa's counties would likely achieve significant cost savings through consolidation. Even then, local residents might be willing to pay \$20-\$30 more to retain local services, control, and accountability. Opponents of geographical consolidation propose that it makes more economic sense to first attempt to restructure internally or to encourage privatization.

Problems with Consolidation

Opposition to consolidation is also grounded in ideological roots. Small government units are the focal point of Jeffersonian-democratic philosophy. Small governments have always been believed to be more democratic than larger bureaucratic units. Fragmentation leads to greater efficiency if localities compete with one another for clients, and it is more democratic because citizens can more easily express their concerns. In comparison, consolidation seems to reduce the variability in service combinations. Hence, the outcome is less democratic and possibly less efficient. The critics also contend that benefits from consolidation are mostly theoretical. For example, the start-up costs of a new government would entail equalizing the services throughout an enlarged area and the costs would need to be absorbed by the consolidation process. Salaries and wages of the employees of consolidating counties would also have to be equalized, and this may partially offset any efficiencies created. It is realistic to assume that any attempt to equalize salaries and wages will establish a salary and wage scale that more closely resembles the salaries and wages of the county with the most generous compensation schedules.

Reformers have argued that consolidation will reduce intermetropolitan conflicts and hence decrease inequities of services. In contrast, proponents of fragmentation have argued that power struggles will continue to exist even among merged units. Typical consolidation in the past has involved consolidating a declining region with a more prosperous one. Businesses, for the most

¹⁷ Coates, P. (1991, September). County consolidation is not the answer. The Iowa County, p. 5-6.

¹⁸ Mark, E. A. (1993, July). Does bigger mean more cost-efficiency in county consolidation? The Iowa County, p. 8-9.

part, have supported consolidation efforts for a varying degree of goals from job creation and public relations to community boosterism. Many consolidation leaders feel that a merger is an opportunity to bring economic benefits to the community.

Economic development can be a double-edged sword for consolidation efforts. Studies indicate that individuals most opposed to consolidation generally think growth or expansion will ruin the quality of life. In contrast, for individuals who feel that government must expand the rate of economic development, consolidation may represent a mechanism for spurring a better quality of life.

Chapter 2: County Government Structures and Responsibilities

The previous chapter discussed the development of counties both within the United States and in Minnesota. This chapter will seek to explain county government structures and roles also within the United States and Minnesota, as well as the major service areas of Minnesota counties.

Organization of Current U.S. Counties

Throughout the United States, county governments have taken on a variety of forms. States have chosen diverse ways of designing and maintaining their county governments. In general, three basic forms of county government exist: the commission form, the commission-administrator form, and the council-executive form. Many variations lie within these frameworks, from the structure of the board, the power of the board of commissioners, and the role of the county administrator, coordinator or executive.

The most popular form of county government in the United States is the commission form under which an elected county board of commissioners (it may also be known as a board of supervisors or a county council) has legislative authority to enact ordinances, levy various taxes and fees, and adopt budgets. The board may also have an executive and/or administrative staff to administer local, state, and federal policies, appoint county employees, and supervise road and bridge maintenance, etc. The size of the board generally varies from three to seven members, (though it may have as many as 24 members), most often depending on the population and size of the county. In many instances, much of the administrative authority is vested in independently elected constitutional officers, (also known as row officers), which may include the sheriff, treasurer, coroner, prosecutor, county clerk, clerk of courts, auditor, and assessor.

The *county* commission form is not to be confused with the *city* commission form. City commissioners serve individually as heads of the city's administrative departments; therefore, they serve not only as board members, but also as department heads, unlike county commissioners. City commissioners have administrative, legislative, and executive functions. And, "... there is a mayor who has no powers beyond those of the other commissioners except to perform the ceremonial duties for the city and preside over council meetings."¹

A form of county government which varies slightly from the commission form is the commission-administrator form. This form consists of an elected county council, board, or commission, which then appoints a manager, chief administrative officer, county executive, or a county administrative

⁸Adrian, C. R. (1976). State and Local Governments. New York: McGraw-Hill. 188.

assistant to supervise and aid in the administration of various county programs. This administrator is formally accountable to the governing board or legislative body. The power of the administrator is dependent upon the legal and board given powers.

The least common of the three forms is the council executive form, in which a county executive is either independently elected by the people or is a commissioner elected by the commission itself to perform specific executive functions. The position of executive is similar to the mayor. The county board or commission retains its legislative powers, but the county executive may have the authority to veto ordinances enacted by the commission, while at the same time, the commission has the power to override the veto.

Before discussing the function of county government further, it is important to understand the role and duties of row officers since they exist in some capacity in most counties. "The term 'row officer' comes from their appearance in a row on organizational charts or election ballots and the relative autonomy of each office from the central board."² The autonomy of row officers stems from their legal status and accountability to the electorate. Quite often, row officers such as the sheriff, county clerk, auditor, treasurer, and court clerk are provided for in the state constitution. They are either elected by voters, appointed by the county board, or selected through a merit process.

The Broadening Role of the County

County government has often been the forgotten form of government, despite being the most encompassing level of local government, able to address a wide variety of issues and concerns. Early in American history, the county acted only as an administrative arm of the state, and held only those powers expressly granted by state constitutions and laws. In an Iowa Supreme Court case, the limited autonomy of counties was upheld by the presiding judge, John F. Dillon, the ruling becoming widely known as the Dillon Rule.³ "The rule states that municipal corporations [including counties] have only those powers 'granted in express words; (or) necessarily implied in, or incident to, the powers expressly granted.'"⁴ Only toward the second half of the twentieth century has the role of counties expanded as constituent needs change, greater efficiency is

² Jeffery, B., Salant, T., & Boroshok, A. (1989) County government structure: A state by state report. Washington, D.C.: National Association of Counties.

³ Duncombe, H. S. (1977). Modern county government. Washington, D.C.: National Association of Counties. 11-12.

⁴ Association of Minnesota Counties. (1975, January). Minnesota county government: An introductory manual. St. Paul, MN: Author, 10.

demand, and the county's importance in intergovernmental systems increases. Today there are four roles the county tends to serve in varying capacities:⁵

1. Administrative Arm of the State - Counties in this capacity have traditionally carried out services mandated by the state which are beyond the control of the county. Counties are mandated to provide the service in a fairly specific manner; they are not allowed much autonomy to determine how the service is to be administered. Services for the needy, such as income maintenance programs, are perhaps the most demanding of all state mandates because the service must be carried out according to specific criteria.
2. Traditional Government - These functions are also (constitutionally) mandated by the state, and are generally performed by the elected constitutional officers. Counties generally have more discretion in the level of services provided here than in their role as an administrative arm of the state. Counties are required to offer the services, but are allowed greater discretion in determining how to deliver the service. Services included under this role are assessor, treasurer, law enforcement for unincorporated areas, county hospitals, the superior court, and road construction and maintenance. Counties may occasionally share services such as county hospitals under this role, as it may be more feasible for two or three counties to share a hospital rather than each county maintaining its own.
3. Local Government - These functions can be divided into three areas: municipal-type services in unincorporated areas such as planning and zoning, libraries, parks and recreation; joint services provided between cities and towns (or services provided for cities and towns by counties) through intergovernmental agreements; and responses to constituents by elected officials. For example, many small towns will contract with the county to provide police protection for them, rather than having their own police department.
4. Regional Government - This is quite possibly the fastest growing role for counties. Most often, these functions are environmental or quality of life issues that address long-range problems. Under this role, counties perform such functions as transportation, air quality control, and conservation. Rural and medium size counties often fulfill this role through landfill siting, growth management, and economic development. Under this form, counties often become the dominant government in the region. Minnesota counties uniformly fulfill this role through their compliance with the Wetland Conservation Act, under which counties and other local governments are responsible for regulating projects designed to drain or fill wetlands.⁶

⁵ Salant, T. J. (1991, Winter). County governments: An overview. Intergovernmental Perspectives 16 (1), 5-9.

⁶ Association of Minnesota Counties. (1995). Wetland protection & drainage management. St. Paul, MN: Author.

Home Rule and Charters

County governments not only play varying roles, they also have varying levels of autonomy from the state. Much of this autonomy, or lack thereof, stems from the presence or absence of county home rule. Home rule is a set of reforms which gives authority to counties over certain local matters. Home rule was originally established to combat corruption and incompetence earlier this century; today it most often serves to create more effective and efficient governments. Home rule powers are manifested in either charter government or optional governmental forms. A charter can be defined as a county's "little constitution."⁷ It provides a county with broad authority in the areas of structure, function, and fiscal issues. The optional forms is more limiting than a charter, providing only structural authority. Optional forms allow counties the freedom to establish boards of varying sizes and purposes and to choose alternative organizational structures for county governance. Charter or optional forms can be established only through the state constitutional amendments or by statute.

As mentioned previously, home rule authority allows local governments greater autonomy to make structural, functional, or fiscal changes. In general, counties with structural authority have adopted the option of using either an elected or appointed executive. Counties have also chosen to vary the number of board members and to change the means of electing the board. In Colorado, for example, counties have the authority to abolish, appoint, or elect row officers, but have limited flexibility regarding functional and fiscal powers.

Other states have allowed counties functional authority and/or fiscal authority. Functional authority affords counties the power to provide necessary services through agreements with other governmental entities. Functional authority also gives counties the ability to be more flexible in the way services are provided thus allowing for greater efficiency and quality. Fiscal authority provides counties with the jurisdiction to adjust revenues and expenditures to ensure budget stability. Counties may also be allowed greater taxing authority, allowed to charge user fees, or to issue general obligation and/or revenue bonds.

Many state constitutions grant the authority for counties to have one or all of the powers of home rule. For example, Michigan has granted counties the power to change the governmental structure, and to vary the size of the board (depending on the population of the county), as well as levy taxes, with the exception of property taxes. South Dakota granted charter power in all three areas to its counties. The Minnesota Legislature has implemented the 1958 constitutional amendment for charter home rule in relation to counties only once, granting home rule to Ramsey County in 1987 (see Appendix, M.S. 383A.551-383A.556). However, the legislature did adopt the Optional Forms Act (375A.01-375A.13 - see Appendix) in 1973 and expanded upon it in

⁷Government Research Institute. (1980). Reorganizing our counties. Cleveland, OH: Author, 97.

1986, which has become the primary method for county structural change within the state. This act allows counties the authority to adopt several structural alternatives. In a portion of Tanis J. Salant's book, County Home Rule: Perspectives for Decision Making, she writes regarding Minnesota and the Optional Forms Act:⁸

All 87 counties have authority to adopt several structural alternatives, including changing the board size to three, five, seven or nine members; appointing the auditor, treasurer, register and sheriff; and consolidating the offices of auditor and treasurer. They may also choose from one of the following organizational plans: executive, at-large chairman, county manager, county administrator, or county auditor-administrator. Two counties have expanded their boards and three have consolidated the auditor and treasurer positions. Eight have held referenda on the appointment of constitutional officers and failed; eight have attempted to adopt the executive plan and failed; three have failed to change to the county administrator plan and one failed to adopt the at-large chairman plan. Thirty-six counties have a "county coordinator." Statutory optional forms has been "virtually unused" because it has to go to referendum. Comments one official, most referenda are defeated because the electorate won't "mess with row officers." Larger counties rely on special legislation to avoid referenda.

Since Salant wrote this, some of the numbers have changed. For instance, 31 counties have county coordinators and 30 have combined the positions of county auditor and treasurer into one position. Clearly, Minnesota counties have taken advantage of the opportunity to look for ways to provide more efficient services.

Two Examples of County Governments and Their Functions: Arizona and Iowa

Many states, despite their seemingly similar sizes and populations, maintain different county government systems. Minnesota and Arizona are two such states. Minnesota has a population of 4,517,000, an area of 86,943 square miles, 87 counties, and two cities with populations over 100,000. Arizona has a population of 3,936,000, an area (larger than Minnesota) of 114,006 square miles, 15 counties, and six cities with a population over 100,000 (see Appendix 1). Why the stark contrast in the number of counties? First it is important to look at the dynamics of the Arizona county.

Arizona's counties derive their power "from four provisions of the state constitution which provide for the creation of counties and their officers while empowering the legislature to choose

⁸ Jeffery, B. R., Salant, T. J., & Boroshok, A. L. 1989. 139-140.

the mission of the counties.”⁹ The county government structure is based upon the commission form in which a three to five member board of supervisors perform the functions of a county chief executive officer in a limited capacity. Arizona counties have no elected chief executive officers; rather, much of the counties’ business is distributed among seven other elected county officials, known as row officers, who serve as coequals to the board. Row officers are the sheriff, the county attorney, recorder, treasurer, assessor, superintendent of schools (who oversees district superintendents), and clerk of the superior court. The board of supervisors has no legal authority over row officers, except for budget review and appropriations.

Arizona counties also have limited powers. Counties are directed by the state to fund and administer the typical array of services. They do not have the right to provide services other than those mandated or authorized by the state. Nor do counties have the option of home rule or charter authority, but they do have considerable authority for establishing departments and intergovernmental agreements to meet the needs of county constituencies. County ordinance authority has been expanded, and the board of supervisors size may vary from three to five members.

Arizona’s counties operate under basically the same mandates as other counties in the United States with regard to uniform service provisions such as human services, income maintenance programs, the judicial system, streets and highways, and education. The state often retains for public health services, but the counties may be called upon when the state can not provide a full range of services. Arizona counties have little control over income maintenance programs (i.e., welfare) which are primarily state run, as in most other states.

Arizona’s counties do share some services amongst themselves. Several counties, for example, have consolidated efforts to provide jails through intergovernmental agreements. Jails in one county may be overcrowded, while in another may frequently have vacant cell space, so an agreement is implemented to jail one county’s jail population in another county’s jail facility(ies). Juvenile detention facilities are often shared amongst counties also. Landfills are another source of cooperation. Counties that maintain waste disposal facilities near the border of another county often share that landfill with their neighbors as needed.¹⁰

Arizona which has only fifteen counties, feels little need to increase the number of counties. This is due in large part because 73 percent of Arizona’s land is federally owned, much of this in the form of Indian Reservations. In 1993 there was discussion regarding the possibility of dividing Maricopa County into two counties. (The western portion of the county is more urban as it contains the city of Phoenix, while the East Valley tends to be more rural.) Separatists felt that the

⁹Jeffery, B. R., Salant, T. J., & Boroshok, A. L. 1989. 26.

¹⁰ Stephens, A., Executive Director, Arizona Association of Counties. (1995, December 12). Telephone Interview.

East Valley area of the county was paying for benefits that were received largely by those in the western portion of the county. Separatists' principal grievance was the disparities in freeway construction between the West Valley and the East Valley in Maricopa County. A sales tax was approved in 1985 to raise funds for freeway construction, and the East Valley, through this tax, contributed an estimated \$1 billion, but virtually all of the freeway construction has been in the West Valley. Separatists were also disturbed about the disparities between what they pay for the services granted by the county and the services they receive especially in the areas of health, law enforcement, judicial, and library services.

Despite arguments and efforts to create two counties, it was found to be unwieldy to divide the county due to budgetary complications. If the county were to split, the two counties together in 1993 "would have fallen \$53 million short of the operating revenues they needed because of the need to duplicate many functions."¹¹ Also, had the county split, the East Valley residents would have lost the largest source of tax revenue, the Palo Verde Nuclear Generating Plant.

Another state of interest is Iowa. Iowa has a population (2,814,000) about half that of Minnesota, an area smaller than Minnesota (56,276 square miles), the same number of cities with populations over 100,000 (2), and more counties (99). So, conversely from Arizona, one is led to question if Minnesota should perhaps have more counties. Again, before addressing this question, it is important to understand how the counties in Iowa operate.

Iowa counties derive their power in much the same way as in other states - from the state constitution and from legislation passed by the general assembly. These establish the legal framework for Iowa county governments and list the powers and duties of the county governing bodies. Iowa counties also function under the commission form of government, with a three to five-member elected board of supervisors, an elected county auditor, recorder, treasurer, and sheriff. The board serves as the governing body with all executive and administrative powers.

Unlike Arizona counties though, Iowa counties have constitutional home rule. This reversed the Dillon Rule, since counties may now pass legislation without authorization from the state. On July 1, 1988, a law became effective (see Appendix C, Iowa Code 331.231-331.263) which provided "...the mechanism for establishing a county charter commission and for adopting five optional county government structures: Board-Elected Executive, Board-Manager, Charter, City-County Consolidation, and County-County Consolidation."¹² To consolidate counties, a proposal must be placed on a ballot by a joint report of both counties. County-county and city-county consolidated governments have home rule power and authority provided it is not inconsistent with state laws.

¹¹ Sommer, A. (1993, December 3). New county remains possibility; legislation contemplated to solve cost concerns. The Arizona Republic/The Phoenix Gazette, sec. Tempe Community, p. 1.

¹²Jeffery, B. R., Salant, T. J., & Boroshok, A. L.. 48.

This allows jurisdictions to determine their local affairs and government structure; however, they do not have the power to levy fees and tax unless explicitly sanctioned by the general assembly.

It is apparent by viewing a map of Iowa counties (see Appendix 1) that they are all approximately the same size. These proportions stem from the days of the horse and buggy, when counties were set up to have borders with equal distances from the county seat. Of course, some have questioned whether it is still practical or reasonable to now combine counties based upon the ease of reaching the courthouse (located in the center of the county) with modern day vehicles. Therefore, according to the Executive Director of the Iowa State Association of Counties, however, changing the county boundaries would disrupt the sense of community, especially in rural areas.¹³

Minnesota County Government Structures

Given the previous information, one may question whether Minnesota's 87 counties are able to provide an adequate level of service, or if Minnesota should model itself more after either Arizona, or Iowa. The per capita costs of many services are considerably higher in rural counties than they are in urban counties,¹⁴ which leads one to ask why the difference, and what could potentially be done to reduce the level of expenditures of rural counties.

Minnesota's 87 counties derive their power from the state constitution and statutes which establish the legal framework for county government, and which list the powers and duties of the county governing bodies. The organization of Minnesota counties is based on the commissioner form with a small elected board of three to five members. However, some urban and suburban counties, and one county with a very large geographical area, have boards of seven members. The counties with seven member boards are Anoka, Dakota, Hennepin, Olmsted, Ramsey, and St. Louis.

County commissioners are elected officials with the authority to oversee county activities, the duty to ensure that constituent needs are met, that the county is meeting its federal and state requirements, and that county operations run smoothly. County commissioners have administrative, financial, and legislative duties. Various administrative duties include establishing policies and procedures for central administration and for county departments to meet county goals, coordinating the activities of the county board, central administration and county departments with those of the independently elected officers, including auditor, treasurer, recorder, attorney and sheriff, and managing the county personnel system. Other administrative

¹³ Peterson, B., Executive Director. (1995, December 14). Telephone Interview. Iowa State Association of Counties.

¹⁴ Minnesota Office of the State Auditor. (1992, October 7). 1990 per capita spending of Minnesota's counties. St. Paul, MN: Author, I.

duties include overseeing the procedure for the acquisition of equipment and supplies for use by the county, appointing county representatives to other governmental entities, such as watershed districts and library boards, and reviewing the effectiveness of county services and programs.

Personnel and human resource management and compensation duties are quite encompassing. County boards must authorize the number of county employees, establish their salaries and conditions of employment, approve the employee benefit schedule, negotiate and approve labor agreements, supervise appointed county department heads, participate in and approve the recruitment of all county employees, and implement the county pay equity plan and affirmative action/equal opportunity plans.

In terms of taxation and finance, county boards maintain great responsibility for the county budget. They must review, adjust, and adopt the annual county budget and programs as presented by the central administration or county departments. They must also authorize the levy and collection of county-wide property taxes, serve as a board of equalization of disputes regarding appraised property values for taxing purposes, and authorize the application for funds and authorization of receipt of funds from the federal and state government, as well as authorize their use within the county budget. County boards also play a major role in maintaining the economic welfare of the county through their adoption and participation in the implementation of fiscal management policies for the county in areas such as investments, reserve policy, short-term borrowing, and use of bonds and risk management/insurance. They look to the future economic health of the county through their development and adoption of a capital improvement program/budget which covers major county expenditures over a series of years. Finally, they perform the standard duties of monitoring the overall fiscal health of the county through regular reports of the auditor, treasurer, and finance departments, and approving the payment of bills for expenses incurred by the county.

County boards also maintain the responsibility for adopting ordinances as needed for the enforcement of county-wide actions, ratifying, modifying, or denying the actions of commissions and boards which are advisory to the county board, passing resolutions relating to county concerns, and approving county participation in joint powers agreements with other governmental units. County boards also communicate county actions and concerns to the general public through school groups, business groups, civic organizations, the press, and other public forums. They have the obligation of participating in both district and statewide meetings of the Association of Minnesota Counties (AMC), including the annual meeting and the legislative conference, participating in the activities of the National Association of Counties (NACO), and attending conferences, meetings, trainings and other education programs, as approved by the board, which relate to county activities. County boards also perform other duties and responsibilities as determined by the federal government, state legislature, and the governor.

While every county maintains a board of commissioners with essentially uniform duties, the operation of the executive leadership position varies. Eighteen counties have established the position of county administrator (or, as in the case of Ramsey County, the position of executive

director). The county administrator is in charge of the daily management of county affairs. He or she serves at the pleasure of the county board. The administrator is responsible for the formation and implementation of the county budget, including a long range capital expenditure plan, and serves as the purchasing agent for the county. In some instances, the county administrator may be responsible for the supervision of all county institutions and agencies, and of non-elected department heads.

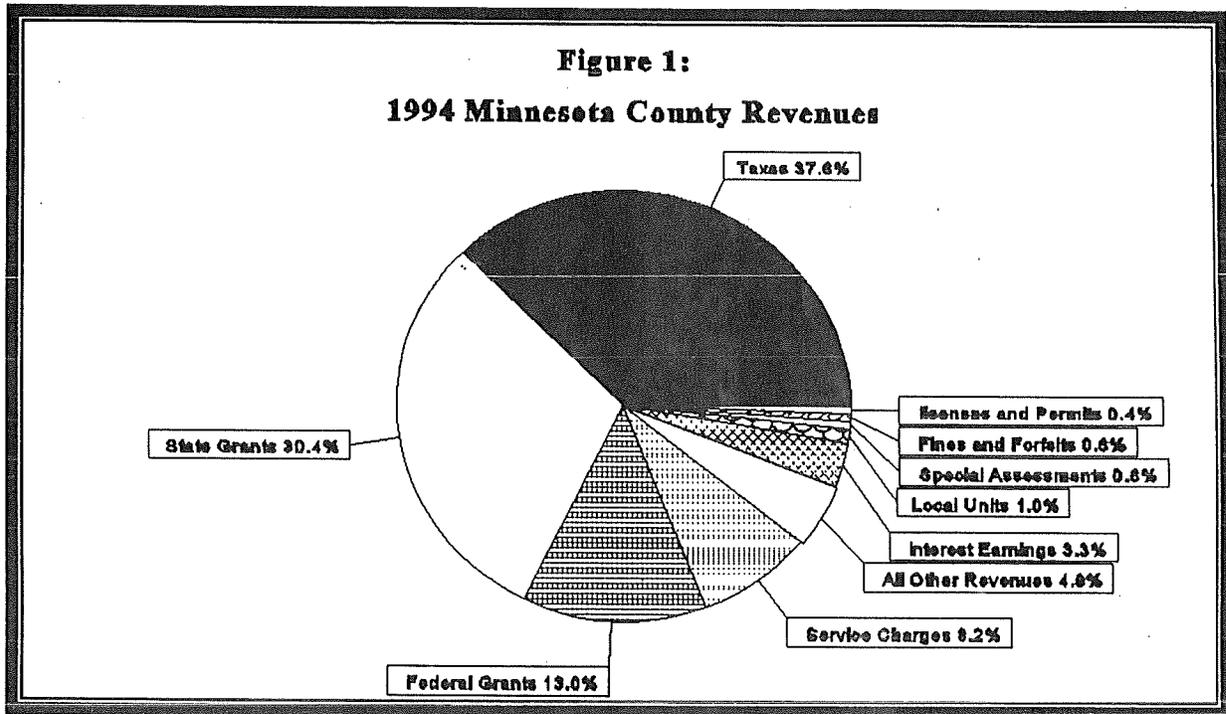
Thirty-one counties maintain the position of county coordinator, which is very similar to the county administrator with the exception that the coordinator generally does not have a supervisory role over either elected or appointed county department heads. As with the county administrator, the position is appointed, not elected. At the discretion of the county board the county coordinator may submit an annual budget to the county board and manage all affairs of the county which the county board has delegated to the position.

Nine counties utilize the auditor-administrator form of government which creates an elected county auditor who also serves as the county administrator and assumes the duties of both positions, as prescribed by law. The remaining twenty-nine counties generally assign central administrative tasks to a department head within the county, quite often the county auditor. In these counties, no central administrative plan has been adopted; rather, the duties of central administration fall to the office that has the most contact with the county board. Two of the twenty-nine counties have a position entitled "secretary to the board." The secretary has the duties of central administration, but does not have the duties of budget preparation, nor does the secretary serve in any supervisory position.¹⁵

¹⁵ Association of Minnesota Counties. (1995). County government structure. St. Paul, MN: Author.

Minnesota County Revenues

Throughout the United States, revenues to pay for the cost of county government activities comes largely from property taxes, and state/federal grants. Minnesota is no exception. As indicated in the chart below, property taxes are the principal source of revenue for Minnesota's counties. Most counties receive 30 to 50 percent of their revenues from property taxes.

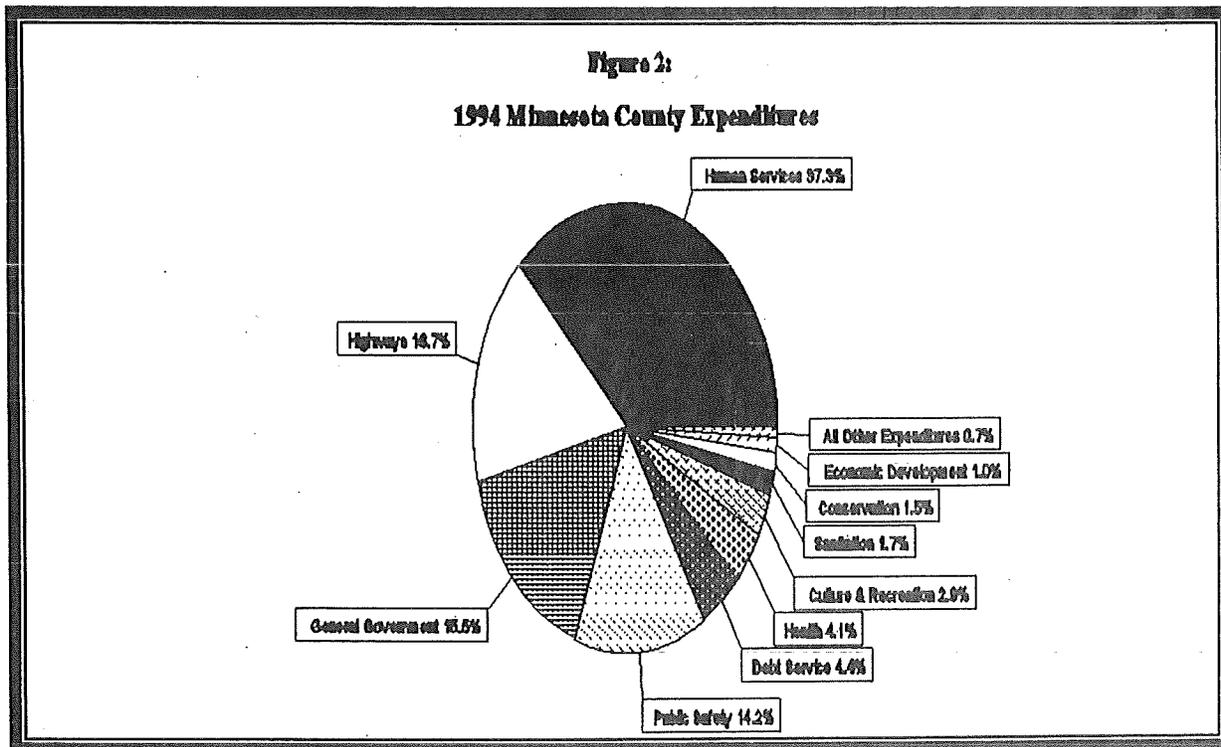


State and federal aids and grants make up the second and third-largest revenue sources for counties, respectively. These grants are generally used to assist in providing mandated programs and services. However, for many U.S. counties, quite often the grants are not large enough to cover the total costs of the program, and counties end up having to supplement the state and federal revenues with money from property taxes. Over the past 20 years, money from the federal government to counties has decreased substantially. In 1978, federal funds accounted for 25% of all state and local expenditures in Minnesota; by 1983 only 20% of state and local expenditures were financed through federal funds. During this same five year period, state and local governments were assuming more responsibilities.

Finally, counties are allowed to charge fees for various county services such as: “examining the records for taxes due, serving and filing legal papers in court actions, and renewing licenses.”¹⁶ Much of the money generated from these fees goes into the county’s general revenue fund. Occasionally, counties collect fees on behalf of the state, such as for gaming and fishing licenses. Counties are allowed to keep a small portion of these fees.

Minnesota County Expenditures

The responsibilities of Minnesota counties vary between service areas. Quite often, Minnesota counties carry out mandated state programs over which they have little control. The State Legislature and Congress often pass legislation which requires local governments (including counties) to perform specific duties and/or provide specific services, though they may not provide the necessary funding sufficient to carry out these activities. Examples of such programs include social service programs, judicial programs, property tax administration, environmental protection programs, and the recording of legal documents. The amount spent on various services are shown below as percentages of the 1994 total county expenditures of \$3,101,840,538. A more detailed discussion of each category follows the graph.



¹⁶ Association of Minnesota Counties. (1995). County revenue. St. Paul, MN: Author.

Human services (defined as “those services provided, purchased, or encouraged by the government which allow persons to overcome or minimize physical, emotional, social, or economic handicaps and lead more productive lives.”¹⁷) have historically made up the largest share of county expenditures. In 1994, Minnesota counties spent \$1.15 billion on human services, which comprised 37.3% of county expenditures. Spending on human services did, however, decrease 1.8% between 1993 and 1994, down \$21.1 million, due to cost shifting for human services from the counties to the state. Human service programs are perhaps the area in which counties have the least control, for the county functions as an administrative arm of the federal and state government in administering many income maintenance and social service programs. Such assistance programs included under human services are: general assistance, Aid to Families with Dependent Children, medical assistance, Supplemental Security Income, and the Food Stamp Program. Social service programs also include family counseling, service to the blind, elderly, and disabled, legal services, and programs for chemical dependency, among others. However, county expenditures for some social service programs have decreased substantially due to the takeover of the programs by the state, though the county still incurs the administrative costs of some programs.

Streets and highways represented the second largest category of spending in 1994. Counties spent \$215 million (16.7% of total expenditures) on streets, down \$4.5 million (2.1%) from 1993. Highway expenditures include maintenance of highways, patching, seal coating, snow removal, construction, bridge repair and construction, and purchase and maintenance of road maintenance equipment. Various types of roads within county boundaries are maintained by the county, city, state or a combination of governments. Minnesota counties maintain more than 45,000 miles of roads, and more than 19,000 bridges. County roads are roads established, constructed, and improved under the authority of the county boards and judicial proceedings. Counties are responsible for county roads as well as County State Aid Highways. County roads are funded and maintained through the property tax, while County State Aid Highways are funded through state funds gained from such sources as licensing fees and fuel taxes. The county board of commissioners has the power to determine overall policies, and to designate routes and road construction programs in the county. And, “each county is obligated to have a county highway engineer who must be a registered highway or civil engineer.”¹⁸

The third largest expenditure for counties in 1994 was general government, which accounted for 15.5% of all county expenditures. Counties spent \$418.2 million on general government services in 1994. This was an increase of \$39.9 million (10.5%) from 1993. “Over one-third of the increase was attributable to Hennepin County, which shifted staff from social services to general

¹⁷ Association of Minnesota Counties. (1975, January). Minnesota county government: An introductory manual. St. Paul, MN: Author, 41.

¹⁸ Association of Minnesota Counties. (1995). Transportation. St. Paul, MN: Author.

government.”¹⁹ General government expenditures are related to the administration of the governmental unit, and include such functions as “administration of the property tax system, property assessment, governance and management costs, planning and zoning, the county attorney and courts, and general purpose county building costs.”²⁰

Public safety and correctional services was the fourth largest expenditure in 1994 (\$417.4 million). It made up 14.2% of all county expenditures, up \$26.8 million (6.9%) over 1993. Correctional services fall into two categories in Minnesota; the first being services related to the rehabilitation and supervision of adult and juvenile offenders, and the second being services in relation to the detention of convicted offenders or persons awaiting court appearances. This division of services occurs at both the state and local levels. Within these two categories lay the duties of the sheriff, corrections, traffic safety, the county attorney, building inspections, civil defense, and other safety related services.²¹

Seventy-nine of Minnesota’s counties operate their own jails. The other eight, those being Big Stone, Dodge, Grant, Lake, Red Lake, Renville, Wilkin, and Yellow Medicine, contract with other counties for jail services. According to the Association of Minnesota Counties, “in most counties, jails are operated as a function of the County Sheriff’s Department. However, three counties in Northwestern Minnesota (Polk, Norman, and Red Lake) operate a regional jail as part of the Community Corrections agency under authority granted by the state Regional Jails Act (M.S. 641.261 - 641.266).”²² Several counties also operate juvenile correctional institutions, administer short term facilities for juveniles, or operate “workhouses,” as correctional facilities for adults.

Under the Community Corrections Act (CCA) passed in 1973, counties were given the option to oversee and regulate all correctional services in their jurisdiction. In return for assuming these more extensive responsibilities, the state provides a financial subsidy for services provided. The CCA stipulates that a county or group of counties must have a population of 30,000 to qualify for the program. Thirty-one counties have entered into agreements with the State Department of Corrections due to CCA. Various programs under CCA “include prevention and diversion programs, conditional release programs, community correction centers, and facilities for the

¹⁹ Minnesota Office of the State Auditor. (1994, December 31). Revenues, expenditures, and debt of Minnesota counties. pp. 5.

²⁰ Association of Minnesota Counties. (1995). County expenditures. St. Paul, MN: Author.

²¹ Association of Minnesota Counties. (1995). Correctional services in Minnesota. St. Paul, MN: Author.

²² Association of Minnesota Counties. (1995). Correctional services in Minnesota. St. Paul, MN: Author.

detention, care and treatment of persons convicted of a crime or adjudicated delinquent as well as traditional probation...services.”²³

County governments are mandated to provide for the health and welfare of their constituents. In 1994, counties spent nearly \$115 million (4.1% of total expenditures) on public health programs. Under Minnesota’s Local Public Health Act, counties have taken on various responsibilities of providing for the health of their residents. Under this act, the county board may execute the responsibilities and authorities of a Board of Health. Or, these responsibilities may be delegated to a Community Health Board or a Board of Health established by the county board. According to the Association of Minnesota Counties, “A county board may adopt ordinances for all or a part of its jurisdiction to regulate actual or potential threats to the public health, unless the ordinances are preempted by, in conflict with, or less restrictive than standards in state law or rule.”²⁴ In the area of public health, counties assess community needs, and plan and develop policies and programs to meet those needs. While counties are mandated to provide these services, they have flexibility in the program design and implementation. Counties promote public health through protecting the environment, work places, housing, food, water, disease prevention, and disaster relief.

Minnesota counties receive much of their funding for health services through the Community Health Services (CHS) subsidy from the state. Due to the stipulation that this subsidy is available only to a county or group of counties with a minimum population of 30,000, many multi-county Community Health Boards have been created. All 87 counties participate in the CHS subsidy program. Each county’s Department of Public Health is able to cooperate in programs with other counties through joint powers agreements, providing efficient and cost-effective measures will minimizing unnecessary duplication of services, staff, and facilities. The Community Health Services system is funded with local, state, and federal moneys. The Community Health Boards are required to contribute a dollar of local effort for every dollar of CHS subsidy they receive from the State.

Minnesota counties commonly provide an array of other services. Various counties provide environmental services such as solid waste disposal and sanitary landfills. They are also involved in the conservation of natural resources including efforts designed to conserve and develop such natural resources as water, soil, forests, and minerals. Various counties are also involved in economic development services, which includes activities associated with planning and providing adequate housing, redevelopment of substandard physical facilities, providing financial and other assistance and opportunities for the expansion of business and industrial activities within the county.

²³ Association of Minnesota Counties. (1995). Correctional services in Minnesota.

²⁴ Association of Minnesota Counties. (1995). Public Health. St. Paul, MN: Author.

Quite often, cultural and recreational activities are added to the scope of services provided by counties for libraries and parks. Expenditures for libraries range from the purchasing of reference materials and books to reference services to patrons, the cataloging of materials, and the general administration of the library. Expenditures for parks include park maintenance, mowing, planting, and removal of trees. Recreation also may include expenditures for festivals, bands, museums, community centers, baseball fields, and organized recreational activities.

Many Minnesota counties are also involved in planning and zoning, i.e., land use regulation. In recent years, land use activities have come to include programs addressing environmental concerns. With the passage of the 1959 County Planning Act, counties obtained the authority to plan for and manage land use (see Appendix C). Under this plan, counties having populations less than 300,000 (according to the 1950 federal census) can voluntarily adopt comprehensive planning and zoning ordinances. Townships are also able to adopt zoning regulations, provided that they are not inconsistent with or less prohibitive than those adopted by the county board. Various land use programs in addition to zoning that are currently in place include the shore land management program, floodplain regulation, local water planning, programs to protect wild and scenic rivers, and wetland regulations.²⁵

Perhaps a more non-traditional role for counties is in the area of solid waste management. In Minnesota, counties maintain broad authority in the provision of solid waste management through Minnesota Statute Chapter 400 (known as the County Solid Waste Management Act) and the Minnesota Waste Management Act, which established a working relationship between state and local governments and the private sector. Counties provide services such as recycling, resource recovery, and the operation and maintenance of solid waste facilities.²⁶ Counties have also implemented such programs as source reduction and reuse, recycling, yard waste and food waste composting, resources recovery through municipal solid waste composting or incineration, and land disposal.

Responsibilities of Counties With Diverse Demographic and Geographic Features

The roles and responsibilities of counties quite vary between urban and rural counties, counties with large and small populations, and counties with large and small geographical areas. The following list of the top ten functions of most metropolitan and non-metropolitan governments nationally is from a book published in 1973.²⁷ Of course not every county is exactly alike; they

²⁵ Association of Minnesota Counties. (1995). Land use management. St. Paul, MN: Author.

²⁶ Association of Minnesota Counties. (1995). County management of solid waste. St. Paul, MN: Author.

²⁷ National Association of Counties. (1973). From Americas counties today. Washington, D.C.: Author, 30.

quite often face their own unique priorities, and as time goes on the order of priorities may change. But, nevertheless, over twenty years later the list still exemplifies many county services today and gives a general outline of some of the differences in priorities between non-metropolitan and metropolitan counties:

<u>Metropolitan counties</u>	<u>Non-metropolitan counties</u>
1. Jails and detention facilities	1. Tax assessment
2. Coroner's service	2. Jails and detention facilities
3. Courts	3. Law enforcement
4. Tax assessment	4. General assistance (welfare)
5. Public health	5. Coroner's service
6. Prosecution	6. Roads and highways
7. Probation and parole	7. Agricultural extension services
8. Law enforcement	8. Public health
9. Roads and highways	9. Courts
10. General assistance (welfare)	10. Medical assistance

In general, Minnesota counties essentially provide the same or like services, no matter their location. However, the extent and the priority of the service may vary based upon the geographic and demographic characteristics of the county. Recently there has been great interest in defining the role of the county in Minnesota, particularly in the urban areas.²⁸

In Minnesota, counties still act, to a great extent, as an administrative arm of the state. Therefore, counties, no matter the nature of the county, place importance on critical programs such as those relating to public health, public safety, and human services. All counties program priorities relate to the nature of the needs of their constituents. Those constituents For example, Hennepin and Ramsey counties place human service programs and public assistance at or near the top of their lists of priorities, perhaps because a significant number of county residents "suffer from homelessness, acute poverty, severe chemical dependencies, mental illness, child abuse and neglect, AIDS and other debilitating diseases, and numerous other health, well-being, and social problems with are far more prevalent in Hennepin and Ramsey counties than they are in any other area of the state."²⁹

Rural counties such as Mahnomen County in northern Minnesota and Big Stone county in western Minnesota and other rural counties also have constituencies that require diverse social

²⁸Inter-County Staff Working Groups of Carver, Dakota, Hennepin, Ramsey, Scott, and Washington Counties. (1996, March). Toward defining the role of metropolitan counties: A background report. Author.

²⁹Minnesota Office of the State Auditor. (1992, October 2). 1990 Per Capita Spending of Minnesota's Counties. St. Paul, MN: Author.

services. The reduction in the agricultural industry during the 1980's left many rural counties trying to provide for constituencies suffering from a declining economic base. In addition, the population in these rural counties tends to be older, and consequently, more reliant on governmental human services. Thus, human services tends to rank near the top of priority of services offered and in expenditures by these rural counties. Additionally, in line with the previous table, these rural counties also place tax assessment, law enforcement, and highways as among their top services. Another service frequently offered by rural Minnesota counties, but not on the general list, is assistance to townships. Quite often townships within these counties are not able to provide all the necessary services to their residents, so they rely upon the counties for services.

The geographic size of a county may cause it to modify its priorities in a somewhat varied order. Lake County in northern Minnesota has an area of 2,062 square miles but has a population of only 10,363 people. The relatively large size of the county requires greater patrol areas for the Sheriff's Department, and a greater amount of highway miles for the Highway Department to cover which leads to a higher level of priority and expenditures for these services. If the county were smaller with the same size population, less might be required of both departments, and the priorities of the county may more closely correspond in significance with the priorities of other counties with smaller geographical areas.

Despite, or perhaps because of, the hardships such as declining populations and economic bases that many of these counties are currently facing, they are searching for innovative ways to provide services to their constituents. Big Stone County is experimenting with reorganizing the services of the auditor and treasurer to create greater efficiency between the departments. Cook and Lake counties will be sharing the services of a county administrator and a county judge in the near future in an attempt to achieve cost savings.

Measuring the Quality of Services Provided by Minnesota Counties

According to the National Association of Counties in 1996, only one comprehensive attempt has been made to determine the quality of services offered by a county; the final result of the study being a more qualitative rather than quantitative evaluation. In 1994, the Portland-Multnomah Progress Board (Oregon) began to annually compile a series of benchmarks which allow the county to measure its progress in meeting the needs and concerns of its residents. To do this required five years of initial research "to define the future vision" of the community through interaction between the residents and the community stakeholders.³⁰ Much of the study focused on gathering opinions of the residents by asking them to rate how they feel about the safety of their community, their quality of life, and how satisfied they are with the performance of their local government. Hence, the result is more subjective than objective.

³⁰ Portland-Multnomah Progress Board. (1995, January). Portland-Multnomah Benchmarks: 1994 Annual Report. Portland, OR: Author, 8.

Many professionals within the field of county government administration have expressed the sentiment that it is virtually impossible to quantitatively measure and analyze the level of services offered by counties. Archie Stephens, the Executive Director of the Arizona Association of Counties,³¹ William Peterson, Executive Director of the Iowa State Association of Counties,³² and James Mulder, Executive Director of the Association of Minnesota Counties,³³ are all of the opinion that quantitatively measuring the quality of county services is extremely difficult since citizen perceptions and attitudes toward government and appropriate levels of government services vary tremendously, even within one county.

It is also possible that trying to measure the quality of services offered may result in nothing more than comparing the per capita costs of county services between one county and another. While this may be a reasonable method to begin an examination, per capita costs reveal little about the quality of services. As mentioned previously, counties are often faced with differing responsibilities as determined by divergent geographic and demographic characteristics. These factors not only affect responsibilities, they often affect costs. These effects will be explored in greater detail in the following section and will serve to support the notion that it is difficult to quantify the quality of services provided by counties.

At the onset of this research effort to determine the feasibility of adjusting county boundaries, the researchers proposed to gather information regarding on-going evaluations of the quality of services offered by Minnesota's 87 counties. Unfortunately, the evidence from other studies thus far indicates that this type of evaluation requires resources far beyond what are available to the Minnesota Board of Government Innovation and Cooperation. To take on a project of this magnitude would, on a simplistic level, require surveying many of Minnesota's inhabitants as to the level of services they feel they receive (and should receive), interviewing elected and appointed county officials to determine their perceived level of service demand and service quality, and determining measures to quantify the quality of services on an objective scale. Unfortunately, no standard performance indicators or measurers are readily available. Therefore, due to these constraints, we have not attempted to quantitatively measure the quality of services. Instead our analysis focuses on a financial analysis of the counties in order to identify the critical various variables or factors which influence the level of county expenditures.

³¹ Telephone Interview. 12 Dec. 1995.

³² Telephone Interview. 14 Dec. 1995.

³³ Interview. 15 Dec. 1995.

Chapter 3 Per Capita Spending Trends of Minnesota Counties

Top Spending Categories

To understand the per capita spending trends of Minnesota counties, it is important to recap some of the points from the previous chapter, "County Government Structures and Responsibilities." The following is a list of Minnesota county expenditure areas as a percentage of total county expenditures for 1994:¹

Human Services	37.0%
Public Safety	13.4%
General Government	12.5%
Highways	6.9%
Health	3.7%
Culture and Recreation	2.5%
Conservation	1.5%
Sanitation	1.6%
Economic Development	1.0%
Other	0.6%
Debt Service	4.3%
Capital Outlay	13.8%

These figures, with the exceptions of capital outlay and debt service, comprise current expenditures and administrative costs only for each category; all capital outlay expenditures are accounted for in their own category. In the previous chapter of this report, capital outlay expenditures were included with the category in which they were spent. For instance, capital outlay expenditures for highways made up 9.8% of the county highway expenditures. Therefore, when the 6.9% of current expenditures and the 9.8% of capital outlay expenditures are added, they equal about 16.7% of total expenditures. Because capital outlay expenditures can vary greatly from year to year, it is important to categorize them separately in order to compare true categorical per capita expenditures on an annual basis.

The top four categories of spending for counties comprise over 70% of a county's expenditures (not including capital outlays). To better understand the spending in each of these categories, as

¹Minnesota Office of the State Auditor. (1994, December 31). 1994 Revenues, Expenditures, and Debt of Minnesota Counties.

well as the others, it is important to redefine each category to understand the many purposes that each category comprises.²

General Government - Included in this category are all the administrative services and functions related to the general operation of the governmental unit. Operations included in this category are the administration of property taxes and property assessments as well as general upkeep expenditures for county government buildings. This category also includes all expenditures related to the courts.

Human Services - Included within the broad category of human services are such items as Aid to Families with Dependent Children (AFDC), Medical Assistance, other income maintenance programs, and social services such as family and child welfare services. Income maintenance itself comprises such programs as Minnesota Supplemental Assistance, General Assistance, AFDC and the county share of Medical Assistance.

Within the category of other human social services and welfare programs fall such programs as food, fuel, housing, and social service programs for children and their families. In the tables provided in the text, all spending on income maintenance, social services and other human services are included within the category of Human Services. The tables included in the appendix subdivides Human Services into Income Maintenance, Social Services, and Other Human Services in order to provide a more detailed description of county spending on human services.

In January of 1991, the State of Minnesota began assuming the financial responsibility for the county share of many human service programs such as AFDC and Medical Assistance, while counties remained responsible for the administrative costs of the programs. By 1993, the state had completed its takeover of the county share of the programs; thus, the costs of these benefits were transferred to the state. From 1989-1993, county spending on income maintenance programs decreased 33.8%, while county spending on other human services increased 52.4%. The large decrease in spending on AFDC and Medical Assistance tends to conceal the increases in county spending on other social service programs.

Highways - Included in expenditures for highways are expenses for the maintenance of highways, such as patching, seal coating, and snow removal. Also included in this category are expenditures for highway construction, bridge repair and construction, and the purchase and maintenance of street equipment, as well as spending for state-aid highways. Spending for state-aid highways are included in this category.

Public Safety - Public safety expenditures include such expenses for the sheriff, corrections, traffic safety, building inspections, civil defense, etc.

²All definitions taken from: Minnesota Office of the State Auditor. (1993, December 31). Revenues, Expenditures, and debt of Minnesota counties. St. Paul: Author.

Health Services - Health services include all expenditures for mental health centers, general clinics, preparation of vital statistics, (such as birth and death certificates), disease control, and other health-related expenditures.

Economic Development - Included in the category of economic development are expenditures associated with planning and providing adequate housing and redevelopment of sub-standard facilities. Also included are expenditures directed toward developing an area or providing assistance and opportunity to persons and businesses for such development.

Other - The remaining categories listed in the appendix tables, though not explicitly discussed in this chapter, are expenditures for libraries, environmental services, cultural and recreational activities.

Considerations to be Made when Examining the County Expenditures in this Report

Three important items must be considered when examining county expenditures. The first is Enterprise Funds. Enterprise Funds are defined as funds used for specific services which are intended to be self-sustaining through fees and user charges. Enterprise funds include such items as nursing homes, nursing services, hospitals, and solid waste management facilities. As reported by the Minnesota Office of the State Auditor, "In 1993, counties spent \$609.9 million on enterprise operations, generated enterprise fund operating revenues of \$603.9 million, and had a total operating loss of \$5.9 million."³ Enterprise funds are not included in the per capita yearly expenditure calculations. Rather, there are two separate categories in the State Auditor's report for enterprise fund operations: operating transfers in and operating transfers out.

A second item to consider is the current effect of consolidated services on county government expenditures. Five of Minnesota's counties have consolidated their efforts to provide welfare and human services by creating, in one case, a Human Services Board, and the other a Welfare Board. The Faribault-Martin-Watonwan Human Services Board was created out of a joint powers agreement (Minn Stat. § 471.59) to provide health and welfare services to county residents (Minn. Stat. §§ 402.01-.10). "The Faribault-Martin-Watonwan Human Services Board was established on June 30, 1975. As of January 1, 1991, Watonwan County withdrew from the Human Services Board."⁴ The Board, now representing only Faribault and Martin counties, has 12 members, six from each county. Each county collects its portion of local tax revenues and transfers these funds to the Board to realize its ongoing financial responsibility.

³Minnesota Office of the State Auditor. (1993, December 31). Revenues, expenditures, and debt of Minnesota counties. 5.

⁴Minnesota Office of the State Auditor. (1994, December 31). Faribault County-Blue Earth, Minnesota: Financial statement. St, Paul, MN: Author, 39.

The counties of Lincoln, Lyon, and Murray, have come together to form the Region VIII North Welfare Board. This Board was formed pursuant to Minnesota Statute § 393.01, subd. 7, and began official operations on July 1, 1974. The Board performs the welfare functions formerly executed by the individual counties. Local financing is provided by the three member counties on the basis of each county's welfare expenditures in 1973. The breakdown of percentages are:

Lincoln County	20.90%
Lyon County	54.77%
Murray County	24.33%

Two commissioners from each of the three counties are chosen by their respective county boards, as well as one lay person from each participating county, to govern the Welfare Board. At least one of the lay board members must be a woman. The expenditures of the Region VIII North Welfare Board are not included in any of the counties' reporting entities, rather the Board is an independent joint venture.⁵

Finally, the last consideration when examining the numbers in this section on county finances is the omission of capital outlay and debt service expenditures from the per capita yearly expenditure calculations. However, there may be cases in which capital outlay expenditures were included in a category such as general government. The Office of the Minnesota State Auditor explains it this way:⁶

...it is not always possible to identify all capital expenditures of Minnesota counties. While Total Current Expenditures excludes all capital for brick and mortar projects, several counties continue to classify purchases of certain capital equipment (such as an automobile) as a current expenditure. It is not possible for the Office of the State Auditor to identify expenditures on capital equipment that has been classified by the county as a current expenditure.

County Groupings

For the purposes of this chapter, Minnesota's 87 counties have been divided into six groups. (See Figure 10 at the end of this chapter for a complete listing of counties by category):

1. Central Urban Counties - Made up of Hennepin and Ramsey counties, which contain the cities of Minneapolis and St. Paul and their suburbs.

⁵Minnesota Office of the State Auditor. (1993, December 31) Region VIII North Welfare Board - Marshall, Minnesota. St. Paul, MN: Author, 6.

⁶Minnesota Office of the State Auditor. (1992, October 7). 1990 per capita spending of Minnesota counties. St. Paul, MN: Author, Appendix A.

2. Twin Cities Suburban Counties - Comprises the eight counties of the Minneapolis-St. Paul suburban area.
3. Rural Counties With Increasing Populations - These are rural counties that experienced population growth of five percent or more during the 1990-1994 period.
4. Rural Counties with Stable Populations Over 15,000 - These are the 39 rural counties that had stable populations of more than 15,000 residents from 1990-1994.
5. Rural Counties with Stable Populations of 7,000-15,000 - These are the 22 rural counties that had stable populations of 7,000-15,000 residents from 1990-1994.
6. Rural, Sparsely Populated Counties - These nine rural counties have populations of less than 7,000 residents.

Per Capita Expenditures by County Grouping

By examining Figures 3, 4, 5, and 6⁷, it is evident that sparsely populated rural counties have the highest per capita expenditures. To fully understand the differences in per capita spending, it is necessary to complete a detailed analysis of the spending data for each of Minnesota's 87 counties. While such a detailed analysis was beyond the scope of this study, there are several general factors that contribute to the higher per capita expenditures in many sparsely populated rural counties.

The higher per capita costs in sparsely populated rural counties can be attributed to a number of independent factors. First is economies of scale. These counties have a smaller population base over which the fixed costs of county services are spread. Therefore, if these sparsely populated rural counties spend the same amount as a county with a population of 50,000 or more, the per capita expenditures for the smaller county are substantially higher, since there are fewer people over which the fixed expenditures may be allocated.

Perhaps another contributing factor to the higher per capita costs is the demographics of the county. Generally, the population in rural areas tends to be older. Thus, they may require more human services, medical services, and the like. At the same time, the population may tend to have a lower per capita income, thus they may qualify for and utilize more human services related to public health and income maintenance.

⁷A more detailed printout of county revenues and expenditures for the years 1989-1995 is available in Appendix 3.

FIGURE 3**PER CAPITA COUNTY EXPENDITURES, 1989-1994
(NOT ADJUSTED FOR INFLATION)**

	URBAN	SUBURBAN	RURAL WITH INCREASING POPULATIONS	RURAL, STABLE POPULATIONS OVER 15,000	RURAL, STABLE POPULATIONS OF 7,000-15,000	RURAL, SPARSELY POPULATED
1989	\$681.00	\$393.00	\$553.00	\$473.00	\$578.00	\$749.00
1990	630.50	423.00	580.00	507.00	618.00	818.00
1991	624.00	412.00	562.00	499.00	608.00	809.00
1992	570.00	415.00	529.00	491.00	632.00	854.00
1993	610.50	450.00	593.00	524.00	676.00	886.00
1994	629.50	477.00	537.00	537.00	611.00	947.00

FIGURE 4

PER CAPITA EXPENDITURES, 1989-1994
(NOT ADJUSTED FOR INFLATION)

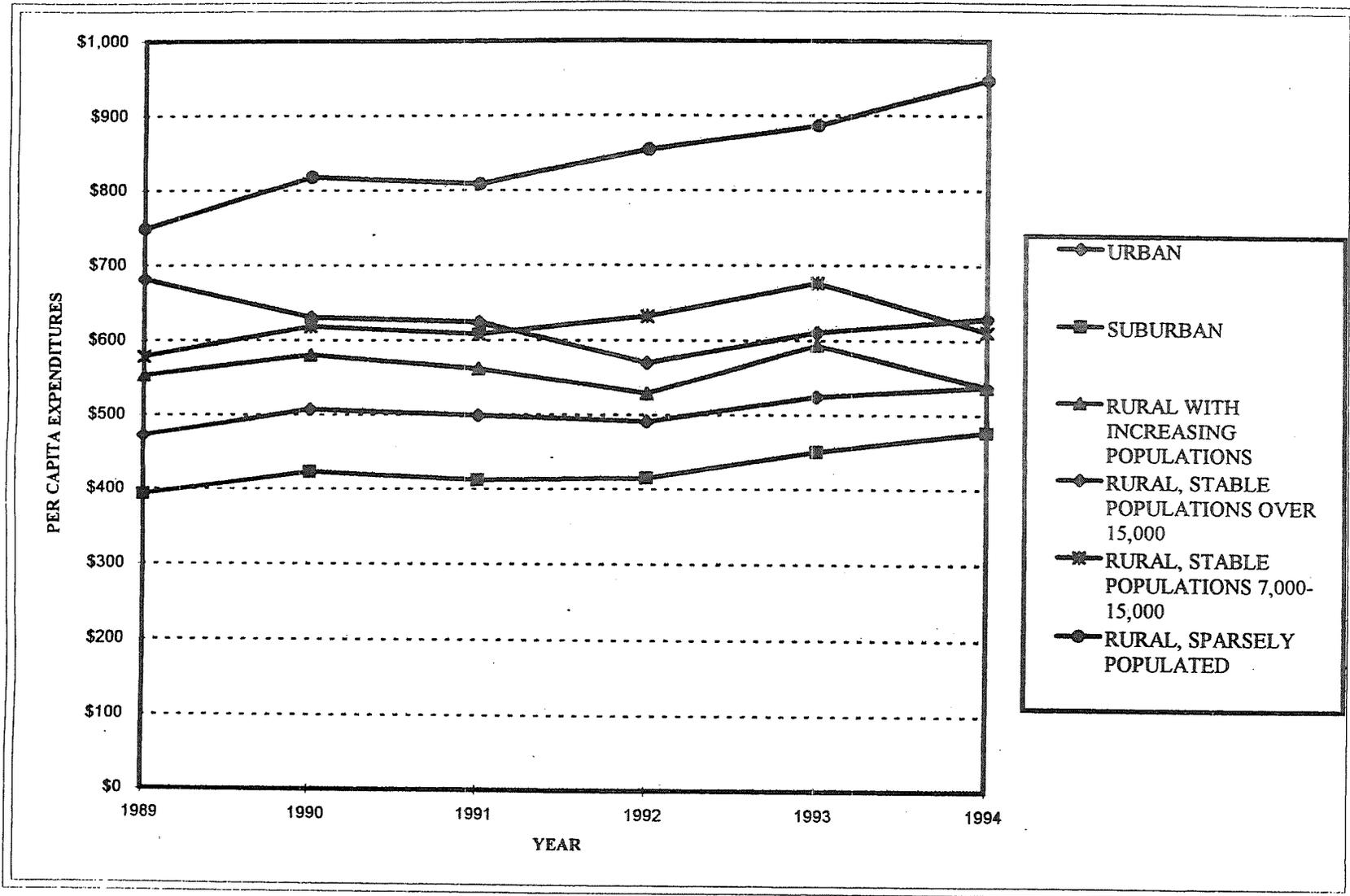
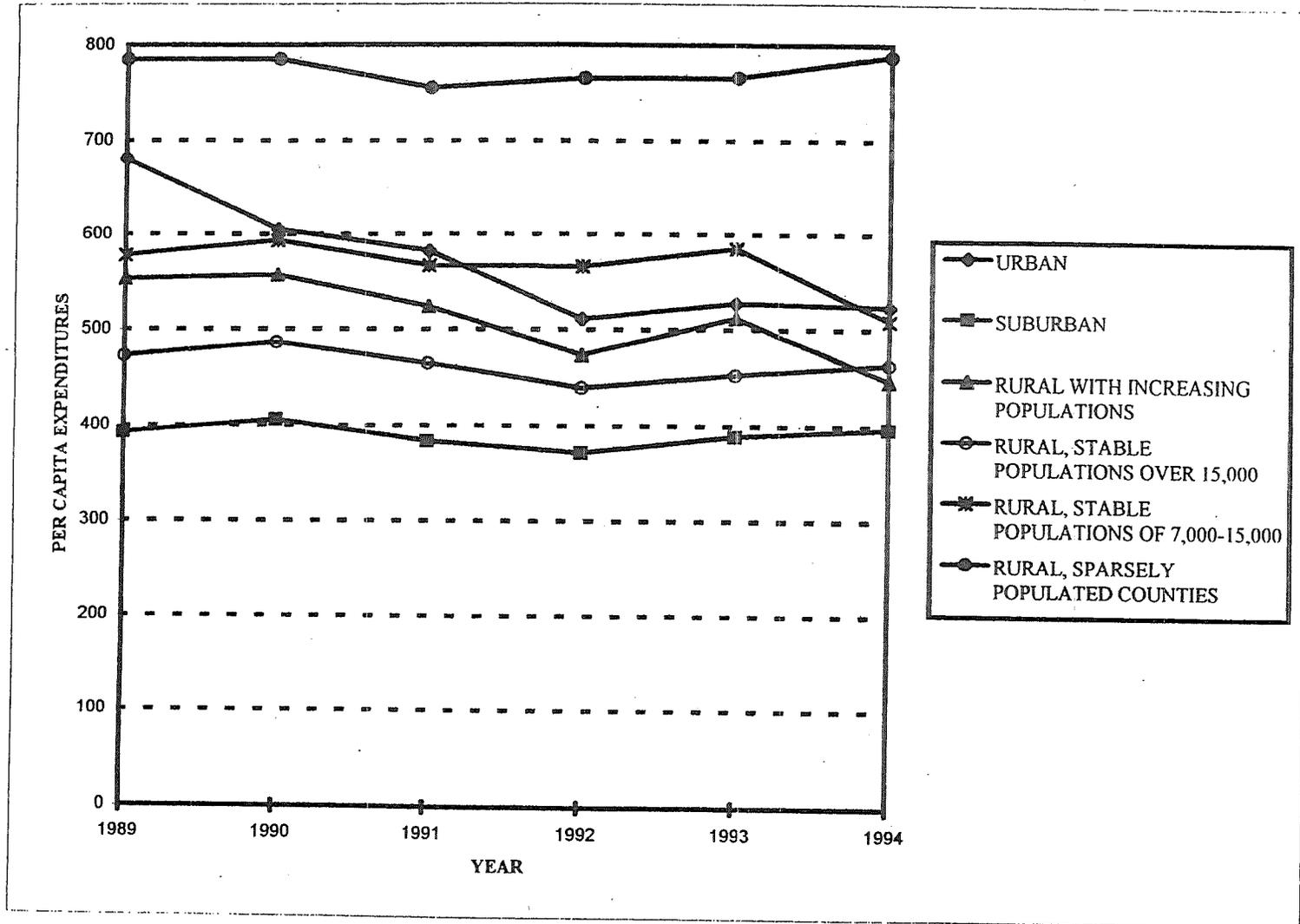


FIGURE 5**PER CAPITA COUNTY EXPENDITURES, 1989-1994
(ADJUSTED FOR INFLATION)**

	URBAN	SUBURBAN	RURAL WITH INCREASING POPULATIONS	RURAL, STABLE POPULATIONS OVER 15,000	RURAL, STABLE POPULATIONS OF 7,000-15,000	RURAL, SPARSELY POPULATED
1989	\$681.00	\$393.00	\$553.00	\$473.00	\$578.00	\$785.00
1990	605.00	406.00	557.00	487.00	593.00	785.00
1991	582.00	384.00	524.00	465.00	567.00	755.00
1992	511.00	372.00	474.00	440.00	566.00	765.00
1993	528.00	389.00	512.00	453.00	584.00	766.00
1994	524.00	397.00	447.00	464.00	509.00	788.00

FIGURE 6

PER CAPITA COUNTY EXPENDITURES, 1989-1994
(ADJUSTED FOR INFLATION)



The economic hardships of the 1980's also placed an incredible strain on the rural counties, particularly those which rely on agriculture, forestry and mining. Residents who had previously sought little public assistance were forced to begin relying on public services for survival. Thus, many counties encountered a population with increasing needs.

Many rural counties also contain few cities or townships with the capacity to maintain the roads, thus they rely upon the county public works departments through formal or informal agreements, to provide road maintenance. Consequently, counties are responsible not only for county highways, but may also assume responsibility for road services within townships, thus increasing highway maintenance costs for counties. Additionally, agreements, whether formal or informal, may also be in place for other services such as law enforcement and jails through the county Sheriff's department.⁸ Even if the townships and small cities reimburse the counties for all or a portion of the costs of those services, the per capita county expenditures will reflect these additional responsibilities. Figure 16 at the end of the chapter illustrates the small number of cities with populations over 2,500 in the sparsely populated counties. This lack of cities with populations over 2,500 suggests that many of these counties are providing services to the very small cities, which in turn may be causing county expenditures to increase.

It is also evident in Figures 3 and 4 that county expenditures, before being adjusted for inflation, have not increased for all county groupings from 1989-1994. A certain amount of variation exists between county groups, though generally all of the county groups have seen their per capita expenditures fluctuate between 1989-1994. The only county grouping which increased expenditures every year (except 1991) was the rural, sparsely populated county group. The inflation adjusted figures show that per capita expenditures have either decreased or risen only slightly. (The largest increase occurred in suburban counties, which increased spending by \$4 per capita between 1989-1994 in inflation adjusted dollars).⁹

What would cause counties to decrease their spending? The main reason may be the changes in the sources of revenues for the county. Counties are receiving fewer intergovernmental revenues, and instead have to rely upon property taxes, licenses fees, other fees and service charges, and other miscellaneous revenues to make up for the intergovernmental decrease (as illustrated in

⁸ Minnesota Office of the State Auditor. (1992, October 7). 1990 per capita spending of Minnesota's counties. St. Paul, MN: Author. 14.

⁹ Inflation rates used are for the North Central Region - Minneapolis - from the U.S. Department of Labor, Bureau of Statistics. Inflation rates were:

1989-1990 - 4.1%	1991-1992 - 3.5%
1993-1994 - 3.2%	1992-1993 - 3.1%
1990-1991 - 2.7%	

Figure 9). The Office of the State Auditor offered the following explanation for the decrease in county intergovernmental revenues:¹⁰

The most significant factor in the decline of intergovernmental revenues was a change in state policy that shifted a portion of the financial responsibility for courts and several human service programs from the counties to the state. As the state has assumed greater financial responsibility for these programs, the aid provided to counties has decreased. The shift in costs from the counties to the state has also affected the amount of federal aid to counties. The federal aid that pays for a portion of the costs of certain human service programs now remains at the state level rather than flowing to the counties.

As noted above, one of the principal factors contributing to the decrease in overall expenditures was the state takeover of human service costs. The takeover decreased human service expenditures in most counties, particularly Ramsey and Hennepin. However, the cost savings resulted in increased spending in other areas as counties shifted their spending priorities to other areas which needed more funds.

Per Capita Expenditures by Service Area

It is evident from viewing Figure 7 and Figure 8 that, in general, rural counties spend the most per capita in the categories of general government, highways, and economic development. As noted in the previously, possible explanations for the higher level of expenditures were: economies of scale for general government expenditures, more rural county maintained road and highway miles, and greater efforts in economic development to diversify the economic base of many rural counties.

Urban counties, by comparison, tend to spend more per capita on human services, health services, and public safety. This may be due to higher crime rates (per 100,000 people), increased human service and public health needs, and services dealing with AIDS, homelessness, poverty, chemical dependency, mental illness, spouse abuse, and child abuse/neglect, which maybe more prevalent in urban areas.¹¹

Not only is it important to consider the counties which spend the most per category, it is also important to identify those which spend the least. Suburban counties spend the least per capita on human services, most likely due to the demographics of their populations. Incomes tend to be higher in suburban areas than they are in urban and rural areas, hence there may be a decreased demand for publicly funded human services.

¹⁰ Minnesota Office of the State Auditor. (1994, December 31). Revenues, expenditures, and debt of Minnesota's counties.

¹¹ Minnesota Office of the State Auditor. (1992, October 7). 1990 per capita spending of Minnesota's counties.

FIGURE 7

**PER CAPITA EXPENDITURES BY SERVICE AREA, 1989-1994
(NOT ADJUSTED FOR INFLATION)**

	GENERAL GOVERNMENT	PUBLIC SAFETY	HIGHWAYS	HEALTH SERVICES	HUMAN SERVICES	ECONOMIC DEVELOPMENT
URBAN						
1989	\$62.00	\$83.50	\$19.00	\$22.50	\$366.00	\$4.00
1990	69.00	90.50	18.50	25.00	396.00	4.50
1991	73.50	97.00	16.50	27.00	377.50	4.50
1992	78.50	104.00	16.50	27.50	313.00	3.50
1993	80.50	112.50	18.00	31.00	337.00	4.00
1994	93.50	119.00	18.00	27.50	325.00	4.50
SUBURBAN						
1989	85.50	59.00	31.75	18.88	165.88	4.38
1990	90.25	64.75	34.38	19.63	180.00	4.38
1991	90.50	66.38	31.75	20.13	165.25	5.00
1992	91.75	66.38	29.75	17.50	165.88	5.88
1993	96.00	76.00	35.00	21.13	180.75	7.38
1994	98.22	80.38	31.13	20.38	173.38	7.13
INCREASING POPULATION						
1989	94.71	64.57	67.29	22.43	272.14	1.14
1990	102.57	68.57	66.43	23.29	286.43	1.86
1991	96.57	71.00	65.14	25.00	271.43	1.57
1992	98.57	79.29	65.08	27.00	222.14	5.57
1993	101.86	78.57	83.57	29.43	249.57	4.43
1994	109.43	85.00	74.00	30.86	244.29	3.29

FIGURE 7

**PER CAPITA EXPENDITURES BY SERVICE AREA, 1989-1994
(NOT ADJUSTED FOR INFLATION)**

	GENERAL GOVERNMENT	PUBLIC SAFETY	HIGHWAYS	HEALTH SERVICES	HUMAN SERVICES	ECONOMIC DEVELOPMENT
RURAL, STABLE POPULATIONS OVER 15,000						
1989	77.23	46.26	72.38	17.13	224.36	3.95
1990	81.62	50.28	74.31	18.90	241.74	3.79
1991	81.92	53.82	72.67	20.44	225.67	3.62
1992	81.05	57.64	73.87	22.72	206.77	3.03
1993	83.36	62.36	78.69	22.46	225.85	3.31
1994	87.63	64.25	79.53	24.23	210.95	3.55
RURAL, STABLE POPULATIONS OF 7,000- 15,000						
1989	97.45	47.82	121.55	12.59	231.64	6.18
1990	98.73	52.50	129.32	13.14	253.91	2.91
1991	97.55	55.23	111.73	15.41	253.14	3.00
1992	99.14	58.64	126.68	15.86	237.50	2.77
1993	106.88	61.05	137.05	16.73	264.27	2.27
1994	109.91	66.27	132.27	18.05	253.91	5.50
RURAL, SPARSELY POPULATED						
1989	156.78	68.56	195.44	12.56	223.00	11.56
1990	170.78	84.56	202.11	15.22	240.22	16.44
1991	163.11	87.00	196.44	15.67	225.56	16.00
1992	172.67	92.78	227.22	15.56	220.22	15.22
1993	181.78	98.56	221.33	20.33	221.30	13.44
1994	181.00	150.67	223.33	17.11	233.78	13.11

FIGURE 8

**PER CAPITA EXPENDITURES BY SERVICE AREA, 1989-1994
(ADJUSTED FOR INFLATION)**

	GENERAL GOVERNMENT	PUBLIC SAFETY	HIGHWAYS	HEALTH	HUMAN SERVICES	ECONOMIC DEVELOPMENT
URBAN						
1989	\$62.00	\$83.50	\$19.00	\$22.50	\$366.00	\$4.00
1990	66.17	86.79	17.74	23.98	379.76	4.31
1991	68.50	90.40	15.38	25.16	351.83	4.19
1992	70.40	93.29	14.80	24.67	280.67	3.14
1993	69.71	97.42	13.49	26.85	291.84	3.46
1994	77.71	99.01	14.98	22.88	270.40	3.74
SUBURBAN						
1989	85.50	59.00	31.75	18.88	165.88	4.38
1990	86.55	62.09	32.97	18.83	172.62	4.20
1991	84.35	61.87	29.60	18.76	154.01	4.66
1992	82.30	59.54	26.69	15.70	148.79	5.27
1993	83.14	65.28	30.31	18.29	156.53	6.39
1994	81.72	66.88	25.90	16.96	144.25	5.93
INCREASING POPULATION						
1989	94.71	64.57	67.29	22.43	272.14	1.14
1990	98.36	65.76	63.71	22.34	274.69	1.78
1991	90.00	66.17	60.71	23.30	252.97	1.46
1992	88.42	71.12	58.38	24.22	199.26	4.99
1993	88.20	68.04	72.37	25.49	216.13	3.83
1994	91.05	70.72	61.57	25.68	203.25	2.74

FIGURE 8

**PER CAPITA EXPENDITURES BY SERVICE AREA, 1989-1994
(ADJUSTED FOR INFLATION)**

	GENERAL GOVERNMENT	PUBLIC SAFETY	HIGHWAYS	HEALTH	HUMAN SERVICES	ECONOMIC DEVELOPMENT
RURAL, STABLE POPULATIONS OVER 15,000						
1989	77.23	46.26	72.38	17.13	224.36	3.95
1990	78.27	48.22	71.26	18.13	231.83	3.63
1991	76.35	50.16	67.73	19.05	210.32	3.37
1992	72.70	51.70	66.61	20.38	185.47	2.72
1993	72.19	54.00	68.15	19.45	195.59	2.87
1994	72.91	53.46	66.17	20.16	175.51	2.95
RURAL, STABLE POPULATIONS OF 7,000- 15,000						
1989	97.45	47.82	121.55	12.59	231.64	6.18
1990	94.68	50.35	124.02	12.60	243.50	2.79
1991	90.92	51.47	104.13	14.36	235.92	2.80
1992	88.93	52.60	113.63	14.22	213.04	2.48
1993	92.56	52.87	118.68	14.49	228.86	1.97
1994	91.45	55.14	110.05	15.02	211.25	4.58
RURAL, SPARSELY POPULATED						
1989	156.78	68.56	195.44	12.56	223.00	11.56
1990	163.78	81.09	193.82	14.60	230.37	15.77
1991	152.02	81.08	183.08	14.60	210.22	14.91
1992	154.88	83.22	203.82	13.96	197.54	13.65
1993	157.42	85.35	191.67	17.61	191.65	11.64
1994.00	150.59	125.36	185.11	14.24	194.50	10.91

Urban counties spend the least per capita on general government and highways, partly due to economies of scale and fewer county maintained roads. Conversely, rural counties with stable populations of 7,000 to 15,000 spend the least per capita on health services, in part because a number of rural counties operate hospitals and other health care facilities with enterprise funds.

Within the category of economic development, the figures fluctuate from year to year, due to the number of economic development initiatives a county is undertaking in any given year. Therefore, it is more difficult to say which counties spend the least on economic development overall, though it is clear, as previously mentioned, that sparsely populated counties have consistently spent the most per capita in this category.

An Analysis of the Factors Affecting Per Capita Expenditures

Rural counties in Minnesota, and across the nation, tend to spend more per capita for delivery of essential public services than do their urban and suburban counterparts. Various factors suggested for the contrast in spending between the areas include: population size, population density, the geographic area of the county, poverty levels, per capita resident income, crime rates, and state grants to counties. However, basic statistical regression analysis¹² provides little evidence that such factors, with the exceptions of population, the geographic area of the county, and the per capita amount of state grants, have a significant effect on per capita expenditures.

A linear regression was run using county per capita expenditures as the dependent variable. The independent variables were county population, and county size (square miles), and per capita state grants. With a confidence level of 95% (which gives a t-critical of 1.65), we found the following:

<u>Variable</u>	<u>Coefficient</u>	<u>t - Statistic</u>
County Size (Square Miles)	0.031	2.41
Population	0.0002	2.50
Total Per Capita State Grants	1.21	16.14

An equation using these independent variables consequently will explain the level of per capita expenditures in about 78% of all cases.¹³ The first statistically significant variable, County Size,

¹² Regression analysis is a method used to "explain" the independent variables that affect changes in a dependent variable. Movement in the dependent variable, in this case, per capita expenditures, may be a result of movements in the independent variables, in this case, county population, size, and per capita state grants.

¹³ Adjusted R-Squared = 0.778
 Degrees of Freedom = 86
 Significant t (at a 5% confidence level) = 1.96

suggests that for an increase of one square mile in the county's size, there is a \$0.03 increase in per capita expenditures. The variable Population also proved to be statistically significant; the coefficient of .0002 suggest that for a one unit increase in county population, per capita expenditures decrease \$0.0002. Therefore, the impact of increasing the population by one person is minuscule.

The statistically significant variable having the greatest impact on per capita expenditures appears to be the amount of per capita state grants that a county receives. The coefficient of 1.21 states that for a one dollar increase in the amount of per capita state grants to a county, per capita county expenditures increase by \$1.21.

This regression analysis suggests that population size and county geographic size do not have a profound impact on per capita expenditures, but that the amount of state grants and aids a county receives does. Therefore, combining two counties with smaller populations in an effort to reduce per capita costs could prove futile. It is commonly believed that increasing the population allows the fixed costs to be spread over a larger population, thus decreasing the per capita burden of expenses. This may be true for cities or counties that experience an increase in population coupled with a fixed geographic size. However, in order to significantly increase the population of a county, it may be necessary to combine it with another county, thus significantly increasing not only the population, but the geographic size of the county as well. The increase in county size could potentially offset any economies of scale from an increased population base.

Using Pope and Stevens Counties, as an example, these two counties have relatively small populations (10,839 and 10,597) and relatively small geographic sizes (718 square miles and 558 square miles, respectively). If these counties were combined, the new county would have a population of 21,436, and an area of 1,276 square miles. This new county would be comparable to the current County of Pine (Pine County has a population of 22,509 and an area of 1,414 square miles.). In 1994, Pope County had per capita expenditures of \$556, and Stevens County had per capita expenditures of \$582. If the two counties were combined and had approximately the same level of services as Pine County, it is possible that the new county would have per capita expenditures comparable to Pine's, which were \$658 in 1994. This amount is considerably higher than Pope and Stevens' current individual per capita expenditures. Granted, it is not possible to make an exact comparison due to differences between the counties in the level of services they provide, as well as geographic, economic, and demographic differences between the counties; but this is a reasonable comparison as all three counties are relatively rural

Based on this analysis involving small geographic counties, it is evident that combining counties which already have large geographic areas might be detrimental to the ability of the county to deliver services and its efforts to contain per capita expenditures. Combining any counties, from small counties to large counties, puts additional strain on per capita expenditures and county services. Increasing the geographic size of a county means that all county departments have larger areas to service. Further, all services now have to be provided to a larger geographical area which may be a great distance from an existing or new county seat. This may require counties to

hire additional staff to travel and work in the more distant corners of the new county, or they may have to set up satellite offices to service these areas, consequently resulting in costs that are greater than the savings from any economies of scale due to the increased population.

Due to its large geographic size, St. Louis County is one county that has implemented the use of satellite offices in the cities of Hibbing and Virginia, in addition to its main county offices in Duluth. This is one feasible approach way to offering services to some of the far reaching areas of the county. St. Louis County has essentially two population bases; a northern and a southern population. About half of the population of the county lies in the Duluth area, while much of the rest tends to live around Hibbing and Virginia. This creates, for example, a challenge for the criminal justice system. It is necessary to have a courthouse in Virginia and jails located both in Virginia and Hibbing to cut down on public safety costs. People who are arrested would have to be transported all the way to Duluth to be incarcerated or to appear in court. Conversely, without courthouses in the northern portion of the county, prosecutors, judges, and public defenders would have to travel long distances from Duluth to the northern parts of the county. This would be expensive, time consuming, and inefficient. Thus, St. Louis County has found it necessary to use satellite offices and service centers to service the county population in the northern part of the county.

Returning to the regression analysis, it would appear that the greatest impact on per capita expenditures would be a reduction in the amount of state grants a county receives. Certainly this may not be a politically astute move, and it would hurt the counties most in need. But, many state grants are formula based, meaning that the amount of money a county receives is based upon a formula which determines the state funding level, as a proxy for need. Many of the counties with a smaller tax base, and/or with the smallest populations, receive the largest per capita state grants (see Figure 10) since it may be more difficult for these counties to raise the necessary level of revenues through property taxes and other revenue sources. If the state were to reduce the level of state grants to these counties, it could have a serious negative impact upon residents in such counties.

A later chapter discusses particular service areas and their potential for achieving economies of scale, rather than county services as a whole. But, for the purposes of examining the feasibility of adjusting county boundaries, it is important to look at county expenditures as a whole, rather than in service category segments alone, as we have done here.

The Economic Health of Minnesota Counties

It is evident from the unreserved general fund balances of Minnesota counties (Figures 11, 12, 13, and 14) that Minnesota's counties, in general, are fiscally healthy. Unreserved general fund balances are the most appropriate measure of a county's relative financial health. They are a measure of the amount of undesignated money a county has at the end of the fiscal year which can be used to meet expenses in the coming year. Because the monies are undesignated, counties have great flexibility in applying them to meet expenses as they see fit.

At the close of 1994, Minnesota counties had a cumulative unreserved fund balance of \$483 million. This was an increase of 4.6% over 1993.¹⁴ As indicated in Figure 12, the trend in Minnesota in recent years has been toward increasing unreserved general fund balances, which is an indication of improving fiscal health. From 1993-1994, 59 of Minnesota's counties reported increases in their fund balances, and twenty-eight reported decreases, though not one reported a negative fund balance. (See Figure 11). The size and change of unreserved fund balances generally differs greatly from one county to another. The declines ranged from 2.2% in Olmsted County to 86.8% in Hennepin County, largely due to Hennepin's effort to reduce the 1995 property tax levy.

"The counties of Brown, Hennepin, Kandiyohi, and McLeod reported a decline in their general fund balances and general fund balances that totaled less than ten percent of current expenditures."¹⁵ The Minnesota Office of the State Auditor warns that "Counties that exhibit these two conditions (a decline in the general fund balance and general fund balances that total less than ten percent of current expenditures) may not have enough reserves to meet their cash flow needs during the first five months of the year."^{16 17}

Based upon that knowledge, one can obtain an overall picture of the health of Minnesota counties by looking at fund balances as a percent of total current expenditures, in addition to the actual amount of the fund balance. Of Minnesota's 87 counties in 1994:

- 9 had fund balances that were less than 10 percent of current expenditures;
- 52 had fund balances that were between 10 and 25 percent of current expenditures
- 22 had fund balances between 25 and 50 percent of total current expenditures;
- 4 had fund balances exceeding 50 percent of total current expenditures.

Figure 13 illustrates the increasing general fund balances as a percent of total current expenditures from 1990-1994. The Office of the State Auditor also notes that fund balances can change based upon a county's decision to use the money to pay for major capital improvements, rather than

¹⁴Minnesota Office of the State Auditor. (1994, December 31). A guide to city and county fund balances. St. Paul, MN: Author.

¹⁵ Minnesota Office of the State Auditor. (1994, December 31). A guide to city and county fund balances. 6.

¹⁶ Minnesota Office of the State Auditor. (1994, December 31). A guide to city and county fund balances. 6.

¹⁷ If counties do not have sufficient fund balances, they may have to rely on short term borrowing before property taxes are collected in May or state aid and credits come in during July.

relying on the sale of bonds to raise the necessary revenues.¹⁸ Therefore, it is unwise to make broad sweeping generalizations of declining fiscal health based upon these numbers alone.

On the whole, it appears that the majority of Minnesota's counties are in relatively good fiscal health, and hopefully will remain so. If the trend toward greater unreserved fund balances continues, Minnesota counties should be able to maintain their current state of financial health. Many counties have also improved their fiscal health as a result of good management and through their efforts to collaborate in the deliver of services. However, declining revenues and declining money from the state and federal government (including welfare reform) put the fiscal health of counties raise questions regarding the continuing ability of Minnesota counties, in the near future, to maintain the current level of services and their financial health with fewer external resources.

Minnesota Counties Compared to Other States' Counties

It is very difficult to compare the counties of one state with those in another for a variety of reasons. Per capita expenditures can differ greatly on the basis of such factors as demographics, geographic characteristics, and weather conditions. County spending can also differ on the basis of mandates to the counties from the state government, the division of services between state, county, and local government, tax rates, tax bases, and tax efforts. Unlike Minnesota's counties, counties within many states are also responsible for the operation school systems.

Keeping these factors in mind when looking at Figure 15¹⁹, it is evident that Minnesota counties have high per capita expenditures compared to other states, with the exception of Arizona. Much of Minnesota's county expenditures are related to human services; more so than other states in which the state funds a higher number of human services, which may be one factor contributing to the higher overall level of county expenditures in Minnesota. Secondly, it is important that winter weather contributes to highway expenses in Minnesota and not as significantly in other states. Nevertheless, it is difficult to draw any precise conclusions as to the reasons for the disparities between the states, and it is impossible to say which state's counties spend their money most effectively or efficiently based on these numbers alone. To do any meaningful analysis and comparison would take an immense amount of effort, and still may yield few beneficial conclusions. Therefore, there should not be too much reliance placed on the numbers presented in Figure 15 for purposes of making meaningful public policy decisions regarding the merits of boundary adjustments or the fiduciary ability of county boards in Minnesota or elsewhere.

¹⁸ The Minnesota Office of the State Auditor. (1993, December 31). A guide to city and county fund balances, 5-6.

¹⁹ Information in Figure 15 is taken from:
US Bureau of the Census. (1993). Government finances: 1990-1991, series GF/91-5. Washington, D.C.: US Government Printing Office.

FIGURE 9

COUNTY REVENUE SOURCES, 1989-1994

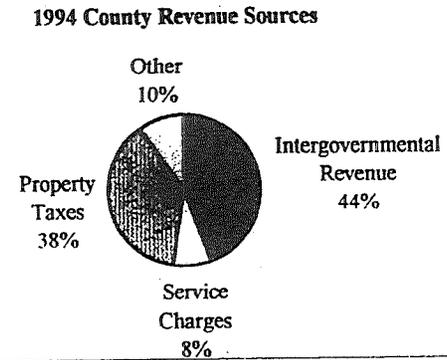
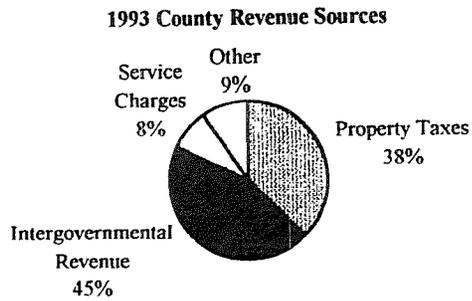
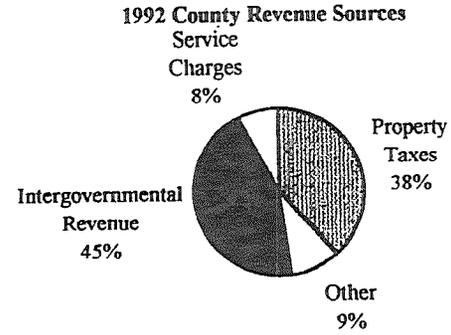
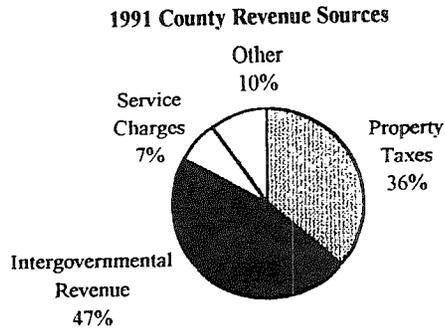
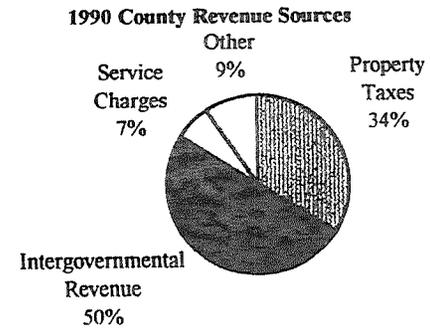
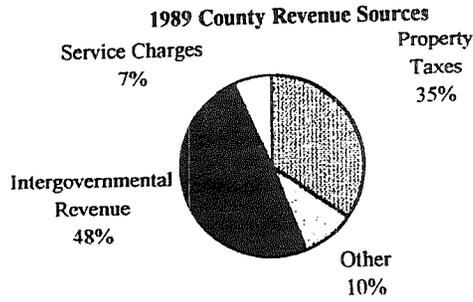


FIGURE 10 1994 COUNTY REVENUES FROM THE STATE

COUNTY	POPULATION	TOTAL COUNTY REVENUES FROM STATE	TOTAL PER CAPITA COUNTY REVENUES FROM STATE
CENTRAL URBAN			
HENNEPIN	1,056,673	175,798,415	\$ 166.00
RAMSEY	492,909	92,677,687	\$ 188.00
		PER CAPITA AVG.	\$ 177.00
SUBURBAN			
ANOKA	266,713	34,750,122	\$ 130.00
CARVER	55,025	8,275,148	\$ 150.00
CHISAGO	34,700	6,349,340	\$ 182.00
DAKOTA	308,002	42,762,480	\$ 138.00
ISANTI	28,037	6,175,598	\$ 220.00
SCOTT	66,585	12,874,356	\$ 193.00
WASHINGTON	169,300	23,195,565	\$ 137.00
WRIGHT	75,087	9,411,840	\$ 125.00
		PER CAPITA AVG	\$ 159.38
RURAL WITH INCREASING POPULATIONS			
BENTON	32,743	5,332,533	\$ 162.00
CASS	22,996	8,667,141	\$ 376.00
CROW WING	47,299	9,537,920	\$ 201.00
HUBBARD	15,705	5,502,305	\$ 350.00
OLMSTED	114,386	19,960,819	\$ 174.00
PINE	22,509	7,711,145	\$ 342.00
SHERBURNE	49,234	4,733,390	\$ 96.00
		PER CAPITA AVG	\$ 243.00

FIGURE 10 1994 COUNTY REVENUES FROM THE STATE

COUNTY	POPULATION	TOTAL COUNTY REVENUES FROM STATE	TOTAL PER CAPITA COUNTY REVENUES FROM STATE
RURAL, STABLE POPULATIONS OVER 15,000			
BECKER	28,830	9,255,829	\$ 321.00
BELTRAMI	36,090	9,763,004	\$ 270.00
BLUE EARTH	54,995	9,877,760	\$ 179.00
BROWN	27,359	6,268,375	\$ 229.00
CARLTON	30,194	8,793,297	\$ 291.00
CLAY	52,148	10,621,760	\$ 203.00
DODGE	16,511	4,201,002	\$ 254.00
DOUGLAS	29,971	6,406,982	\$ 213.00
FARIBAULT	16,655	3,124,537	\$ 187.00
FILLMORE	20,799	7,112,288	\$ 341.00
FREEBORN	32,973	8,670,827	\$ 262.00
GOODHUE	42,053	7,410,369	\$ 176.00
HOUSTON	18,929	3,991,917	\$ 210.00
ITASCA	42,047	13,716,971	\$ 326.00
KANDIYOHI	40,512	9,779,748	\$ 241.00
KOOCHICHING	15,822	6,762,945	\$ 427.00
LE SUEUR	23,922	6,004,277	\$ 250.00
LYON	25,195	4,535,600	\$ 180.00
MARTIN	22,842	3,566,226	\$ 156.00
MCLEOD	33,295	6,187,046	\$ 185.00
MEEKER	21,125	5,261,818	\$ 249.00
MILLE LACS	19,298	5,413,679	\$ 280.00
MORRISON	30,587	7,823,542	\$ 255.00
MOWER	37,561	8,945,730	\$ 238.00
NICOLLET	29,058	5,810,093	\$ 199.00
NOBLES	20,346	6,476,035	\$ 318.00
OTTER TAIL	51,823	14,485,074	\$ 279.00
POLK	32,835	10,761,542	\$ 327.00
REDWOOD	17,270	5,004,392	\$ 289.00
RENVILLE	17,508	7,374,433	\$ 421.00
RICE	51,569	8,084,677	\$ 156.00
ROSEAU	15,711	5,132,390	\$ 326.00
ST. LOUIS	198,866	55,867,663	\$ 280.00
STEARNS	125,171	20,337,438	\$ 162.00
STEELE	31,646	5,543,228	\$ 175.00
TODD	23,538	6,612,633	\$ 280.00
WABASHA	20,292	5,957,419	\$ 293.00
WASECA	17,894	4,656,992	\$ 260.00
WINONA	48,788	10,062,792	\$ 206.00
		PER CAPITA AVG	\$ 253.69

FIGURE 10 1994 COUNTY REVENUES FROM THE STATE

COUNTY	POPULATION	TOTAL COUNTY REVENUES FROM STATE	TOTAL PER CAPITA COUNTY REVENUES FROM STATE
RURAL, STABLE POPULATIONS OF 7,000-15,000			
AITKIN	12,951	4,958,287	\$ 382.00
CHIPPEWA	13,123	4,480,181	\$ 341.00
CLEARWATER	8,371	3,127,328	\$ 373.00
COTTONWOOD	12,732	4,994,559	\$ 392.00
JACKSON	11,637	4,021,240	\$ 345.00
KANABEC	13,207	3,754,273	\$ 284.00
LAC QUI PARLE	8,727	3,645,374	\$ 417.00
LAKE	10,398	4,483,675	\$ 431.00
MARSHALL	10,766	5,839,783	\$ 542.00
MURRAY	9,568	2,765,829	\$ 289.00
NORMAN	7,839	3,751,271	\$ 478.00
PENNINGTON	13,327	4,408,772	\$ 330.00
PIPESTONE	10,413	3,421,453	\$ 328.00
POPE	10,839	3,986,257	\$ 367.00
ROCK	9,813	3,346,912	\$ 341.00
SIBLEY	14,484	4,751,133	\$ 328.00
STEVENS	10,597	3,705,395	\$ 349.00
SWIFT	10,885	4,983,367	\$ 457.00
WADENA	13,207	3,721,427	\$ 281.00
WATONWAN	11,612	3,573,251	\$ 307.00
WILKIN	7,417	3,432,541	\$ 462.00
YELLOW MEDICINE	11,598	4,236,811	\$ 365.00
		PER CAPITA AVG	\$ 372.23

RURAL, SPARSELY POPULATED

BIG STONE	6,025	2,991,578	\$ 496.00
COOK	4,088	4,312,842	\$ 1,055.00
GRANT	6,169	2,594,672	\$ 420.00
KITTSOON	5,601	3,337,808	\$ 595.00
LAKE OF THE WOODS	4,288	3,266,533	\$ 761.00
LINCOLN	6,803	2,324,440	\$ 341.00
MAHNOMEN	5,130	2,151,567	\$ 419.00
RED LAKE	4,466	2,198,408	\$ 492.00
TRAVERSE	4,343	2,259,637	\$ 520.00
		PER CAPITA AVG	\$ 566.56

FIGURE 11

UNRESERVED FUND BALANCES, 1989-1994

	1989 TOTAL GENERAL FUND UNRESERVED BALANCE	1990 TOTAL GENERAL FUND UNRESERVED BALANCE	1991 TOTAL GENERAL FUND UNRESERVED BALANCE	1992 TOTAL GENERAL FUND UNRESERVED BALANCE	1993 TOTAL GENERAL FUND UNRESERVED BALANCE	1994 TOTAL GENERAL FUND UNRESERVED BALANCE	1994 UNRESERVED FUND BALANCES AS A PERCENT OF TOTAL CURRENT EXPENDITURES
CENTRAL URBAN COUNTIES							
HENNEPIN	35,905,233	38,178,738	41,484,615	47,974,800	63,033,999	51,614,128	8.1%
RAMSEY	58,769,542	62,757,018	74,581,148	81,513,311	92,601,343	102,341,229	32.7%
TWIN CITIES SUBURBAN COUNTIES							
ANOKA	16,881,810	18,213,252	21,572,091	26,347,198	32,651,669	30,596,594	25.8%
CARVER	4,140,244	3,254,001	3,984,228	5,585,876	8,757,846	9,862,472	36.6%
CHISAGO	752,604	570,445	538,081	928,625	1,696,844	2,363,129	12.9%
DAKOTA	5,831,669	8,883,119	12,252,194	16,902,819	25,652,960	28,920,995	24.1%
ISANTI	1,865,463	1,732,916	2,625,028	1,974,347	2,363,819	2,111,143	16.1%
SCOTT	4,565,216	7,114,089	9,988,741	11,757,847	10,241,744	11,518,389	36.2%
WASHINGTON	9,857,221	10,773,183	12,157,665	14,548,738	16,146,239	18,701,566	28.0%
WRIGHT	7,301,942	6,377,654	6,391,420	6,070,793	6,925,406	6,458,550	20.8%
RURAL COUNTIES WITH INCREASING POPULATIONS OVER 7,000							
BENTON	1,749,802	2,109,759	2,423,990	2,376,251	2,127,195	1,828,371	12.4%
CASS	2,532,842	2,314,815	2,474,097	3,088,261	3,228,869	3,539,360	16.9%
CROW WING	3,113,704	3,453,221	3,679,621	3,871,005	3,937,128	4,005,371	13.7%
HUBBARD	2,601,737	2,417,411	1,729,947	1,677,240	1,592,324	1,631,081	16.0%
OLMSTED	5,539,740	5,612,201	6,942,412	7,086,142	6,320,062	6,181,225	10.3%
PINE	617,533	431,228	1,222,135	1,533,110	1,452,319	1,830,955	12.4%
SHERBURNE	2,555,063	3,808,244	4,154,063	4,132,667	4,609,878	4,284,374	19.4%
RURAL COUNTIES WITH STABLE POPULATIONS OVER 15,000							
BECKER	-234,932	-558,909	-342,541	477,737	1,290,268	2,596,861	14.6%
BELTRAMI	4,524,835	6,110,367	5,439,853	5,201,437	5,018,733	5,225,865	20.8%
BLUE EARTH	2,385,924	2,778,979	5,724,200	6,902,410	7,776,865	9,648,667	38.5%
BROWN	1,185,468	1,188,037	1,399,413	1,023,119	692,475	91,727	0.7%
CARLTON	3,315,257	3,077,294	2,819,425	2,560,874	2,196,918	1,840,801	8.8%
CLAY	4,361,190	3,955,052	3,932,552	3,202,257	4,094,344	3,017,422	13.0%
DODGE	1,424,073	1,369,879	1,502,842	1,826,435	1,934,191	1,630,738	21.1%
DOUGLAS	2,751,258	2,594,545	2,385,789	2,042,598	2,309,827	1,775,708	11.5%
FARIBAULT	501,042	751,170	668,589	311,655	341,195	1,351,446	19.8%
FILLMORE	1,321,877	1,146,834	1,038,585	1,336,737	1,598,969	1,847,713	18.8%
FREEBORN	1,946,983	2,203,127	1,969,884	2,294,751	2,370,091	3,511,450	20.0%
GOODHUE	4,087,636	3,907,380	2,925,285	1,531,755	1,798,371	3,880,844	20.2%
HOUSTON	3,281,885	2,998,693	3,147,410	3,137,457	3,284,718	3,455,117	36.7%
ITASCA	2,858,487	3,803,818	4,735,711	2,264,901	2,501,535	2,559,159	69.2%
KANDIYOHI	2,347,110	2,454,017	2,926,250	2,919,936	2,798,199	2,270,631	9.3%
KOOCHICING	7,226,754	7,150,279	7,306,690	6,369,874	4,867,374	6,225,185	54.2%

FIGURE 11

UNRESERVED FUND BALANCES, 1989-1994

	1989 TOTAL GENERAL FUND UNRESERVED BALANCE	1990 TOTAL GENERAL FUND UNRESERVED BALANCE	1991 TOTAL GENERAL FUND UNRESERVED BALANCE	1992 TOTAL GENERAL FUND UNRESERVED BALANCE	1993 TOTAL GENERAL FUND UNRESERVED BALANCE	1994 TOTAL GENERAL FUND UNRESERVED BALANCE	1994 UNRESERVED FUND BALANCES AS A PERCENT OF TOTAL CURRENT EXPENDITURES
RURAL COUNTIES WITH STABLE POPULATIONS OVER 15,000, CONT.							
LE SUEUR	4,491,713	4,313,467	3,907,729	3,207,014	3,137,035	1,961,563	16.2%
LYON	2,139,150	1,838,947	1,854,501	2,112,114	2,363,229	2,802,341	29.1%
MARTIN	1,735,512	1,772,049	1,681,284	1,771,497	1,806,535	1,924,477	22.8%
MCLEOD	4,200,894	4,413,703	4,235,641	3,490,092	3,781,172	940,420	5.8%
MEEKER	986,771	1,090,539	1,386,728	1,458,805	1,605,590	2,080,358	20.0%
MILLE LACS	1,489,579	1,590,372	1,487,392	1,057,875	1,225,578	1,767,747	14.2%
MORRISON	2,917,268	3,203,353	3,699,406	3,841,619	4,344,193	4,115,382	22.6%
MOWER	10,009,767	8,807,501	9,725,140	10,437,777	11,863,740	14,053,229	77.0%
NICOLLET	1,057,003	1,298,243	1,136,519	1,515,353	1,431,024	2,200,163	15.5%
NOBLES	3,405,230	3,358,171	3,472,464	3,641,972	3,989,857	4,525,380	42.8%
OTTER TAIL	7,974,136	8,750,669	9,252,963	10,051,059	10,620,583	10,030,640	35.9%
POLK	2,925,834	1,213,066	745,383	241,217	1,984,706	2,121,903	10.5%
REDWOOD	1,696,571	1,863,723	1,840,318	1,863,322	1,845,626	2,073,189	20.0%
RENVILLE	5,398,857	3,082,378	1,904,346	1,654,572	1,415,395	1,735,954	15.7%
RICE	4,079,275	3,934,918	4,053,008	3,801,737	3,882,473	3,663,550	17.4%
ROSEAU	1,303,005	2,057,065	2,237,793	2,491,598	2,658,711	2,800,099	36.6%
STEARNS	6,650,365	9,296,487	6,257,175	6,987,455	8,138,288	10,268,262	20.8%
STEELE	2,909,981	3,021,175	10,212,975	7,563,508	9,341,833	4,169,837	34.5%
ST. LOUIS	8,243,843	5,723,877	1,286,092	1,517,917	2,091,981	11,528,060	7.8%
TODD	2,095,371	2,190,184	2,414,393	2,559,735	2,723,605	2,638,521	17.5%
WABASHA	1,128,192	650,302	330,933	375,742	194,459	579,665	6.4%
WASECA	1,271,969	1,280,864	1,323,250	1,107,255	1,250,966	1,307,064	14.6%
WINONA	2,010,912	2,724,882	3,190,145	3,615,781	2,877,858	3,202,768	16.6%
RURAL COUNTIES WITH STABLE POPULATIONS OF 7,000- 15,000							
AITKIN	1,972,682	1,665,203	964,546	-448,789	1,259,391	2,344,302	19.8%
CHIPPEWA	4,352,719	4,609,652	5,281,608	4,475,790	3,972,609	3,192,502	34.4%
CLEARWATER	580,782	542,325	375,722	376,500	1,133,481	1,922,945	23.7%
COTTONWOOD	1,219,635	1,214,320	1,587,869	1,884,210	2,146,190	2,191,451	23.3%
JACKSON	1,850,950	1,716,798	1,911,694	1,516,083	1,252,258	1,636,012	19.2%
KANABEC	1,027,675	1,103,010	937,824	1,035,081	1,361,585	1,442,293	18.6%
LAC QUI PARLE	971,299	922,784	968,982	1,121,026	930,304	1,107,116	21.4%
LAKE	1,637,613	1,973,221	1,552,662	1,962,762	2,695,432	3,088,597	31.3%
MARSHALL	2,641,551	2,626,074	2,029,875	1,507,098	1,206,845	898,603	11.1%
MURRAY	598,698	538,477	679,489	784,936	614,742	1,041,379	21.2%
NORMAN	774,173	766,384	937,241	786,576	771,390	640,803	10.5%
PENNINGTON	812,197	869,312	609,071	795,495	724,831	870,786	10.2%
PIPESTONE	1,074,711	553,356	791,661	890,764	423,790	1,660,488	28.8%
POPE	1,145,367	1,457,186	1,750,230	1,894,966	1,861,132	2,488,892	41.9%
ROCK	1,717,169	1,862,487	1,803,168	1,450,996	1,800,981	1,745,738	30.4%
SIBLEY	1,856,916	1,274,101	1,084,232	972,251	976,322	1,034,011	10.6%
STEVENS	1,078,382	1,199,796	380,297	581,716	4,163,929	1,966,432	32.2%
SWIFT	2,185,114	4,123,308	4,432,196	4,475,640	4,189,492	4,072,946	50.7%

FIGURE 11

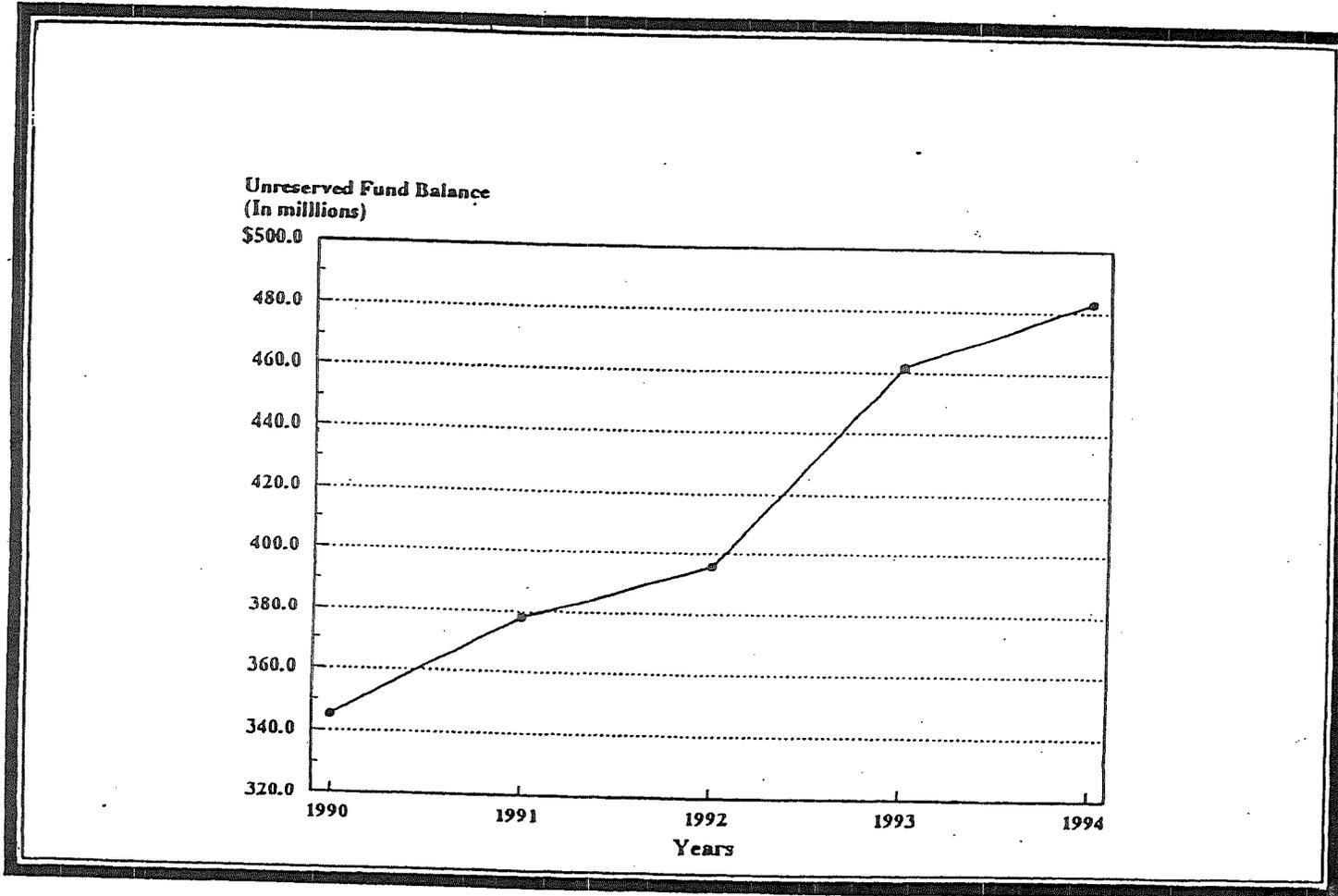
UNRESERVED FUND BALANCES, 1989-1994

	1989 TOTAL GENERAL FUND UNRESERVED BALANCE	1990 TOTAL GENERAL FUND UNRESERVED BALANCE	1991 TOTAL GENERAL FUND UNRESERVED BALANCE	1992 TOTAL GENERAL FUND UNRESERVED BALANCE	1993 TOTAL GENERAL FUND UNRESERVED BALANCE	1994 TOTAL GENERAL FUND UNRESERVED BALANCE	1994 UNRESERVED FUND BALANCES AS A PERCENT OF TOTAL CURRENT EXPENDITURES
RURAL COUNTIES WITH STABLE POPULATIONS OF 7,000- 15,000, CONT.							
WADENA	1,284,951	941,815	653,505	408,654	470,897	822,801	9.7%
WATONWAN	1,024,491	1,120,005	1,364,198	1,533,049	1,660,862	1,769,387	20.8%
WILKIN	1,482,226	1,757,590	2,033,381	2,418,722	2,731,178	2,648,567	43.1%
YELLOW MEDICINE	1,511,815	985,868	1,361,513	1,410,098	1,464,838	1,211,871	16.5%
RURAL, SPARSELY POPULATED COUNTIES							
BIG STONE	613,272	691,340	504,597	594,584	524,827	543,186	10.0%
COOK	2,633,089	3,054,854	3,723,509	1,029,724	3,188,428	2,972,138	44.5%
GRANT	519,894	407,355	411,363	324,286	346,458	467,163	10.1%
KITTSOON	1,755,856	1,693,929	1,598,244	1,381,227	1,360,935	1,377,887	30.2%
LAKE OF THE WOODS	1,597,043	1,852,614	1,483,369	368,990	1,746,041	1,899,978	43.3%
LINCOLN	1,029,474	1,026,261	896,263	707,635	735,840	779,973	18.2%
MAHNOMEN	117,705	125,849	255,186	246,259	291,994	891,259	19.5%
RED LAKE	2,179,470	1,920,539	2,006,874	1,954,067	2,329,341	2,450,798	74.0%
TRAVERSE	225,736	284,137	206,434	286,269	380,660	569,854	13.8%

FIGURE 12

Trends in County Unreserved General Fund Balances, 1990-94

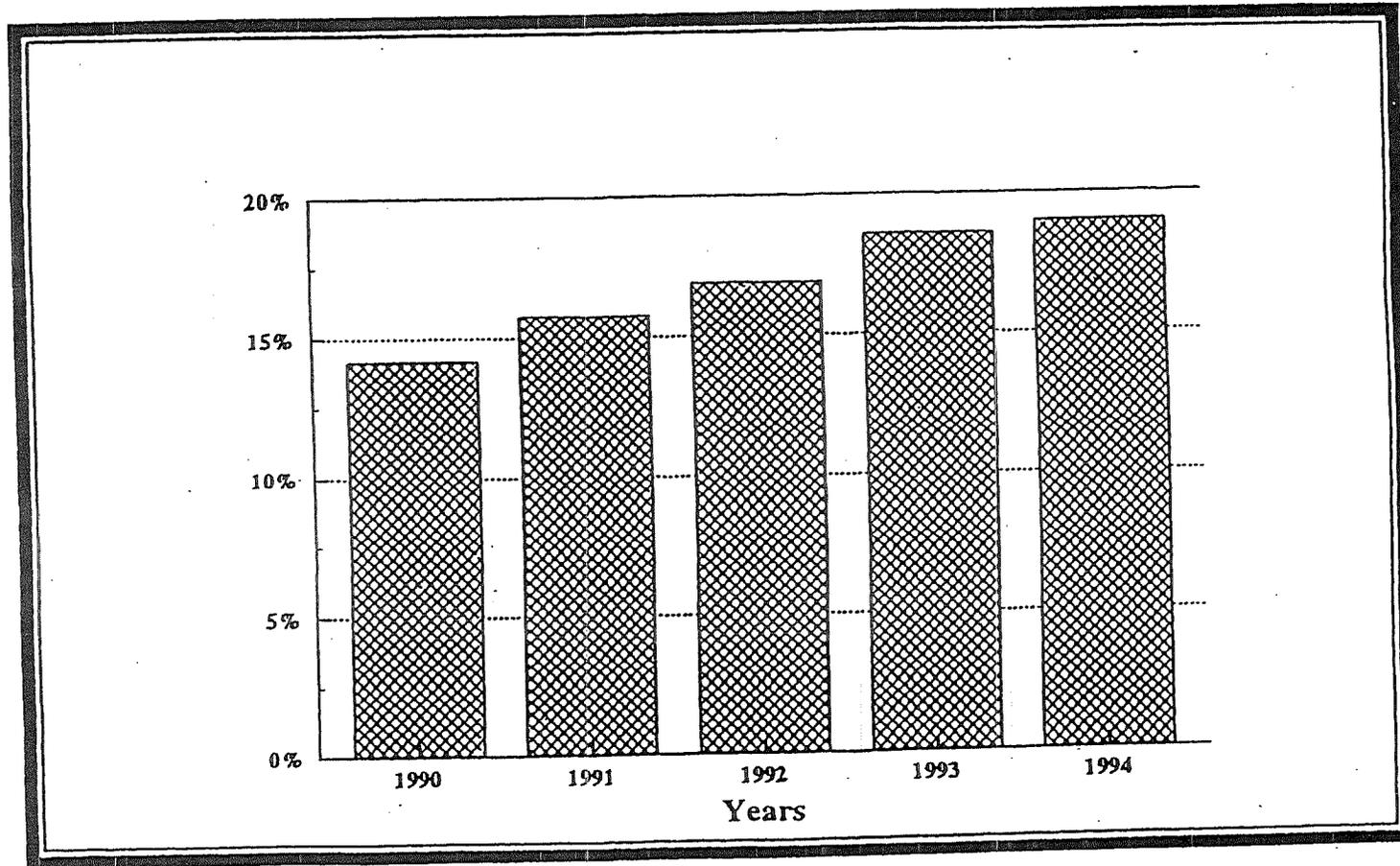
45h



**Minnesota Office of the State Auditor. (1994, December 31). Guide to city and county fund balances. St. Paul, MN, Author. pp. 6.

FIGURE 13

County Unreserved General Fund Balances as a Percent of Total Current Expenditures, 1990-94

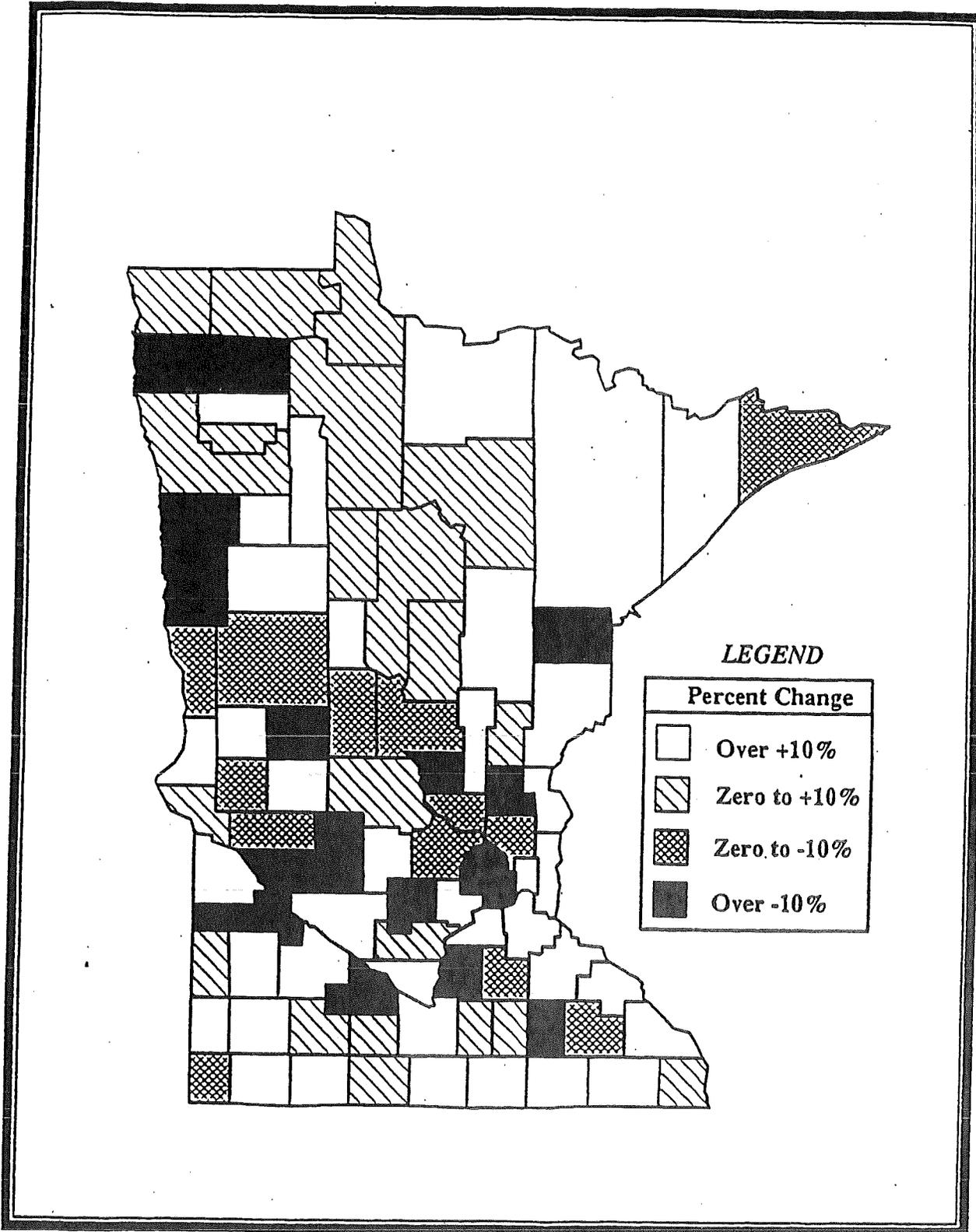


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**Minnesota Office of the State Auditor. (1994, December 31). Guide to city and county fund balances. St. Paul, MN, Author. pp. 5.

FIGURE 14

Change in Unreserved General Fund Balances for Minnesota Counties, 1993-94



**Minnesota Office of the State Auditor. (1994, December 31). Guide to city and county fund balances. St. Paul, MN: Author. pp. 7.

FIGURE 15

1990 EXPENDITURES OF COUNTIES IN SELECTED STATES

	POPULATION	GEN. GOVERNMENT	EDUCATION	WELFARE	HOSPITALS	HEALTH	HIGHWAYS	PUBLIC SAFETY	NAT. RESOURCES	PARKS AND RECREATION	TOTAL EXPENDITURES	PER CAPITA EXPENDITURES
MINNESOTA	4,567,000	147,134,000	0	1,172,027,000	249,604,000	190,338,000	448,354,000	262,948,000	32,212,000	26,012,000	3,187,929,000	698.04
ARIZONA	2,453,000	297,400,000	14,118,000	288,983,000	205,089,000	98,731,000	172,939,000	282,929,000	73,800,000	16,630,000	2,037,090,000	830.45
COLORADO	3,656,000	205,381,000	3,167,000	303,607,000	27,302,000	57,172,000	201,625,000	169,255,000	7,998,000	29,289,000	1,398,618,000	382.55
IOWA	2,829,000	147,134,000	0	124,978,000	261,095,000	94,935,000	282,366,000	84,452,000	14,861,000	16,527,000	1,221,550,000	431.80
KANSAS	2,554,000	151,160,000	0	26,155,000	125,335,000	78,494,000	189,231,000	107,067,000	27,957,000	20,738,000	1,072,837,000	420.06
KENTUCKY	3,827,000	102,264,000	0	10,209,000	122,617,000	114,242,000	133,182,000	142,016,000	3,475,000	12,328,000	1,143,633,000	298.83
MAINE	1,240,000	14,751,000	0	1,118,000	6,000	241,000	2,294,000	32,362,000	1,029,000	17,000	68,292,000	55.07
MISSOURI	5,278,000	167,586,000	32,000	11,004,000	157,196,000	60,872,000	179,198,000	146,034,000	29,000	26,259,000	1,035,042,000	196.10
OKLAHOMA	3,258,000	97,565,000	3,379,000	11,601,000	103,795,000	28,858,000	167,063,000	70,462,000	5,801,000	13,670,000	726,491,000	222.99
OREGON	3,086,000	220,143,000	0	24,604,000	6,407,000	210,208,000	216,097,000	208,266,000	16,956,000	17,650,000	1,332,536,000	431.80
WASHINGTON	5,343,000	369,340,000	183,000	9,776,000	5,247,000	206,056	324,894	337,153,000	30,055,000	105,223,000	1,792,762,000	335.53
WISCONSIN	5,082,000	29,105,500	3,203,300	693,993,000	296,862,000	342,203,000	354,469,000	322,099,000	47,315,000	143,431,000	2,960,509,000	582.55

Figure 16 Number of Cities with Populations Over 2,500 in Selected Counties

	1993 Population	1993 Pop. Density	# of Cities Over 2,5000	1993 Per Capita Expenditures
Sparsely Populated Counties				
Big Stone	6,089	12.4	0	\$778
Cook	4,015	3	0	1,648
Grant	6,196	11.3	0	720
Kittson	5,626	5	0	731
Lake of the Woods	4,223	3.2	0	992
Lincoln	6,783	12.8	0	535
Red Lake	4,454	10.3	0	735
Traverse	4,345	7.6	0	935
Medium to Large Population Counties				
Anoka	261,814	617.5	13	430
Dakota	298,679	524	10	371
Goodhue	41,681	55.4	2	465
Otter Tail	51,309	26.2	2	529
Rice	51,122	103.3	2	405
Winona	48,396	103.3	3	405

Chapter 4

Joint Powers Agreements as an Alternative to Boundary Adjustments

Minnesota's 87 counties are directed by the State Constitution and statutes to deliver services. Over the past two decades county government has evolved from an administrative arm of the state to a more independent fiscal and policy making level of government. Minnesota counties, as a whole, have always played a major role in the delivery of services, which is reflected by the increasing number of expenditures and legislative mandates for the delivery of governmental services by counties.

Fiscal constraints imposed upon counties dating back to the 1970's have forced counties to pursue alternative ways to effectively and efficiently deliver all types of services. It has become increasingly difficult for areas that have growing populations to provide a number of services through traditional means. Similarly, in areas where the population is decreasing, traditional services are more difficult to deliver, and it is nearly impossible to provide new services. Hence, there is sometimes a wide disparity of service levels and services between counties, even though many minimum service levels are set by the state legislature.

Counties have several options available to them for delivering services. They have the option of providing services through their own staff, by contracting out to private and non-profit sector providers, or by joining with other counties. There are also a number of additional options counties use to reduce the rising per capita cost of services. Cooperative agreements amongst counties or between counties and other governmental entities may produce results that improve the efficiency and/or effectiveness of some services. These agreements are based on the premise that individual functions may need a different geographical or population threshold if maximum efficiency or effectiveness is to be achieved. This chapter of the report will focus on intergovernmental cooperative efforts to improve the efficiency and the delivery of services.

Inter-local Cooperation

Inter-local cooperation can be defined as the voluntary joining of two or more governmental units to achieve common goals related to local government service delivery.¹ In Minnesota, the metropolitan counties represent a small geographic area of the total state area, yet funding to provide services tends to concentrate in urban areas. Concentration of economic and political resources often lead to an inequity between rural counties and urban counties. Inter-county cooperation in the rural areas allows local governments to administer and plan for a larger

¹Minnesota State Planning Agency, Office of Local and Urban Affairs. (1975). Interlocal cooperation: A manual about the Minnesota Joint Powers Act. St. Paul, MN: Author, 3-5.

geographic and population base. All partners usually have equal participation without concern for size or population.² Also, while each county may be equally represented, they are not required to be represented on the board.

There are various forms of inter-local cooperation in Minnesota. Commonly used, and discussed in some detail in this chapter, is the joint powers agreement. Local entities may also choose to use a less structured agreement such as a cooperative agreement. In such an agreement, for example, a township or municipality may contract with the county for law enforcement services, which the township or city cannot provide on its own due to limited resources or other considerations. In such a case, it is not necessary to have a formal board of representatives from each governmental entity to oversee the service provision.

Minnesota's Joint Exercise of Powers Act (Minnesota Statutes 471.59)³

The Minnesota Joint Exercise of Powers Act was established in 1943 to respond to the pressing needs and rising costs of services for local jurisdictions. The statute allows two or more governmental units to enter into a agreement. The Act grants broad authority for inter-local cooperation; however, it does specifically identify the type of units which can cooperate, which may include the following:

1. All cities
2. All counties
3. All townships
4. All school districts
5. Other subdivisions such as sewer or water districts, or any other unit which is defined by the legislature to be a political subdivision
6. Adjoining state political subdivisions
7. Any agency of Minnesota
8. Any agency in the United States

The two forms of inter-local cooperation used most frequently in Minnesota are shared power agreements and service contracts. Shared power agreements permit units of government to come together to provide a common service. Service contracts allow one governmental unit to sell a service to another. However, these two methods do not cover the variety of practices Minnesota communities use to cooperate. Listed below are ten types of cooperative practices currently used by Minnesota communities:

²Honadle, Beth Walter. Choices for change: A guide to local government cooperation and restructuring in Minnesota. St. Paul, MN: Minnesota Extension Service, University. Of Minnesota. 1995. 12-15.

³Appendix 2 contains a copy of Minnesota Statutes, Sec. 471.59.

1. Personal contracts or informal cooperation
2. Parallel action
3. Joint agencies
4. Service contracts
5. Conferences and informational activities
6. Financial cooperation
7. Easements
8. Regional associations of local governments
9. Cooperative authorities
10. Non-profit corporations

In 1992, the House Research Department did a study on the uses of the Joint Powers Act in Minnesota. The following table taken from the study indicates the most common agreements associated (listed in descending order) with different units of government.⁴

**Figure 17:
Joint Powers Agreements by Type of Government**

Cities	Towns	Counties
Public safety and law enforcement	Public safety and law enforcement	Environment
Environment	Transportation	Health and human services
General government	Environment	Public safety and law enforcement
Parks, recreation and misc. services		General government
Transportation		

Source: House Research Department 1992. p.5.

The results of the study indicates that counties are the most frequent participants in joint powers agreements. Seventy-nine percent of all county respondents use shared responsibility agreements. These agreements encompass a broad union of joint powers to provide state mandated services and directed functions. The stricter guidelines and the rising costs for solid waste and human services mandated by the State is one of the major reasons why several counties are entering joint agreements. (A case study on solid waste removal agreements will be presented later in this chapter). Counties mainly use service contracts for law enforcement activities.

⁴Minnesota State Planning Agency. Office of Local and Urban Affairs. 30.

**Figure 18:
County Service Contracts and Shared Responsibilities by
Activity.**

Activity	Services Contracts	Shared Responsibility
Solid/Hazardous Waste Mgmt.	0	16
Community Health	0	13
Law Enforcement	6	10
Flood Water Management	0	12
Job Training	0	7
Emergency/Ambulance Services	0	6
Computer/Information Services	0	6
Mutual Aid	0	5
All Others	24	75
Total	30	115

Source: House Research Department, 1992, p.9.

Exceptions to the rule

All units entering agreements must have the legal authority to provide a service. The law clearly requires that there must be "a commonality of powers." The two main exceptions to this rule are:

- A. Subdivision 8, added in 1973, permits any local government unit to request the county to provide a service or function even if the county has no authority to provide the service itself. This prevents the county from making a profit from the provision of new services.

- B. Subdivision 10, which allows a requesting governmental unit that does not have the authority to provide a service to enter an agreement with another supplying unit of government that does.

The House Research Study found that very few governmental units utilize these new provisions, which may be related to a lack of information about these amendments.⁵

Basic Requirements for a Joint Powers Agreement

According to Minnesota Statutes, a joint powers agreement has at least two elements: (1) the purpose of the agreement and (2) how the agreement shall be achieved.

In some cases, a joint agreement may require no more than a regular meeting of officials, while others may require more elaborate administration, coordination, or planning. Agreements can call for the use of a joint board comprised of members of all the participating counties. The purpose of such a board is to oversee and ensure efficient and equitable operation of the agreement. The resources necessary for the administrative apparatus depends upon the goals of the arrangement.⁶

Funding, Resources and Other Considerations for Inter-local Cooperation

Funding varies with the type of joint service to be provided. For example, fire service is usually based on the property value of the community/county. Public funds may be allocated for disbursements under the agreement. All forms of funding must be clearly listed in the agreement. Sources of funds, resources and the method of delivery can all be points of contention between counties. While all counties want to minimize expenditures, different counties face different service pressures. Some counties may withdraw from an intergovernmental agreement if they feel their return is less than what they are paying in. Before entering into an agreement they must determine the cost and administrative constraints they will operate under both with and without the agreement. Counties which enter service contracts must make sure that providing the service to another county (or other entity) will actually result in a per unit or aggregate reduction of expenditures for their own county.

Counties must also consider the non-quantifiable cost of entering an agreement, such as the response of citizens to the new level of service. Citizens must also be willing to give up some local control over a particular service. Another consideration from the citizens' point of view would be whether or not the formality or informality of a joint powers agreement affects the level of acceptance of cooperative efforts. Some may not want their local services to be formally tied to other communities, while others may prefer a more formal agreement to an informal one.

⁵ Minnesota House of Representatives. House Research Department. (1992). Uses of the Joint Exercise of Powers Act. St. Paul, MN: Author. 12.

⁶ Minnesota State Planning Agency. 22.

Advantages of Cooperative Agreements

Cooperative agreements and joint powers agreements have a number of advantages over county boundary adjustments in creating more efficient or effective services or service areas. They require only very limited government restructuring, they provide versatility and flexibility in service delivery, and they allow counties the ability to contract or franchise county services. All of these advantages provide the county with the opportunity to offer more effective and efficient services while still maintaining their own identities.

Limited Government Restructuring

Many conflicting codes and jurisdictional problems can be avoided through cooperative agreements. Cooperative and joint powers agreements can focus on the needs rather than the politically sensitive issues of government restructuring or formal consolidation. If cities, counties, and townships can reach an agreement, they can avoid costly and time consuming strategies such as incorporation, annexation or duplicate of services.

Versatility and Flexibility

Cooperative and joint powers agreements between counties can be amended to adapt to new situations very easily for conditions ranging from participation, organization, and finances to administration. Inter-local cooperation has an additional advantage of being able to add new governmental units over time should they desire to participate in the cooperative delivery of a particular service without having to commit themselves to jointly providing all services. Units of government can also easily be either added or deleted from agreements. Customarily joint powers agreements (1) have a specific termination date; (2) have no ending date at all; (3) may be terminated if all parties decide to end an agreement; and (4) can be terminated or renewed based on a periodic review. Cooperation is politically feasible, it focuses attention on efficiency, and usually no new units or departments of government are created or dissolved.⁷

Protecting the Local Identity

Many citizens are strongly attached to their independent county government. A joint powers or cooperative agreement only gives up limited autonomy, while retaining the local identity. Locally elected or appointed officials are still responsible for the provision of the service. Cooperative agreements do not require voter approval, as would be required with a consolidation or merger. While the county may be giving up partial control over the administration of a function, the unit of government does not lose its political identity or need to adjust their boundary. Hence, citizens are less concerned that several units of governments will be merged into one single entity and that they would then subsequently lose local voter/taxpayer control.

⁷Minnesota State Planning Agency. Office of Local and Urban Affairs. 3-5.

Contracting and Franchising County Services

Joint power agreements can often reduce the cost of contracting with private and non-profit vendors for the delivery of specific services due to economies of scale. For several decades, local governments contracted for services such as engineering, architectural, and legal services; this has become popularly known as public-private partnerships or in some cases, even "privatization." Over the past two decades contracting out has become an increasingly appealing method for counties to save money by either increasing the productivity, reducing the cost, improving the quality of services, or limiting the size of government.

Franchising is used when the government entirely gives a private enterprise exclusive rights to provide a service. This method removes the government from the actual delivery of the service while ensuring that (1) the service is available, (2) minimum performance standards are met, and (3) rates/prices are set at an affordable level.⁸

Efficiency and Reduction of Costs

Lower per capita cost is one of the most obvious reasons counties cooperate. Cooperation enlarges the scale of provision, so counties can take advantage of economies of scale. A smaller unit of government has the advantage of combining resources with a larger unit of government. Joint contracting may also reduce the potential excess costs of services for the larger unit because they will be able to utilize excess capacity. Such agreements have an advantage over outright county consolidation, where smaller units lose their ability to choose the optimum level of service and are forced to accept all services from their consolidation partner rather than for selected services. Another disadvantage that is avoided with joint agreements (but is associated with boundary changes), is the increase in the service demands on the newly expanded county which may require either an expanded county wide tax base or a county tax rate increase.

Disadvantages of Cooperative Agreements

The advantages of inter-local cooperation make it sound like an ideal method to deal with service delivery, particularly in small rural areas. However, cooperative agreements requires voluntary consensus be achieved and maintained amongst participants which can be difficult over the long term. Should one or more participating parties withdraw, the entire cooperative agreement could fail.

Establishing and Maintaining an Agreement

Reaching consensus can be very difficult if counties or communities have different sentiments regarding the shared service. Counties may disagree with the quantity, quality, or method of service delivery. Cooperation is adversely affected if the parties are not willing to compromise.

⁸Benton, Edwin J., and Donald C. Menzel. (1992, March). "Contracting and franchising services in Florida." *Urban Affairs Quarterly*, (27). 436-437.

For example, one party to the agreement may have a different perception of what method and what level of service is necessary and appropriate at a given or preferred level of cost. Some communities may be in favor of active or passive neighborhood patrolling by law enforcement personnel, while others may prefer less frequent patrolling (or one person versus two person patrols). Since cooperative agreements are voluntary, some units of governments may decide to pullout if their expectations or preferences are not honored or met.⁹

Unequal Partnerships

Local services are often purchased from another unit of government. If one unit of government is more powerful, it may have an unfair advantage when negotiating the terms of the agreement. In other words, one community or county can take advantage of a less powerful or smaller community, especially if they have a competitive advantage to begin with.

Cooperation can be Limiting

The consensus required for cooperative agreements may result in overly limited or restrictive agreements. Some cities may not want to give up sufficient local discretionary authority to provide services such as police or fire protection after having complete control for decades. Hence, county officials may need to enter agreements where they can reach a consensus only if cooperation might be beneficial for other services as well.¹⁰

Problems with the Joint Powers Act

Aside from the disadvantages with the Joint Powers Act, there are a few other problems counties, cities and towns mentioned in the House Research Survey. The overwhelming majority of governmental units surveyed had few problems with the law; of the 211 responses only four of the counties had any complaints at all. The few problems mentioned are listed below:

- A. There is a confusion with regard to the actual powers that can be given to a joint powers board. This is a problem not only for counties, but for cities and townships as well.
- B. A concern that the solid waste joint powers board do not have the authority to contract out solid waste facilities. There appears to be some confusion between the guidelines provided by the Minnesota Pollution Control Agency and the Waste Management Board.

⁹Honadle, Beth Walter. 12.

¹⁰Honadle, Beth Walter. 15-17.

- C. The Act can be very overwhelming for the provision of small services. It may be too difficult to adhere to the guidelines of the law. ¹¹

Case Studies

This section focusses on the types of joint powers agreements certain local governmental entities are utilizing in an attempt to illustrate the diversity of applications of a joint powers agreements. It is nearly impossible to know the total number of joint powers agreements currently in use in Minnesota, but the Region VIII Development Commissions has done its own inventory of joint powers agreements in its region. They results of its survey are discussed in section A below. Sections B, C, and D below look more closely at specific joint powers agreements such as two solid waste joint powers agreements, and an agreement between nine counties in western Minnesota which cooperate extensively for a variety of services.

A. Region VIII Survey Results

Currently, the Minnesota State Auditor's Office does not have a composite list of all the joint powers agreements that are in effect. However, some Regional Development Commissions have attempted to inventory agreements. Appendix 4 includes a survey of cooperative agreements in Region VIII, which offers information on current cooperative practices. The survey results were derived from questionnaires; all nine counties in Region VIII responded (refer to Appendix 4). Many of the agreements were duplicative among local units of governments. There were a total of 97 separate agreements with a total of 226 usages as reflected in the categories in Figure 19. As noted in Appendix 4, Cottonwood(51), Nobles(23), Redwood(26), Rock(27) and Murray (40) employ the most frequent use of joint powers in the delivery of services.¹² The table below summarizes the survey results:

**Figure 19:
Summary of Cooperative Agreements by Area of Service Delivery**

<i>Service Area</i>	<i>% of 226 Total Uses</i>	<i>% of 97 Agreements</i>
Agriculture	6.19	3.09
Emergency Services	1.33	3.09

¹¹Minnesota House of Representatives, Research Department. 13.

¹² Southwest Regional Development Commission. (1995). 1995 joint powers study.

<i>Service Area</i>	<i>% of 226 Total Uses</i>	<i>% of 97 Agreements</i>
Family Services	5.75	6.19
Health Services	7.52	9.28
Transportation	8.41	9.28
Senior Services	3.98	5.15
Law Enforcement	11.95	15.46
Waste and Recycling	8.85	7.22
Water	15.49	15.46
Planning	8.85	4.12
Other	21.68	21.66
Total	100%	100%

Source: Southwest Regional Development Commission, 1995.

B. Region VIII Solid Waste Joint Powers Agreement

The Southwest Regional Solid Waste Commission (SRSWC) is a joint powers board that consists of twelve counties - Cottonwood, Jackson, Lac qui Parle, Lincoln, Lyon, Murray, Nobles, Pipestone, Redwood, Renville, Rock and Yellow Medicine. (Appendix 4 includes a copy of this agreement). All of these counties must comply with Minnesota Statutes, Chapter 400, which requires the management of solid waste. In response these counties have entered a joint powers agreement with the intention to provide the required public service to benefit all twelve counties.

In March 1996, the commission completed a study analyzing the financial, environmental and technical alternatives for solid waste removal which include composting, co-composting, mass burning waste to energy, refuse derived fuel processing, and land disposal. Each section of the Commission's analysis took into account the transportation and household costs for each alternative and the possibility of groundwater contamination for the entire region. The Board is currently deciding on which option to pursue.¹³

¹³ Southwest Regional Development Commission. "Regional review of solid waste alternatives." 1-5.

C. Moorhead Area Joint Powers Agreement

Currently, eight counties in western Minnesota have a joint powers agreement for the disposal of solid waste at two sites in the western region. The counties include Otter Tail, Grant, Traverse, Wilkin, Stevens, Todd, Hubbard and Wadena. Becker County was initially interested in the agreement, but found the financing fees to be too high.¹⁴

D. Western Area City County Cooperative (WACCO)

WACCO encompasses a nine county area: Becker, Clay Douglas Ottertail, Pope Stevens, Traverse, and Wilkin. It is open to any city or county within this region. Local needs are identified and brought to the WACCO board for assistance that can be provided through the use of public or private resources. Exchanging and sharing of equipment, development of staff expertise, and jointly sharing personnel are some of the services offered by the Cooperative. Appendix 4 contains a copy of the agreement establishing WACCO and its duties. This agreement indicates the flexibility of joint powers agreements.

Clay County, one of the participants in WACCO, is faced with decreasing revenues from state and federal sources, an increasing demand for essential services, and rapidly escalating service delivery costs in many areas, just as many other Minnesota counties are. Therefore, Clay County has found alternative means to deliver services and reduce costs when possible. Clay County is currently involved in joint efforts for out of home placement, corrections, and law enforcement, among others, with the intent to contain costs, avoid duplication, and combine services where feasible. Clay County alone has eighty joint powers agreements.

Conclusion

With the large number of joint powers agreements in existence, inter-local cooperation has become easier to administer. However, according to the Office of the Minnesota State Auditor and Minnesota Planning, many of these boards have failed to keep adequate records to assist in evaluating the usefulness of these agreements over time. While these agreements are audited, the boards are not required to submit the joint powers agreement itself, rather, they submit only their financial statements. The greater availability of agreements and agreement records regarding outcomes could serve as a model of inter-local practices for other Minnesota counties.

Providing services jointly is the most popular inter-local trend nationally.¹⁵ It is being tried in many states in addition to Minnesota. Joint service provision can aid in reaching interrelated goals of air standards, solid waste disposal, and health and welfare services. It is unclear whether there

¹⁴Honadle, Beth Walter. 14.

¹⁵Shanahan, Eileen. (1991, August). Going it jointly: Regional solutions for local problems. Governing. pp. 70-76.

are definite economies of scale in all service delivery agreements, since no independent evaluations have been conducted in Minnesota. Regardless of these shortcomings, joint powers agreements still remain one of the most common means of intergovernmental cooperation, and are easier to undertake when compared with consolidation or formal incorporation or annexation procedures.

Chapter 5 Theories on County Size and Demographics

The first phase of this report reviewed multiple factors which affect the size and composition of county government. Some of these factors include: alternative service delivery methods, economies of scale, demographic trends, local government management techniques, and legal and political factors.¹ Chapter 1 provided an overview of the historical and political background of Minnesota Counties. Chapter 2 discussed the rôles and responsibilities of Minnesota Counties, which also included a description of core county services. Chapter 3 analyzed per capita expenditures by service area for different Minnesota Counties. Chapter 4 examined some of the alternative efforts used by Minnesota Counties to deliver services. This final Chapter of Phase I will highlight the major conclusions based upon the preliminary research on the potentially ideal geographic and population size of Minnesota Counties.

Theoretical Views on the Optimal Size of Local Government

There are two major theoretical schools of thought regarding the optimal size of local governments.

Traditional Reform School

This school of thought has been around for about a century and is primarily concerned with the American trend of cities to create suburbs which leads to fragmentation of local government and government services. Advocates of this school favor consolidated local governments for the following reasons:²

1. Consolidated governments are more efficient and effective than smaller governments because duplicative costs and services can be reduced or perhaps eliminated thus creating opportunities for economies of scale.³
2. Consolidation reduces the possibility of spillover costs or benefits onto neighboring jurisdictions which are either not directly benefitting from the services provided, or are not paying for the services which they are benefitting from. For example, many county services may benefit citizens in neighboring counties who do not pay for the services.

¹ Trueblood, M.A. & Honadle, B.W. (1994, April). An overview of factors affecting the size of local government: Staff paper series. Department of Agriculture: University of Minnesota.

² Studenski, P. (1930). The government of metropolitan areas in the United States. New York: New York National Municipal League.

³ Trueblood and Honadle. p.4.

Consolidation will not necessarily eliminate all the spillover effects; however, it is more likely to prevent such problems.

3. Long range planning and decision making is easier. Coordination is easier if there are few units of local government to coordinate amongst.

4. Decision making and service responsibility is more clearly defined, and citizens will recognize a clear pattern and line of accountability.

5. Consolidation is better able to match area needs with the appropriate local resources.⁴

The Traditional Reform perspective has lost academic popularity since the 1960s, when many citizens became disillusioned with big government.

Public Choice School

Over the past three decades the Traditional Reform School has been critiqued by the Public Choice perspective. In 1956, Charles Tiebout's seminal article on public choice, "A Pure Theory of Local Expenditure," advocated the tendency towards fragmentation as a better method for local governments to perform competitively.⁵ He further argued that consolidated governments are likely to act like monopolies and exploit land rents by raising per capita property taxes and increase government expenditures. Fragmentation will force governments to act competitively and provide more efficient services at the lowest per capita cost, since individuals will be able to express their preferences for different levels of government service by "voting with their feet."⁶ Public Choice theorists such as Ostrom, Tiebout and Warren (1961) did however acknowledge that consolidated governments may be more effective at providing some large scale services but inefficient in providing other smaller scale services.

Public Choice researchers have examined the "Leviathan hypothesis" that questions whether multiple governments keep per capita taxes and expenditures down. Four studies since 1985 have produced inconclusive results. One study (Oates, 1985)⁷ using international data and another study (Forbes and Zampelli, 1989) using county level data found no support for the hypothesis

⁴ Fields, M. J. (1983). An Update on Local Government Consolidation in Virginia. Newsletter, 60, 19-23.

⁵ Tiebout, C. M. (1956). A Pure Theory of Local Expenditure. Journal of Political Economy, 64, 416-424.

⁶ Trueblood and Honadle. pp. 5

⁷ Oates, W. (1985). Searching for Leviathan: An empirical study. American Economic Review, 75, 748-757.

that multiple governments keep taxes and expenditures down.⁸ However, another study using county level data by Eberts and Gronberg, who looked at cities, found evidence to support this hypothesis.⁹

The Public Choice School has not come up with the definitive answer for determining the optimum size of government. Critics of the Public Choice School argue that it overemphasizes the consumer behavior of citizens, without considering the importance of local government in producing services.

Opinions of local government by county officials in Minnesota seem somewhat aligned with the Public Choice School. The information gathered from the surveys completed by county officials from 30 Minnesota counties indicates that within Minnesota there is an overlap of services between units of local governments, which may or may not always be desirable. It could be argued that it is far better to have fragmented governments which are close to the people rather than having larger consolidated units of government which are not as accessible to citizens (this sentiment will be further explored in the following chapters which discuss the focus group discussions and the survey results). Nevertheless, there are also those in Minnesota who favor consolidation of government and of governmental services, which follows the philosophy of the Traditional Reform School. Therefore, rather than choosing one theoretical framework, it is important to consider both perspectives when evaluating the financial, demographic and organizational trends of Minnesota counties.

A Summary of Demographic Trends in Minnesota

Minnesota Counties are often divided into six categories: (1) Urban, (2) Suburban, (3) Rural with Increasing Populations, (4) Rural with Stable Populations Over 15,000, (5) Rural with Stable Populations of 7,000-15,000, and (6) Rural, Sparsely Populated Counties (counties with populations less than 7,000).

As discussed earlier, the sparsely populated counties have the highest per capita expenditures. One primary reason may be economies of scale. The cost per unit of producing a service varies with population of the county. If the cost of producing a unit declines as the number of units produced increases, then "economies of scale" exist. Per capita expenditures decline for services that are provided to larger populations, since the fixed cost are spread over a larger population base.

⁸ Forbes, K.F. & Zampelli, E.M. (1989). Is Leviathan a mystical beast? American Economic Review, 79, 568-577.

⁹ Eberts, R. W., & Gronberg, T. J. (1990). Structure, conduct and performance in the local public sector. National Tax Journal, 43, 163-173.

Another factor that may affect economies of scale is the distribution cost of delivering certain services. The costs of distributing a service may increase or decrease dependent upon how an increase or decrease in population or geographic size affects the methods used to deliver the service.

Population density may also influence the efficiency of services. Some counties are more populated than others and/or have a higher population density, and, depending on the service in question, costs may be affected.¹⁰ It is important to note that all services do not have the same economies of scale curves.

Rural Counties

Rural counties, as a whole, constitute 22% of all Minnesota counties, but less than 10% of the total state population. These counties have, on average, lower family incomes, higher unemployment, and a larger percentage of non-workers, when compared to the metro and suburban counties. The Rural, Sparsely Populated Counties each have less than 7,000 residents. The average population for Minnesota counties is 50,209, the median population is 20,777, and a total of 43 counties have a population below 20,000 (see Appendix 1). Thus, if the sparsely populated counties are spending the same amount of money as other counties with populations greater than 20,000, then the per capita expenditures will be significantly higher in the sparsely populated counties.¹¹ Overall, rural counties expend most of their money on general government, highways, and human service expenses (see Table 3, pages 70-71).

Another important demographic characteristic in explaining higher rural per capita expenditures is the higher average age of residents in rural counties than it is in metropolitan counties. Many of these residents may require more human, health, and social services. At the turn of the century, only 4% of the national population was over the age 65, by the year 2000, the number estimated at 13%.¹² This trend has a significant impact on rural counties. As younger residents move away from rural areas for greater economic opportunity, there are fewer financial support systems for the elderly. Over the past twenty years, the percentage of elderly in Minnesota has grown by 35% (Refer to Figure 20). Minnesota's fastest growing area of expenditure is health and welfare. Seventy percent of the growth in human services can be explained by the increase in medical assistance from 1980-1995. Increased caseloads explain most of the spending growth in Medical Assistance. On average, the increased number of participants explains this growth, but average cost of some programs is also a significant factor. While low income families and children consist

¹⁰Trueblood & Honadle. pp. 13.

¹¹ Hennepin County Office of Planning and Development. (1993, August). County governance issues: Background information. Minneapolis, MN: Author, 3.

¹² Braaten, K. (1991, Winter). Rural counties: The challenges ahead. Intergovernmental Perspective 17. 38-40.

of 77% of the AFDC program recipients, they account for only 24% of the cost of human services.¹³ Minnesota spends most of its Medical Assistance dollars on the aged, blind and disabled. The table below provides the per capita expenditures for the three main categories receiving the bulk of Medical Assistance.

**Figure 20:
Human Service Expenditures Per Capita (in Constant FY 1995 Dollars)**

Eligibility Category	1975 Per Capita	1993 Per Capita	Percent Change	Percent of Growth
Aged	\$83	\$190	128%	35%
Blind and Disabled	62	182	195%	39%
Families and Children	41	119	192%	26%
Total	186	491	164%	100%

Source: Department of Human Services, 1996.

A variety of factors influence spending on Medical Assistance. Federal and State governments have made several changes that have increased the number of individuals who are eligible for Medical Assistance. For example pregnant women, who are not AFDC recipients, are now eligible for Medical Assistance. Overall Minnesota chose to expand coverage when Federal programs were left up to the State's discretion.

While individual counties have initiated considerable efforts to address rural health care issues, state regulations and mandates that continue to raise the level of required services make it very hard for counties to deliver and pay for programs that meet state standards. Rural health care in sparsely populated counties can be jeopardized by unprofitable operations and hospital closings. This causes a particular strain between the state and counties in the area of health and human services. In 1993, the Commission on Reform and Efficiency made recommendations for the state and county human service system. The Commission concluded that a number of counties could potentially reduce costs by consolidating public health and social service administration within health and human services districts. The population base for such districts would be smaller than

¹³ Minnesota Office of the Legislative Auditor. (1996, February). Trends in state and local government spending. St. Paul, MN: Author, 88-89.

some of the larger single -county districts. Efficiencies could also be realized through combining administrative and support functions.

In 1992 the House Research Department examined the per capita expenditure of social services for all 87 counties. The following table is a demographic breakdown of the rural sparsely populated counties in Minnesota.¹⁴

**Figure 21:
Limited Demographic Breakdown of Rural, Sparsely Populated Counties In Minnesota**

County	% of Population Over Age 65	Total % Receiving Public Assistance	County Population Density
Big Stone	23.7	7.2	12.4
Cook	16.0	3.4	3
Grant	24	7.0	11.3
Kittson	21.7	5.8	5
Lake of the Woods	17.0	5.2	3.2
Lincoln	18.3	5.7	12.8
Mahnomen	18.2	11.9	9.1
Red Lake	18.5	7.1	10.3
Traverse	24.4	7.8	7.6
State Average	12.5	6.6	52

All of these counties have an older population and a larger percent of the population receiving public assistance than the state average. Also, many of these counties have Indian reservations, state forests, and no major tax base. These demographics and the high fixed costs of many county services have a compounded effect on per capita county expenditures.

¹⁴House Research Department. (1995, August). County social services revenue and expenditures report. St. Paul, MN: Author.

Other factors that effect the rising cost of public services in these counties is the major shift of population from rural to urban areas over the past two decades. While urban counties such as Hennepin and Ramsey struggle to provide services for a growing population, rural counties are faced with the problem of how to continue services to declining populations. Rural counties are faced with the growing problems of declining economic opportunity, education, transportation and elderly care. Rural counties have the highest percentage of poor families (13.0%), and unemployment (7.9%), but the lowest in college enrollment (11.6%). Furthermore, the number of rural jobs are growing more slowly in rural and non-metropolitan counties.¹⁵

Rural counties also spend a significant amount to maintain county highways. Rural roads constitute the majority of Minnesota's road system. The abandonment of railroad systems further compounds the cost for Midwestern rural counties. County roads now used to transport commodities were not originally built to carry heavy loads. Minnesota has a street and highway system that covers approximately 130,000 miles. About 11% of the roads are in urban areas of the state, but they carry the majority of the traffic. While local roads in rural areas carry significantly less traffic, they represent 88.5% of all road miles. Overall spending per capita on highways is higher than the national average. In 1992, Minnesota per capita spending on highway and transit services was \$414 and the nationwide average was \$314 per capita. The Legislative Auditor examined these spending trends and concluded that there are two main reasons why Minnesota spends more per capita than the other states:¹⁶

1. Minnesota has more miles of roads than all but four states. This difference is largely due to the number of rural roads. About 89% of the roads are in non-urban areas of the state and 79% of these roads are administered and maintained by the local governments.
2. Minnesota spends more per mile of road than the national average, especially for city roads. This higher cost may be due to Minnesota's overall lower population density and relatively large geographic area. Minnesota's population density is 22% lower than the national average, but it has the 14th largest land area. Thus, Minnesota has more miles of roads to maintain in order to promote intra-state commerce, despite a smaller population base than most other states.

Suburban Counties

As indicated in Figures 3-6 at the end of Chapter 3, suburban counties have maintained the lowest per capita expenditures between the years 1989-1994. The suburban zone now contains the dominant share of the metropolitan population. In the 1980's, economic and political power

¹⁵ Minnesota Office of the Legislative Auditor. (1996, February). Trends in state and local government spending. pp.88-89.

¹⁶ Minnesota Office of the Legislative Auditor. (1996, February). Trends in state and local government spending. 122-124.

shifted from the once dependent central city to suburbs. The business districts of the suburbs are the major urban employment centers. As the suburbs continue to grow they will face problems similar to those currently faced by central urban cities and urban counties. Compared to other categories of counties, suburban counties spend the least amount on human services, which is due primarily to the demographics of their population.¹⁷ Suburban counties are also much more densely populated, with a younger population than the sparsely populated rural counties. The following table provides contrasting characteristics of the Suburban Counties.¹⁸

**Figure 22:
Limited Demographic Breakdown of Suburban Counties in Minnesota**

County	% of Population Over Age 65	% Receiving Public Assistance	Population Density
Anoka	5.5	4.4	617.5
Carver	8.4	2.5	146.9
Chisago	12.1	5.4	79.4
Dakota	6.3	3.4	524
Isanti	11.1	6.5	62.9
Scott	7.3	2.9	176
Washington	6.5	3.0	386.5
Wright	9.8	4.5	107.8

Source: House Research Department 1995.

Suburban Counties have higher household incomes than all other categories of counties, hence they do not have the same service demands as some areas do, especially in the category of social services. Homelessness, acute poverty, chemical dependency and chronic illness occur less frequently in suburban counties; they tend to be concentrated in the central cities.

¹⁷ Minnesota Office of the State Auditor. (1992, October 7). 1990 per capita spending of Minnesota counties. St. Paul, MN: Author. Appendix A.

¹⁸ House Research Department. (1995 August). County social services revenue and expenditures report. St. Paul, MN: Author.

Urban Counties

Urban counties are the most densely populated, and for that reason, many services are able to achieve economies of scale. In addition many government services are provided in whole or in part by municipalities. For instance, urban counties spend relatively less on highway expenditures and general government. Urban counties also spend less than other counties for highway maintenance, because they are generally geographically smaller entities than many larger rural counties, hence county residents have to pay for fewer county highway miles. Urban counties may, however, take on more responsibility of providing more health, human services, housing, and economic development activities than rural counties as a result of their more diverse populations and expanded number of needs. On the other hand, urban populations may need more economic development and employment training programs, and higher population and population densities may pose a challenge for infrastructure maintenance and service delivery.

Economic growth and the distribution of services may favor urban and suburban counties. While Ramsey and Hennepin Counties represent a relatively small geographic area, they have a large pool of economic and human resources that allows them to invest in community development activities. Further demographic characteristics of urban and suburban counties allow them to undertake a different mixture of county activities while still avoiding some of the administrative problems of less populated counties, large geographic counties and small rural counties.

Efficient and Effective Local Government Size

This section seeks to explore briefly ways that counties have increased the efficiency of services delivery and demonstrates that Minnesota counties are actively involved in determining the optimal size and population for service delivery areas for selected county services.

Managerial Efficiency

An important aspect in determining the ideal county size would be to assess whether services are being provided efficiently. Economies of size can be mistaken for efficient service delivery. Some may argue that the larger the market the lower per capita costs. But the quality of services may suffer as a result. Deller and Nelson (1991) conducted a study to analyze managerial efficiency in road production in Minnesota, Wisconsin and Illinois. The authors concluded that larger jurisdictions would be more efficient than smaller jurisdictions for the provision of road production. Deller and Nelson also concluded that state governments might be better off contracting for road services, rather than providing the services themselves.¹⁹

¹⁹ Deller, S. C., & Nelson, C.H. (1991). Measuring the efficiency of producing rural road services. American Journal of Agricultural Economics. 194-201.

Regional Coordination as a Planning Strategy

Fiscal challenges faced by many counties have forced county officials to pursue alternative ways to effectively and efficiently deliver services. In Chapter 4 we noted that through joint powers agreements and other regional cooperative efforts, some counties have been able to improve efficiency in providing public safety, environment protection, health and human services. By jointly providing services, county governments avoid some of the duplicative costs of providing expensive services such as solid waste disposal. Smaller counties that have higher per capita costs have joined together to provide social services for their residents.

Jointly, counties have come together for the purposes of attaining grants under the State Community Health Services program. In addition counties like Lincoln, Lyon, and Murray Counties have come together to provide joint social services programs.

These three counties combined consist of 1,943 square miles, with a population of 41,189 and their per capita cost of providing social services is \$175. Other counties with smaller population size, such as Goodhue and Sherburne, have lower per capita expenditures for social services, \$98 and \$96 respectively. These lower costs may be due to a more concentrated population which may reduce the delivery cost of social services. However, counties with larger sizes, such as Aitkin and Cass, have similar per capita expenditures that are higher for social services, \$174 and \$168 respectively. These differences could be attributed to the cost of delivering social services to a larger area.

From these comparisons it might be suggested that Lincoln, Lyon, and Murray are able to keep per capita costs low by providing services to a larger geographic area. Joint Powers allow these counties to absorb larger social services costs, while spreading the economic cost over a larger region.

Regional coordination has also been advantageous in terms of environmental planning. Milou Carolan discusses five benefits to regional environmental planning.²⁰

1. **Consistent laws:** Regional planning often times results in consistent local laws, policies and practices. This may permit a better environment for coordination.
2. **Efficient resource management:** While regional coordination can be more time consuming, it allows communities to share resources to achieve a workable environmental protection strategy.
3. **Shared liabilities:** The cost of legal liabilities can be reduced if several jurisdictions are committed.

²⁰ Carolan, M. (1990, March). Regional approaches to environmental management. Public Management. 15-20.

4. Increased political power: An organized cooperative allows communities to leverage public support for environmental initiatives.

5. Easier public education: Communities can share information and innovative techniques when they are cooperating to provide a service.

Most of the growth of Minnesota's environmental spending from 1972 to 1992 can be explained by the growth in the expenditures for solid waste management, which has increased by 300% over the 20 year period. The creation of landfills for solid waste disposal can be extremely costly, and counties have come to realize that they can reduce costs by having one or several regional landfills rather than one landfill per county. This has benefitted counties with smaller populations that do not create a high volume of solid waste.

Measuring the Quality of Services in Minnesota Counties

No comprehensive effort has been made in Minnesota to determine the quality of services offered by a county. While different county and state service departments sporadically evaluate their own agency and programs, there are no general studies that assess resident satisfaction with the services they need and receive. Professionals within the field of county government feel that it would be a highly politicalized issue to compare the quality of services provided among counties. As mentioned earlier, Sharon Lawrence (the National Association of Counties), Archie Stephens, (the Executive Director of the Arizona Association of Counties) and James Mulder (the Executive Director of the Association of Minnesota Counties) feel that it would be impossible to quantitatively measure the quality of services provided. Different types of counties are faced with different demands depending on their geographic and demographic characteristics.

For these reasons, the researchers of this report concluded that it was beyond the scope and scale of resources available to assess the quality of the core services provided by all 87 Minnesota counties. Rather, we have examined per capita expenditure as a proxy for comparing level and types of services provided and demanded. The analysis of county per capita expenditures has identified some trends and factors contributing to expenditures levels in different types of Minnesota counties.

CONCLUSION

It is difficult to determine the optimum size of county government due to variations in demographic, economic, political, social, and geographic characteristics of . No general formula exists to determine the optimal size for service delivery. Rather, it is important for each county to determine what level and quality of services it will provide to its constituents. Once that is determined, a county can determine how those service levels can effectively and efficiently be reached. Perhaps it would require a larger population base to deliver some services at the desired level and at a reasonable cost. If this is the case, the county may elect to form a joint powers agreement with another county in order to achieve greater economies of scale.

Alternatively, the optimum county size for service delivery will vary with the nature of the service itself. A larger population base may be desired for such services as highway maintenance in order to spread the fixed costs over a larger population base. Other services, such as health services, may be more efficient if delivered to a smaller population base.

Alternative service delivery methods reveal ways in which counties are attempting to minimize expenditures. As small counties and rural communities lose political power and economic resources, there is an increasing incentive to develop alternative forms of revenue and county reorganization. Joint powers agreements and other inter-county collaborations are being used extensively to combat the problems of a small population base or a large geographic base, and they may be the most effective alternative available. But, another alternative available is adjusting county boundaries to create a larger service area or population base. The feasibility of such actions will be discussed in the following chapters.

Chapter 6 Focus Group Summary

An essential part of the research for the project on the feasibility of adjusting county boundaries involved gathering public opinion and perceptions of the issues. To accomplish this, the researchers conducted six focus groups across Minnesota with various community leaders.¹ Organizations such as the League of Women Voters, the local Chamber(s) of Commerce, and the Northern Minnesota Citizens League, assisted us in selecting participants for the focus groups. With their help, we ultimately were able to gather the thoughts, perceptions, and insights of taxpayers, voters, citizens, and business people. Upon occasion, county officials also participated in the focus groups (a survey was used to formally gather the opinions of county government officials and commissioners, and will be discussed in the following chapter of this report). The focus groups provided useful and insightful comments and suggestions, and represented a variety of opinions from across Minnesota. Just as with the surveys, there is no simple way to categorize the opinions of participants based on their community roles as citizens, taxpayers, business people, opinion leaders, nongovernment organization employees, or public employees.²

Current Understanding Concerning a Study on County Boundary Adjustments

An understanding of why the State Legislature directed the Minnesota Board of Government Innovation and Cooperation to conduct the study existed among participants, though they questioned the expected outcomes of the boundary adjustments. Many Minnesota residents are aware of the duplication of services between various levels of government, and feel that examining options to reduce the duplication is important. However, they were skeptical about the ability of county boundary adjustments in reducing such overlap.

Participants were also skeptical about accepting county boundary adjustments as a solution to reducing the overlap because the state had not defined what the ultimate goal of adjustments was to be. Would the goal be to encourage efficiency or to increase effectiveness? Participants suggested that county boundary adjustments would not necessarily result in either or both. Some mentioned school districts as a possible comparison. One representative from a metropolitan school district suggested that his district is so large that it is possible that it is efficient due to economies of scale, but at the same time, it is somewhat ineffective due to its size.

¹Marshall, Rochester, St. Cloud, Moorhead, Grand Rapids, and St. Paul.

²An outline of the focus group discussion questions is included in Appendix 5.

It was often suggested by participants that if the state wishes to increase efficiency, it ought to reduce funding to the counties. This would force counties to become more efficient as they would have less funds to spend; however, this may at the same time reduce effectiveness. The number of people a county could meaningfully serve would be reduced, and some people may ultimately receive a reduced level or range of services, or even no service at all.

Every focus group suggested that perhaps the state was looking at the possibility of adjusting county boundaries due to the duplication of services between counties, cities, townships, and the state. They doubted that the cost savings from reducing perceived duplication would be significant, considering that the number of people needed to be serviced and/or the number of service sites would not change, only the amount of administrative personnel needed may be reduced. Furthermore, adjusting county boundaries may lead to a larger service area, which could subsequently require counties to set up satellite offices or find other ways to service the more remote sections of the county. Therefore, rather than cutting personnel and administration with a boundary adjustment, more personnel may be required to staff these remote offices, and any cost savings would be diminished. Based upon these arguments, focus groups participants questioned whether the solution to the need for more efficient services is really the adjustment of county boundaries.

Essential County Services

Some difficulty was encountered in prompting participants to voice their opinions on essential county services. Most focus groups agreed on some essential county services such as law enforcement, roads and bridges, administration of public records and vital statistics, waste management, and social services. However, many participants suggested that the level of government that is best suited to the delivery of a service should be the level of government that actually delivers the service. Simply because a service has traditionally been offered by the county (or a community) does not mean that the county or the city is the most effective level of government to deliver the service; therefore, perhaps the service should be taken over by the level or form of government that can most effectively deliver it. Governments also should not be restricted in the types of services they offer by the type of governmental entity they are. For example, when asked who should provide programs for economic development, the reply came that whatever level of government was best equipped to offer development programs in a given situation should provide the service. Furthermore, participants noted that it can vary from one instance to another.

Other focus group participants suggested that the state has traditionally defined what are essential county services are through legislative and administrative mandates which are given to counties. A county must offer certain services regardless of whether or not their constituency considers them essential services. The service needs and desires of each county may vary based upon their individual demographic and economic characteristics, but state requirements prevent counties from being able to offer services as they see fit for their electorate. The next section on state mandates discussed the effects of mandates on counties in more detail.

The Effects of State Mandates on Counties

While no focus group was explicitly asked about state mandates and their effects on county governance, all of the focus groups were quick to mention them on their own accord, and felt quite passionately about the topic. One business person stated, "It's the laws that are currently in place that handicap counties from doing an efficient job. Employees are excellent, dedicated, hard workers, but they are handicapped by mandates." Many of the county officials who participated in the focus groups also voiced frustration over the many mandates they are forced to comply with and which have little or no funding accompanying them.

Mandates also can prevent counties from offering new services or finding new ways to meet the changing needs of each county. Many participants stated that counties should have the autonomy to deliver services as they see fit, rather than as the state sees fit. Not only do county officials feel the restrictions of mandates, the citizens do as well. Citizens who participated in our focus groups recognized the restrictions they, along with elected county officials, face. Consequently, some residents feel a resentment toward both the legislative and executive branches of the state government. This resentment grows out of the frustrations citizens and county officials feel when trying to make changes. One county resident felt great frustration as a result of her attempts to obtain a permit to build commercial storage units, and her attempt as a restaurant owner to obtain a liquor license. In both cases she spent considerable time going from agency to agency trying to get the necessary approval in order to meet all the different specifications that each agency and level of government required. Other citizens voiced the same frustrations with the amount of time and money they have had to spend to meet certain specifications for things that they felt should have been much easier and rather inexpensive to obtain.

How do Residents Feel about Their Counties?

Among county residents living in the larger cities there exists a lack of knowledge of what services county government provides. As one county worker suggested "Counties are best at delivering unseen services." Many times city residents call their city first when there is a problem, not realizing they are having a problem with a county service. City residents in urban areas tend to relate more closely with the city in which they live, rather than the county.

Not only do residents of urban areas lack a sufficient understanding regarding the services delivered by county governments, many do not even know what county they live in. One League of Women Voters official from an urban county noted that the single most common question she is asked when registering voters is, "Do you know what county I live in?"

Somewhat opposite from urban areas, rural residents tend to relate more to the county or township than to a nearby city, although residents of small towns maintain a strong local identity with the city and local schools, especially the athletic teams. With this identification in rural areas comes a certain amount of turf protection, as evidenced through efforts to consolidate school districts. Many school district boundary changes and/or consolidations are opposed on the basis of

historical, athletic, political, or economic rivalries. They are not necessarily based on logical economic or educational service or curriculum delivery explanations.

Pride and identity are two very divisive issues when examining the feasibility of adjusting county boundaries. Evidence of pride can be seen in such cities as Warroad and Roseau, who have recently battled over the issue of the location of the county seat. Other places such as St. Cloud, a city which lies within the boundaries of three counties, have looked at the option of creating a separate county out of the city itself to ease service delivery for residents. However, this has been strongly opposed by many in the three counties, partly because the rural parts of the county would lose a valuable economic base.

Arguments Against Boundary Adjustments

Perhaps the greatest argument against boundary adjustments voiced at the focus groups was the perception that there is already a significant amount of cooperation that is currently taking place between and amongst counties and other forms of government. Focus group participants were aware of the efforts of their county governments to establish more efficient and effective services. One county resident stated that counties can share many services without merging with other counties, and that this is not a shock to residents. Residents simply do not see a need to merge with other counties when the county is effectively cooperating with other counties.

Other citizens spoke of the disparities between counties. They are aware that some counties suffer economic hardships while others prosper. Some counties are able to offer a wide range and level of services, while others are able to provide only limited services. Counties also require different services and service levels based upon their geographic and demographic characteristics. Changing boundaries does not erase these differences. As one business person stated, "You will still have the same issues no matter how many counties there are. Boundary lines will still exist. Therefore, focus more on flexible shared services because you can recognize local characteristics and the infrastructure that's already in place."

County residents when asked what they believed to be the optimum county size for service delivery could give no definite answer. They have expressed difficulty in reaching a firm conclusion given that there is no objective geographic or population formula to use to determine the optimum size of counties. They recognized that if a county has a population of 23,000, an area of 752 square miles, is flat, and has an average resident age of twenty-eight, it's difficult to objectively decide whether that its boundaries should be changed or maintained. Because of this, many participants expressed the opinion that if counties were to adjust boundaries or consolidate, the public would have to be the first to take the step, as any adjustments would be impossible without the support of county residents. Not only would public support be necessary, but county officials and employees would also have to support it before any actions could be taken. Politics would play a part, as one county administrator stated, "It is not practical to adjust county boundaries because of the amount of money and time spent trying to deal with political issues and emotions. You would have to recover those costs before you could gain efficiency."

What is the purpose of County Government?

A number of participants themselves questioned the purpose of county government and wondered if county government is even necessary today. The response from participants to such a question was mixed. Some felt that if county governments were given more flexibility by the state and federal governments as to how and what services to deliver, they may be able and willing to voluntarily increase cooperation and collaboration between governmental entities. The structure and functions of existing county governments may also change substantially, and become more responsive to local citizen, civic, and business needs. Others felt that perhaps by providing more flexibility to counties, we may indeed find that they are an outmoded form of government and that they are no longer needed. The role of the county is so defined by the state and tied to history that it is difficult to say what the real role of modern county government could or should be without further research.³

Counties are not alike in terms of population or population density, geographic area, or economic/tax base. Therefore, as mentioned previously, no standard formula exists to determine what services county governments should offer or how they should be delivered. County governments have to determine that on their own, and are currently attempting to do so. Many residents, as well as county commissioners, recognize that things are changing, and must continue to evolve. But most agreed that making county governments bigger, either geographically or in population, is not necessarily better; and in fact, smaller governments may be more effective, efficient, and responsive. The debate over county size can be seen in St. Louis County, which once again is examining the issue of whether or not to divide into two counties.

Citizens also like to feel in touch with their governments. As governments get larger, citizens lose their individual and collective influence over decision making, and feel out of touch with and out of control of government. This creates apathy on the part of constituents, and an increased distrust of what government is doing. Citizens recognize this simultaneously as voters, taxpayers, residents, and service recipients.

The Final Opinions on Adjusting County Boundaries

The issue of adjusting county boundaries, is as stated previously, highly divisive. Some county residents seem ready to pursue the issue, while others would not consider it even as a last resort. Residents and officials of counties which support adjustments tend to have some specific outcomes in mind. Most feel that service delivery could be improved if the county were to readjust its boundaries. They also feel that some areas of their county are not receiving the services as effectively as other parts of the county, or are essentially being left out. A boundary adjustment could perhaps improve the performance of the county.

³Inter-County Staff Working Group of Carver, Dakota, Hennepin, Ramsey, Scott, and Washington Counties. (1996, March). Toward defining the role of metropolitan counties: A background report. Author.

County residents and officials who were strongly opposed to adjusting boundaries base their arguments on a number of points. One is the obvious fact that the overall state population size will not change, it will just shift from county to county. Therefore, while one county may save money through an adjustment, another county may see their expenditures increase as a result. If counties are made larger, satellite offices may have to be set up at the same or greater expense than the projected cost savings of merging.

Others see the actual monetary and social costs of adjustments as a huge impediment. Part of the cost is the jobs that may be lost. Those who lose their jobs may have to be compensated at the county's expense, and the loss of jobs to the community could be very detrimental to the local economy, as well as to the morale of the remaining county workers. Another part of the economic costs of adjustments is related to such issues as road and other signs within the county. County highway signs and other signs as well as county records would have to be changed to reflect the new boundaries.

Social costs include the political costs of reorganization. Even if the residents of a county want to adjust their boundaries or consolidate, what county officials would be willing to forfeit their positions, assuming that some positions could now be combined or cut? As one business person suggested, personal agendas come before what is good for the community, even for public servants. How would this and other parochial issues be overcome? While opposition by county officials and employees is not a legitimate reason to oppose boundary adjustments and consolidation that may otherwise make economic sense, such opposition will make it more difficult to achieve a successful boundary adjustment or consolidation.

Conclusions

Some focus groups were more receptive to the idea of adjusting county boundaries (distinct from consolidations) than others were; however, they did **not** see administrative adjustments as absolutely **essential**. Those in favor of boundary adjustments felt that current and future technology makes it possible to make larger service areas while still providing the same or even higher levels of services. Other supporters felt that some counties are currently too large to be effective and that by redrawing the boundaries, or perhaps creating more than one county out of currently large counties, service delivery could be enhanced. However, participants agreed that there is no objective geographic or population formula to determine the optimum size for county service delivery. Without a formula, it becomes difficult to justify county boundary adjustments for the purposes of making service delivery more effective, efficient, or responsive. Focus group participants felt that it is much more feasible to work through the current system to encourage enhanced cooperation, innovation, and efficiency.

Based on the premise that there is no objective formula for determining the optimum size of counties, most participants agreed that any effort to adjust county boundaries should come from the counties themselves, rather than mandated by the state, as county government officials and citizens believe they are more in touch with their own needs, and understand their limits as well as their potential.

Overall, focus group members felt that effective cooperation was currently occurring, and that if left on their own, counties would continue to search for ways to offer services collaboratively. They felt it would be much more beneficial for the state to encourage cooperation amongst counties than it would be for the state to encourage or even mandate county boundary adjustments or consolidations.

Chapter 7 County Administrator/Official Survey Summary

In order to formally gather the perceptions of county administrators and elected officials, a survey was conducted of a representative sample of 30 Minnesota counties, as well as the nine Regional Development Commissions. The counties were selected on the basis of their diversity in terms of geographic and population size, location, economic base, and demographics.

Each of the county commissioners, auditors, sheriffs, attorneys, and county administrators/coordinators from the selected counties received the survey.¹ The overall response rate to the survey was relatively low over an eight week time period, (40%). In total, 292 surveys were sent out, of which approximately 100 were returned at least one survey was returned from 26 of the 30 counties.² Three counties also chose to submit one survey as a summary of the aggregate sentiments and opinions of all the county's elected officials and administrators, rather than each individual official completing and returning their own survey. Thus, the response rate from some counties was at or near 100%. Other county officials sent letters stating their strong opposition to the study and/or boundary adjustments, which was helpful in indicating that there are some very strong sentiments throughout that state in opposition to county boundary adjustments.

Despite the relatively low response rate, the responses received had many commonalities, while at the same time they represented a broad spectrum of thoughts and opinions. Many of the respondents were adamantly opposed to any boundary adjustments, others were willing to look at boundary adjustments as an option to creating more effective government, while still others were strongly supportive of a boundary adjustment. Due to the variety of responses, they served to pinpoint key issues and opinions of feelings on the feasibility and desirability of adjusting county boundaries, and offered a fair representation of what the county administrators and elected officials across Minnesota felt.

This chapter discusses the benefits and drawbacks of county boundary adjustments as identified by the respondents, as well as an analysis of the validity of their perceptions. The next chapter contains a complete discussion of the remaining survey questions not discussed in this chapter.

¹A copy of the survey can be found in Appendix 5, along with detailed answers to the questions not discussed here.

² Seroka (1986) in his study on the attitudes of rural county leaders toward intergovernmental cooperation stated that a response rate of 35% "is not abnormally low" because many county employees and officials those responses received may be from the smaller full-time professional county employee population. But, they suggest that "the sample does include a wide range of variation in background, skill, and attitudes, which suggests that sampling bias is not a major problem."

The Leading Benefits of County Boundary Adjustments

Many of the advantages cited in the survey responses are closely linked with one another, and cannot be readily separated. One advantage cited generally leads to another sequentially or occurs concurrently.

The advantage to adjusting county boundaries most often mentioned was the possible reduction in the duplication of services, administrative personnel, and administrative costs. This advantage was stated in some way by respondents over 20 times. By redrawing county lines, various services and administrative positions and expenses could be combined or consolidated, and the amount of duplication of services would be reduced.

The second most cited advantage (mentioned 20 times) was the larger personnel and facility resource base along with the ability to pool financial resources due to adjusting county boundaries. This was most often mentioned as an advantage for counties which currently have small populations, and/or counties that would benefit from an increased tax base. Closely related to the advantage of a larger resource base was the advantage of economies of scale as created by a county boundary adjustment. Counties would more readily reach their most effective, optimum size with a boundary adjustment.

Also related to the advantage of economies of scale was the advantage of being able to increase efficiency in service delivery (mentioned 10 times). Because more resources would be available to the counties, they would have more options allowing them to develop efficiency. An advantage mentioned in conjunction with increased efficiency was the ability of a newly configured county to hire and retain more skilled and diversified personnel, or to hire additional personnel, allowing the employees to become more specialized in their tasks and to provide better, more efficient and effective services.

The other advantage most often mentioned (five times) was the ability for the state to deal with fewer counties if county boundaries were adjusted (provided that the number of counties was also reduced). This it was thought would allow state government management and administrators to deal with fewer counties on a statewide basis with resulting reduction in administrative overhead. Also, while there would be fewer but larger counties advocating/lobbying regarding alternative policy directions and trying to influence the Legislature and other state bodies. Further, state agencies that administer programs would have fewer counties to manage, and the agencies themselves may become more efficient, effective, and responsive as a result.

These results clearly indicate that many county administrators and officials feel that efficiency could be improved through county boundary adjustments, particularly if the duplication of services was reduced. It is important to note that while about 100 surveys were returned, this list encompasses a vast majority of responses. In total, there were about 60 responses identifying potential advantages. The other survey respondents did not answer the question, or replied that there were no advantages. Thus, drawing any overarching generalizations about the advantages from the survey results alone might be misleading.

The Leading Drawbacks to Adjusting County Boundaries

Responses to the question about the disadvantages of changing county boundaries were far more numerous than the advantages, though many of the drawbacks mentioned are also interrelated. About 95 responses regarding disadvantages were offered as compared with only about 60 responses suggesting advantages. Some respondents saw both advantages and disadvantages, but often expressed the sentiment that the disadvantages outweighed the advantages.

The most frequent drawback mentioned was concerning the potential for decreased citizen representation and participation caused by an increase in population and geographic size as a consequence of a county boundary adjustment (this assumes a consolidation as well). Over 30 respondents felt that there would be a loss of local citizen input and control over what happens in county government. A boundary adjustment was believed to potentially decrease direct citizen representation in county government affairs. Additionally, respondents were concerned that given the current climate of citizen mistrust toward government (and government officials) that boundary adjustments might lead to citizen misgivings about government becoming more distant from the people it is meant to serve. Therefore, county administrators and elected officials felt that making the county larger would create a heightened sense of alienation among constituents. They also felt that it would decrease accountability of administrators and elected officials.

Another obstacle often mentioned (20 times) was the longer distances residents would have to travel for services and the consequent increase in travel time. Survey respondents were particularly concerned with the idea that county boundary adjustments would make the county larger and increase the travel time and distance, particularly to the communities where services were located (or needed), and to the county seat to conduct business and to receive services which were available only at the courthouse or other county facility..

Another disadvantage cited (about 20 times) was concern that per capita expenditures for county services would not be reduced, and may even increase, if county boundaries were adjusted. At the same time that costs may be increasing, the quality of services offered might decrease, and counties would consequently be able to offer fewer services or lower quality services. The potential for these outcomes exists whether the county increases or decreases its population and/or geographical size. Closely related to this concern was the feeling that too large a geographical area becomes an impediment for effective and efficient service delivery, especially for the elderly, disabled, and economically disadvantaged. In general, rural counties lack broad, adequate systems of public transportation, thus it may be difficult for those without their own vehicles to travel to the county seat to receive services. If county size were increased, this would only increase the number of those disadvantaged by a lack of personal transportation, as more people would be farther away from the county seat or other service center.

The final disadvantage most often mentioned were the costs of making the adjustments. Costs would be incurred for everything from changing county signs and stationary to relocating county offices, changing land records, and redoing the property tax assessments. Costs would also be

incurred if the county, as a result of its increased geographical size, was required to set up satellite offices to provide services to the more distant areas of the county.

The Obstacles to Adjusting County Boundaries

County row officers and commissioners who received the survey were asked what they saw as the primary obstacles to adjusting county boundaries. Many of the respondents cited obstacles which were closely related to each other. Interestingly, many of the obstacles to adjusting county boundaries are related to barriers to reorganizing school districts mentioned in other studies.

The impediment to adjusting county boundaries most often mentioned was the perceived loss of local input if counties were made larger or consolidated. School district reorganizations have also faced the difficulty in dealing with the desire of local residents to maintain local control.³ This directly ties to another obstacle mentioned which is a fear of making government bigger. Apparently as a consequence of enlarging government, county officials see reduced local input and local control.

Turf was also often mentioned as an obstacle to adjusting boundaries. Citizens and others are not willing to give over what is "theirs" to someone else. Closely related were restraints such as historical pride and tradition. The Northern Minnesota Citizens League also saw pride in the local school and past memories and rivalries as reasons for not reorganizing. Are these rational obstacles? Some respondents said they were not, as did some focus group members. Traditions are important, but some question whether all traditions need to be maintained or if the time has come to move beyond historical patterns to look at modern methods to reduce the cost of governance.

A resistance and fear of change also must be considered when considering fundamental adjustments to the current system. Tied to this are comments reflecting the maxim that "If it ain't broken, don't fix it." Certainly, this is a looming question as many county commissioners, row officers, and even residents do not perceive any dire problems which would necessitate such a fundamental change as a county boundary adjustment. If these officials and groups of citizens of people do not sense a need for change, then how will changes occur? If a higher body of government forces these changes it might create resentment and distrust in residents, politicians, county employees, and elected officials. And, as stated in the Northern Minnesota Citizens League report, "For reorganization to be successful, it is important to have the support from several groups (sic)...if this support isn't unanimous, some of these groups must be strong enough to overplay the negativism of the other groups."⁴

³Northern Minnesota Citizens League. (1988). "The Future of School Districts in Northern Minnesota." Grand Rapids, MN: Author.

⁴Northern Minnesota Citizens League. 17.

It is evident that one of the major obstacles to adjusting county boundaries, and perhaps one of the groups that will be opposed to it, will be public opinion leaders and policy makers. Certainly there will be reluctance by elected county officials and department heads to support a boundary adjustment if the populace is not generally supportive of change. It might cost his or her political career or employment if the situation escalates to a highly volatile point, or conversely, if a boundary adjustment were successful, it could lead to the elimination of their position (or at least their tenure in the position). If a boundary adjustment were to be considered seriously for a given county, it is open to question whether or not state legislators for that area would be willing to support the bill, as it could enhance or jeopardize their political career depending on what the voters (and even nonvoters) desired.

Clearly there are obstacles to boundary adjustments that are many and varied. Some are more rational than others; some are based more on feelings than on objective reality, and vice versa. Certainly trying to change something that has been in place for so long brings forth many long smouldering emotions, feelings and issues. The final questions of the survey make county boundary adjustments more personal as county commissioners and row officers are asked to voice their thoughts on whether or not their county would participate. Clearly, as some counties are more open to the possibility as they are searching for avenues to improve county services, while other counties feel that the services they offer are already good and do not need to be improved upon, at least not through a boundary adjustment. But, even within counties which either strongly either support or oppose boundary adjustments, there are still those who are going against the mainstream of thought in their county. Therefore, while certain categories of counties, county officials or citizens may be more receptive to the idea of adjustments, it is by no means an unchallenged opinion, and opposition still runs strong in most counties.

County Consideration of the County Boundary Adjustment Option

Clearly, this question reaches to the heart of the study; determining whether or not counties would voluntarily participate in a boundary adjustment. There is no clear-cut formula to determine whether or not a county would willingly participate. Commissioners from the same county had very different ideas about their county's willingness to adjust. Several commissioners acknowledge that they may be the lone voice on the board that would support an adjustment. While they recognized the benefits, but also know clearly understood what the obstacles are.

Within Urban and Suburban Counties there is both opposition and support. Much of the support depended on the actual cost savings or improved services that could result from a boundary adjustment. One respondent suggested that the state should use its clout to encourage boundary adjustments. The counties most willing to consider the option looked favorably upon the possibility that it could bring them a larger tax base through industrial growth. Many urban counties have large residential tax bases, but suffer from a lack of industrial tax base, which tends to hinder their revenues.

Counties with Populations Under 7,000 expressed perhaps the strongest sentiments against adjustments. Very few respondents from these counties said they would consider the option. In

general, there seems to be a presumption in these less populated counties that making the county bigger would move government further away from the people. There appears to be a great deal of pride in the county's identity in these rural areas, and they believe that their needs are best served through smaller jurisdictional areas.

Counties with larger geographic areas appear to be more receptive to the idea of changing county boundaries (however, the response from these large counties was minimal). One respondent made specific suggestions as to how the county could be reconfigured to offer better service to the constituents. Clearly, some county officials would consider an adjustment as an option to offering better services and better access to county government. However, another official suggested that adjusting county boundaries should not take the place of current collaborations between cities, schools, and counties. Rather, these should continue simultaneously with consolidation and boundary adjustments.

Many geographically smaller counties felt that they are currently participating successfully in joint powers agreements and that adjusting county boundaries would not be acceptable. However, this opinion is not unanimous, either. Certain small counties once again are more receptive to, at a minimum, studying the options and then making informed a decisions. Others would participate only if it were mandated. Most recognize that one party may lose while the other may gain, and this is a significant barrier to any adjustment.

From this discussion, it is obvious that it is not easy to identify counties which would be willing to participate in a boundary adjustment process. Most counties appear apprehensive and expect clear positive results to be demonstrated before the option is seriously considered. Others adamantly oppose it as they desire to keep as much local control as possible. Perhaps the most interesting finding that came out of this question is the differences in opinion as to who should request a boundary adjustment. Many suggested that it should be a local decision brought about by the residents and their elected or appointed county officials. Others suggested that the state should mandate adjustments legislatively or administratively, as this is the only way they will occur. Others felt the state should mandate it because counties are an extension of state government at a local level. Obviously, opinions vary both within and between counties. No set formula exists to determine whether or not a particular county or class of county will be receptive to a boundary adjustment proposal.

The Necessity of Incentives To Facilitate County Boundary Adjustments

Overall, there is a feeling that financial incentives should be offered to facilitate participation in any voluntary boundary adjustment effort. The financial incentives suggested ranged from reduced property taxes to debt equalization to adjustments for loss of monies from such programs as HACA and highway funding. Others suggested that perhaps the financial incentives should be something like "Use it or Lose it" money. Most responded that they had no idea as to the actual amount required to make the changes. But, for the most part, incentives of some nature would be necessary, unless boundary adjustments were mandated by the state, in which case there would be little support for mandatory adjustments, with or without incentives.

County Participation in Boundary Adjustments If Incentives Were Offered

The last question on the survey was, "Would your county voluntarily participate in a county boundary adjustment or consolidation process if incentives were offered? Why or why not? The answers most commonly offered were either "I don't know," or quite simply, "no." The only counties which expressed any positive indications that they would participate were counties with large geographic areas, and once again, we had few responses from the large counties. Many respondents suggested that incentives should be offered for more joint powers agreements, not for boundary adjustments. Others found it difficult to respond without knowing exactly what the incentives would be, what the boundary proposal was, or what the results of a boundary adjustment would be.

Therefore, it would seem that before the extent of participation can be accurately gauged, or who would be willing to participate, we have to know what the state would be willing to offer and what the adjustment outcomes would be. Most counties are not willing to walk blindly into a boundary adjustment without knowing what they may be facing. Nor do most counties even understand why a boundary adjustment is necessary. Instead they feel that there are currently sufficient and perhaps more effective means to reduce costs and offer better services through current Joint Powers Agreements and other intergovernmental agreements.

The Impact of Boundary Adjustments on County Services

Survey recipients were also asked what effect an increase in the geographical size and population of the county might have on the cost, quality, level and range of county services. Responses varied within, and to a greater extent, between county groupings.⁵ On the following page is the actual question that was posed on the survey. After the presentation of the survey question, the responses are discussed in four separate sections examining the four different impact areas: cost, quality, level, and range of services.

5

For the purposes of the survey, counties were grouped slightly differently than they have been in previous sections of the report in order to make the contrasts clearer between different types of counties. The categories are self explanatory, with the exception of Rural Counties, which are counties with populations under 7,000. The other rural counties identified earlier in the report now fall into the categories of Counties with Geographic Areas Under 875 Square Miles or Counties with Geographic Areas Over 2,000 Square Miles.

SURVEY QUESTION #8

Which of the following statements reflect your opinion of the effects of an increase in the geographical size and population on the cost, quality, level, and range of services offered by your county? Please select A, B, or C in each category and circle the appropriate word in parentheses which best completes the sentence. (If appropriate, you may choose both A and B.)

I. COST OF COUNTY SERVICES (Circle the corresponding letter and word to accurately complete the sentence.)

- A. Increasing the area and population would **reduce** the overall cost of (**all, many, a few**) of county services.
- B. Increasing the area and population would **increase** the overall cost of (**all, many, a few**) of county services.
- C. Increasing the area and population would have **no effect** on the overall cost of county services.

II. QUALITY OF COUNTY SERVICES (Circle the corresponding letter and word to accurately complete the sentence.)

- A. Increasing the area and population would **reduce** the overall quality of (**all, many, a few**) of county services.
- B. Increasing the area and population would **increase** the overall quality of (**all, many, a few**) of county services.
- C. Increasing the area and population would have **no effect** on the overall quality of county services.

III. LEVEL OF COUNTY SERVICES (Circle the corresponding letter and word to accurately complete the sentence.)

- A. Increasing the area and population would **reduce** the overall level of (**all, many, a few**) of county services.
- B. Increasing the area and population would **increase** the overall level of (**all, many, a few**) of county services.
- C. Increasing the area and population would have **no effect** on the overall level of county services.

IV. RANGE OF COUNTY SERVICES (Circle the corresponding letter and word to accurately complete the sentence.)

- A. Increasing the area and population would **reduce** the overall range of (**all, many, a few**) of county services.
- B. Increasing the area and population would **increase** the overall range of (**all, many, a few**) of county services.
- C. Increasing the area and population would have **no effect** on the overall range of county services.

Figure 23: The Effect of Increased County Size and Population on Service Costs

	REDUCE the cost of ALL services	REDUCE the cost of MANY services	REDUCE the cost of A FEW services	INCREASE the cost of ALL services	INCREASE the cost of MANY services	INCREASE the cost of A FEW services	NOT AFFECT service costs
Urban and Suburban Counties	0	2	0	2	10	1	1
Counties with Populations Under 7,000	1	2	9	8	13	1	1
Counties with Areas Greater than 2,000 Sq. Miles	0	0	2	2	4	0	2
Counties with Areas Under 875 Sq. Miles	0	4	4	0	4	8	4
Regional Development Commissions	0	1	0	0	1	0	1
Total	1	9	15	12	32	10	9

As indicated in the above table, it appears that the overall perception among county respondents is that increasing the geographic size and population would increase the cost of county services to varying extents. Still, there were those respondents who believed that the cost of county services would decrease if the population size or geographic size of the county was increased. Further analysis would indicate that there appears to be some agreement regarding what the effects would be within categories of counties. Urban and Suburban Counties respondents indicated that in general, increasing the area and population of the county would increase the cost of many county services and reduce the cost of only a few county services. Respondents from small population counties also most often suggested that increasing the area and population would either increase the cost of all county services or reduce the overall cost of only a few county services. For counties which already have a large geographic area, increasing their area or population would tend to increase the cost of county services as well. For counties with smaller geographic areas, an increase in population and geographic area might increase the cost of a few or many county services, and would reduce the cost of only a few. The Regional Development Commissions were split in their responses; one replied that an increase would reduce the cost of many, another said it would increase the cost of many services, and yet another replied that an increase would have no effect.

Figure 24: The Effect Increased County Size and Population on Service Quality

	REDUCE the quality of ALL services	REDUCE the quality of MANY services	REDUCE the quality of A FEW services	INCREASE the quality of ALL services	INCREASE the quality of MANY services	INCREASE the quality of A FEW services	NOT AFFECT service quality
Urban and Suburban Counties	1	7	3	0	4	5	3
Counties with Populations Under 7,000	3	7	7	0	4	6	3
Counties with Areas Greater than 2,000 Sq. Miles	2	2	2	1	1	1	0
Counties with Areas Under 875 Sq. Miles	0	8	5	0	2	4	7
Regional Development Commissions	0	2	0	0	1	0	0
Total	6	26	17	1	12	16	13

Respondents were asked what the effect of increasing the population and geographic area of the county would be on the quality of county services. In Chapter 2 of this study, we noted the difficulty of quantitatively measuring the quality of county services. Therefore, the responses reported here are highly subjective. Urban and Suburban Counties respondents presented a mixed review of the effect of an increase in population and size on the quality of service. Some respondents felt that the quality of a few to many services would be reduced, others replied that it would be increased. Counties with Populations under 7,000 were also split between believing that an increase in population size and/or geography would either reduce the quality of a few to all services, or it would increase the quality of a few to many services. Counties with large geographic areas expressed the opinion that it might reduce the quality of service, as did counties with smaller geographic areas, though many of them also opined that there would be no effect on quality. Finally, the Regional Development Commissions felt there would be a reduction in the quality of many county services due to an increase in both geographic area and population. Overall, the responses were highly varied, perhaps due to the subjective nature of individual definitions and perceptions of quality.

Figure 25: The Effect of Increased County Size and Population on Services Levels

	REDUCE the level of ALL services	REDUCE the level of MANY services	REDUCE the level of A FEW services	INCREASE the level of ALL services	INCREASE the level of MANY services	INCREASE the level of A FEW services	NOT AFFECT the service level
Urban and Suburban Counties	2	6	3	0	3	2	5
Counties with Populations Under 7,000	4	11	4	0	4	6	3
Counties with Areas Greater than 2,000 Sq. Miles	1	3	0	1	0	1	2
Counties with Areas Under 875 Sq. Miles	0	5	5	0	2	3	7
Regional Development Commissions	0	1	0	0	1	0	1
Total	7	26	12	1	10	11	19

Responses regarding the effects of an increase in county size and population on the level (quantity) of county services was somewhat varied as well. Overall, many counties felt either that the level of services would be reduced or would not be affected. Urban and Suburban Counties, as well as counties with large geographic area, responded that increasing the size and population of the county would, for the most part, reduce the level of county services offered. Counties with small populations also responded that increasing the area and/or population would reduce the level of many county services, and increase the level of only a few. Counties with smaller geographic areas responded that there would either be no effect on the level or the level of a few county services would be reduced. The Regional Development Commissions saw little effect on county services resulting from an increase in population or geographic area.

Figure 26: The Effect of Increased County Size and Population on the Range of County Services

	REDUCE the range of ALL services	REDUCE the range of MANY services	REDUCE the range of A FEW services	INCREASE the range of ALL services	INCREASE the range of MANY services	INCREASE the range of A FEW services	NOT AFFECT service range
Urban and Suburban Counties	0	2	2	1	3	2	8
Counties with Populations Under 7,000	4	4	2	0	3	10	6
Counties with Areas Greater than 2,000 Sq. Miles	1	3	1	0	1	1	1
Counties with Areas Under 875 Sq. Miles	0	2	3	0	3	5	6
Regional Development Commissions	0	1	0	0	1	0	1
Total	5	12	8	1	11	18	22

Respondents were asked what the effect of an increase in population and geographic size would be on the range of county services. Urban and Suburban Counties overall felt there would be no effect on the range of counties services. Counties with small populations were somewhat split between no effect, a reduction in the range of services, and an increase in the range of services. Counties with Geographical Areas Under 875 Square Miles were also varied in their responses, but overall believed there would either be an increase in the range of services or the range of services would not be effected. Counties with larger geographic areas felt there would be a reduction in the range of services if the population and size of the county were increased. The Regional Development Commissions were varied again in their responses; one said that an increase would reduce the range of many county services, another said it would increase the range of many county services, while still another said there would be no effect on county services. Statewide, responses were nearly evenly split. Twenty-five respondents felt that service ranges would be reduced. Thirty respondent felt that the range of services would be increased. Final, twenty-two respondents felt that an increase in population size and geographic size would not affect the range of county services.

Summary

Clearly, the effects of an increase in the geographic size and population are highly speculative and variable. A multitude of factors contribute to quality, cost, level and range of services between counties that it is extremely difficult to give a finite answer regarding the likely effects might be. Clearly, those most in favor of boundary adjustments (either with or without consolidation) generally forecast more positive effects, while those generally in opposition did not see many benefits in terms of cost reduction/control, level, range or quality of services. Each county may view a blend of different benefits or drawbacks in terms of the advisability of county boundary adjustments, and must individually weigh the advantages and the disadvantages, the costs and the benefits.

In the final analysis, most respondents felt that the disadvantages of county boundary adjustments far outweighs the advantages. In many respondents' views, the obstacles to county boundary adjustments are very tangible and extremely difficult to overcome. Therefore, at this time there seems to be minimal widespread support for adjusting county boundaries in Minnesota. Within certain counties, there may be limited support for examining this proposal, but the responses make it difficult to cite any specific counties which might be interested in wholeheartedly undertaking a significant program of boundary adjustment(s). Each county must decide for itself the costs and benefits for their own county and determine what route they wish to take in order to reduce cost of government and/or to increase efficiency and effectiveness.

Chapter 8

The Potential Impacts of County Boundary Adjustments

The economic impacts of boundary adjustments resulting in local government consolidation have been studied by economists both theoretically and empirically. Boundary adjustments have been recommended as a means of achieving economies of scale by creating a larger service area, and improving local government services by eliminating duplicative services between counties.

Economists argue that cost reduction from consolidation is dependent upon three variables:

(1) the economies of scale with respect to population, (2) population density and the distribution of population as result of the proposed consolidation and, (3) increased private and public transportation costs caused directly or indirectly by consolidation. Economic studies using these variables have concluded that overall, economies of size through increased population were usually very small and that public and private costs of consolidation canceled out much of the economies that were gained through consolidation.¹ The costs and benefits from boundary adjustment will not be distributed equally unless tax rates are adjusted to compensate for those citizens who have to travel farther for services. However, these economic studies suffer from three shortcomings: first, they assume static technology; second, cost was the only variable used to measure quality of services; and third, these studies looked at per capita expenditures in general and not in terms of different categories of spending.

Since county boundary adjustments are not merely intended to reduce the cost of services and service delivery, efficiency and effectiveness, but also to improve service delivery by providing a broad range of services to the maximum number of eligible citizens, then it would also be more important to assess the potential for county boundary adjustments to improve the quality of public services. The purpose of this chapter is to examine more closely scale economies regarding different types of public services and other potential impacts related to a boundary adjustment.

Cost of Public Services

Size economies research has focused on two classifications of local government services:

(1) labor-intensive and (2) capital-intensive services. Education, fire protection, police protection and refuse collection are examples of labor-intensive services; they are provided mainly through the work of people. Capital intensive services are services which require more financial and physical resources than human resources (labor) to provide. Capital intensive services include, for example, road/highway maintenance and water/sewer utilities. Labor intensive services which have economies of scale, are more likely to benefit from boundary adjustments that entail an increase in population size which in turn serves to reduce the per capita cost of providing the

¹Bracshler, C. & Klindt, T. (1969, February). Theoretical and empirical problems in local government consolidation. *Canadian Journal of Agricultural Economics*, 17,(2).

same level of service. Other services that do not evidence economies of scale, and are more capital intensive than labor intensive, are likely to demonstrate an increase cost per unit or remain unaffected by boundary adjustments.

Economic research indicates that smaller counties tend to allocate large percentage of their resources to a limited number of services, while the expenditures made by larger counties are spread over a broader range of items.² (Refer to the Appendix 6 to see total expenditure data for different categories of counties.) A previous chapter of this report indicated that rural counties spend a large percentage of their budgets on general government, highways, and human services. On the other hand, urban counties tend to spend a majority of their money on human services, general government, and public safety. Certain economies may be realized, depending upon the pre-existing expenditure pattern of the county in question. For example, in sparsely populated rural counties, scale economies could be achieved in economic development and overall cost could be reduced for general government expenses, if the number of county seats and administrative staff were reduced.

Police Protection

William Fox of the U.S. Agriculture Economic Statistics and Cooperative Science, reviewed seven studies on police protection economies, each of which have somewhat different results but similar overall trends. Economies of scale were not found to be significant for police services. However, all the studies that examined economies in relation to the scale of public safety services found significant size economies. This indicates that there is a decrease in per capita costs, with the service level being equal. However, as the size increases it is possible that more specialized services may be needed (or desired) which may over the long term lead to an increase the per unit cost of police protection.

It is important to note that none of these studies examined diseconomies that may relate to small scale production of police protection. This is particularly true in small rural counties where there may be a single law enforcement center versus a police department, with several police stations. If the goal is to reduce cost, then such smaller departments would benefit either from cooperation or from combining with a larger police department to provide more specialized services, a wider range of services, and a larger number of law enforcement officers.

However, there is more to consolidation than merely merging two service departments. There is a wide range of options to consider for service delivery. Consolidation can occur on many different levels—full, partial, selected area, functional and minimal. The outcomes will vary depending upon the chosen level. Full consolidation occurs when public services are combined under a single agency. Partial consolidations occur when two public service functions remain separate, except for a designated group of staff who are trained to perform both public services (such as police

²Schmandt, H., & Stephens, G.R. (1963, November). Local government expenditure patterns in the United States. *Land Economics*, (39) 4.

officers and fire fighters who are trained to perform both functions). Selected consolidation occurs when only a certain portion of the community is serviced by the staff trained to perform more than one function (this generally occurs only in newly annexed areas). Functional consolidation allows two service functions to remain separate, but still share some duties. Under nominal consolidation, two public service agencies or departments remain separate, but share the same director.³

Returning to the issue of public safety services, at any level of cooperation or consolidation, police departments and the sheriff's office will be able to administer joint records, radio bands and dispatch, 911 emergency numbers, joint investigations, etc. Currently, many counties are participating in such cooperative efforts at the regional level through informal or joint powers agreements. It is uncertain whether adjusting county boundaries would be necessary to achieve efficiency, since such cooperative arrangements are already in place. But, in the end, each individual county needs to decide whether consolidation or cooperation/joint powers will better meet the needs of their citizens.

Roads and Highways

Potential size economies related to roads have not received much attention in economic research. The studies conclude that in some cases, size economies do exist (expenditures decrease as population size increases). However, these conclusions are limited, since the research has focused mainly on the production of rural roads. Deller and Nelson (1991) examined small rural governments in the Midwest (Illinois, Minnesota, and Wisconsin) that had rural road responsibilities.⁴ Low volume rural roads are the responsibility of townships and/or county government. In most Midwestern states, townships provide for the basic maintenance of rural roads, while counties are usually responsible for the overall network of highway service units. In the United States, the average township is responsible for 38 miles of low-volume roads, while the county may be responsible for ten times that same mileage.⁵

The empirical evidence from the Midwest suggests that jurisdictional boundaries may prevent townships from reaching economies of scale in production. This may call for jurisdictional consolidation for low-volume rural roads. The results suggests that over 50% of costs may be duplicative or unnecessary because of managerial inefficiency and equipment duplication at the various governmental levels. Correlations between output and efficiency measures indicate that larger jurisdictions are more efficient than smaller jurisdictions in the production process of roads

³ Sobba, R. (1991, February). Public service consolidation: The answer to your community's needs. FBI Law Enforcement Bulletin. 6-10.

⁴ Deller, S.C., and Nelson, C.H. (1991, February) "Measuring the economic efficiency of producing rural road services." American Agricultural Economics Association. 194-201.

⁵ Ibid. p. 197.

per mile of road. Adjusting county boundaries is one way to create larger jurisdictions to achieve size economies. However, production efficiency can also be achieved by consolidation of the production process, something considerable short of county consolidation.

Within Minnesota, there is no strong statistical evidence to suggest that per capita highway expenditures are related to county geographic size, county population, or state grants to counties for highways. While it may be true in a limited number of cases that the size of the county or the county population is related to per capita highway expenditures, the evidence is not strong enough to make any final conclusions or general recommendations on ways to reduce costs. Each county must examine its own situation and determine for itself (perhaps after consulting with township officials and adjoining county officials) what avenues to pursue to reduce costs while maintaining a quality roadway system.

Human Services and Public Health

Many small, low population density counties do not have an adequate number of staff or specialized staff to administer or plan for an extensive array of human and public services. The lack of a sufficient population and economic base prevents some counties from offering a full range of services. Hence, small counties are unable to provide the same level of services as larger, more populated counties. Larger counties also have the advantage of having a better tax base that provides more funds for a broader range of services. Larger counties also may have better facilities to service clients and more funds for training budgets to help retain professional staff.

Despite health services' positive relationship with population size, other mitigating factors such as the overall income level of the population and state aids are also important indicators for the per capita expenditure for services. Expenditures for the delivery of social services are likely to be higher in low population density counties, since there is a higher transportation cost. In rural areas, the physically impaired and the elderly may find it difficult to travel long distances to receive services. In such cases, even satellite human service offices are not enough. Yet smaller counties (population) and larger counties (geographic) are still expected to offer high quality direct services and administrative management. While many Minnesota counties are currently engaged in cooperative efforts to improve service delivery, the fact remains that small departments, with generalized rather than specialized staff, are at a disadvantage in terms of applying for grants and providing newly mandated services.⁶ Human service directors will have to decide on what type of organization (single county, multi-county, merged county, or cooperative agreements) are needed to produce the appropriate level of social services expected by citizens given cost, tax, and political constraints in their jurisdictions.

The State Department of Human Service's goal is to adequately provide human services at the local level. However, local turf protection issues often come in the way of cooperative efforts to

⁶ Benson, D. (in press). Human services delivery in Minnesota. University of Minnesota, Department of Rural Sociology.

improve delivery. The rural vs. urban and the agriculture vs. non-agriculture counties are often points of contention. However, in 1987 the Legislature established 44 Community Health Service Districts (see Community Health Districts Map in Appendix 6, page 1) to help coordinate policy and cooperation. These districts have been instrumental in responding to local needs. Recent studies such as the Commission on Reform and Efficiency (1993) while commending the CHS districts, still concluded that Minnesota's delivery system remains fragmented. An important question to ask is whether or not changing boundaries will improve the situation. It is hard to say. Changing boundaries may be helpful in reducing the number of local health and human service administrative entities from the current 150 that are operating today. It is also possible that the inclusion of territory with a higher tax base in a newly formed (merged) county will allow the county to have a sufficient population or tax base to provide adequate or expanded service levels at a lower per capita cost. But, once again, there is inadequate statistical evidence to demonstrate that per capita expenditures for human services are directly related to county size, population, or state grants for human services. Therefore, each county must examine its own individual circumstances to determine whether it would be desirable to change the boundaries of the service delivery areas.

A frequent observation noted by social scientists is that rural county human service decision making can be very personal. Personal relationships are likely to have a large impact on cooperative policies. Human service directors and county board decision making is influenced by a mixture of three interrelated factors:⁷

1. **Personal ideology:** The ideology and relationship of the director with the county government and their staff is important when formulating policy. Also previous experience in dealing with neighboring counties will also affect policy making in the case of a boundary adjustment.

2. **Local history:** Decisions are also affected either positively or negatively by local demographic characteristics. Women, Native Americans, recent immigrants, and very low income persons may bear the brunt of budget short-falls, discrimination and prejudice. If boundaries and human services were to be reorganized to offer a wider variety of social services, officials may be concerned that citizens from adjoining counties will seek out services that are otherwise unavailable in other counties (or states).

3. **Political context:** A large range of social, philosophical, and economic factors influence county decisions concerning human services program and administrative policies.

In some counties, the county welfare board has a strong influence over professional judgements of the staff. When personal judgements play a large role in social policy making, it seems less likely that county commissioners would give up control over human services to a multi-county body. Collective management may lead to a long process filled with professional vs. elected and inter-

⁷Ibid., p. 34.

jurisdictional controversies, and the lack of local control may also diminish the likelihood for the success of collaborative or consolidated efforts.

Tax and Revenue Impacts

The impact on taxes of county boundary changes will vary depending on the pre-existing tax base(s). It is uncertain what the impact on individual tax rates and revenues would be for the consolidated new county as a whole (and individual taxpayers -both corporate and resident). Although Minnesota has one set of property assessment rules that apply throughout the state, the property tax rates are not uniform. A city alone could have several different tax rates. However, if a county with a low tax base consolidated with a county that has a higher tax base, it is likely that the tax rate in the poor county would decrease (assuming service levels are equal and remain constant). Low tax base counties tend to have higher tax rates to cover expenditures and one purpose of a boundary adjustment would be to save duplicative administration costs for delivering services. However, if the purpose of the boundary adjustment is to improve the quality of services, it is possible that taxes and expenditures would increase.⁸ One study examining city/county consolidation and economies of scale in Jacksonville, Florida, concluded that after looking at time series data the consolidation has produced no measurable impact on taxing and spending. One possible explanation for these results might be that annexation or boundary adjustment was never intended to reduce taxes or expenditure levels. Rather, it was intended to upgrade services (quality or quantity), which almost always leads to a tax increase to meet higher expenditures and service level expectations.

Another possible explanation can be found in the social science research literature that has consistently reported that political structure has very little impact on revenue and expenditure policies. Economic development sources have been shown to have a stronger impact than governmental structure. However, it is unclear whether consolidation, annexation or boundary adjustments have any indirect effects on taxing and spending. In other words, the outcome is highly dependent on the political actors and their priorities.

Regardless of the intended purpose of boundary changes, the amount of savings will be crucial in determining the new tax rates. Savings may result in an increase in the assessed valuation of the property from the inclusion of properties with a better tax base.⁹ The inclusion of additional base may also increase the debt ceiling available to the new county as a whole, which will allow the county to undertake new service projects. Centralized purchasing and accounting systems may also result in savings for the new county. The county would also save money by having less county administrative staff. The amount of savings would depend on the nature of the boundary adjustment and the pre-existing tax rates in both areas. It is also possible that the number of

⁸ Benton, E. J., and Gamble, D. (1982) City-county consolidation and economies of scale: Evidence from a time-series analysis in Jacksonville, Florida. *Social Science Quarterly*. 158-159.

⁹ Benton, E.J., and Gamble, D. pp.151-158.

different tax rates will also increase, as it has in many city/county consolidation, as a result of the various existing other taxing entities such as the county, the cities, the independent municipal corporations, townships and school districts, and the use by the consolidated county of special service districts and special taxing districts to promote different service and capital projects.¹⁰

Potential Impact of County Boundary Adjustments Relative to the Elimination or Creation of Certain County Seats

Conflicts over seats of government in Minnesota go back to at least 1857, when a bill was stolen that recommended that the state capital be moved to St. Peter from St. Paul. County seat location decisions have also often caused lively political debates. In 1976 residents of Marshall County tried to move the county seat from Warren to the centrally located Newfolden, and the county quickly became divided over the issue. A similar controversy recently occurred in Roseau County when citizens tried to move the county seat from Roseau to Warroad. A significant sum of money was to be donated by a private interest for a new courthouse if the county seat was moved to Warroad. Voters were divided over the issue; an election was required to move the county seat. Petitions were signed, but it fell two names short of forcing a referendum. The procedure and the issue was extremely controversial and proponents of the petition called the County Board's action illegal.¹¹

Boundary adjustments and consolidation may only serve to heighten such controversies and divisions regarding the relocation or creation of new county seats. The identity of the county is usually tied to the county seat and the local citizens of that community are not likely to give up without a fight. The county courthouse, law enforcement, administrative, and social service departments are located in the county seat. Local citizens will not want to lose the proximity they have to service agencies. If counties are made larger and the county seat is relocated, county government officials may lose touch with their constituents, and the placement of the new county seat may create yet another controversy.

Counties and cities with more money (or political capitol) will be in a position to campaign for the relocation of the county to their jurisdiction, which may lead to a bidding war. Differing demographics may also cause controversy regarding the removal of the county seat, since traditional divisions and rivalries between cities, schools, rural and urban counties, and farming and non-farm counties will be accentuated over the proposal of boundary adjustments. Many rural counties will perceive it to be another policy that is being forced upon them to help subsidize increasing urban costs (including the cost of sprawl). While this perception may be entirely unfounded, it may cause turmoil.

¹⁰ Blomquist, W., & Parks, R. (1995, Fall). Fiscal service and political impacts of Indianapolis-Marion County Unigov. *Publius*, (42) 4, 46-47.

¹¹ Franklin, R. (1995, May 3). Battle lines drawn in Roseau County. *Star Tribune*. sec. B, p. 3 (Metro Section).

Conclusion

When considering the economic benefits of county boundary adjustments that result in a reduction in the number of counties, one should not merely add up the money saved through the elimination of staff and their salaries. While it is true that some duplicative administrative staff positions could be eliminated, it would be economically sensible to carefully consider whether remaining administrative staff's salaries would have to be increased in order to compensate for the increased responsibility and span of control for those retained.

Efficiency also cannot merely be equated in terms of average cost per citizen, and the quality of services are not always so easily measured. Many citizens believe that each community should be able to have some measure of control over the future of its government institutions. Each county has its own unique circumstances and problems, and citizens may feel that a larger government entity is less likely to address the unique situations of smaller counties and their citizens. Accountability is extremely important to many county residents, and advocates of county consolidations and boundary adjustments must carefully consider this issue before attempting to gain the support of county residents. Accountability must be maintained even as attempts are made at improving the quality and quantity of services provided.

Chapter 9

Other Administrative and Governmental Boundaries in Minnesota

Minnesota has numerous administrative and governmental boundaries in addition to township, city, and county boundaries. School districts, highway maintenance districts, judicial districts, Regional Development Commissions, etc. all have their own boundaries, as do 393 other special purpose governmental districts. What is the rationale of all of these boundaries and the rationale for all of these units of government? Is it really necessary to have all of them? While it is not feasible to examine every type of governmental boundary in Minnesota, it is important to look at the major boundaries noted above. At the same time, it is possible to ask whether county boundaries could be or should be adjusted to more closely align with the configuration of these other boundaries.

Judicial Districts

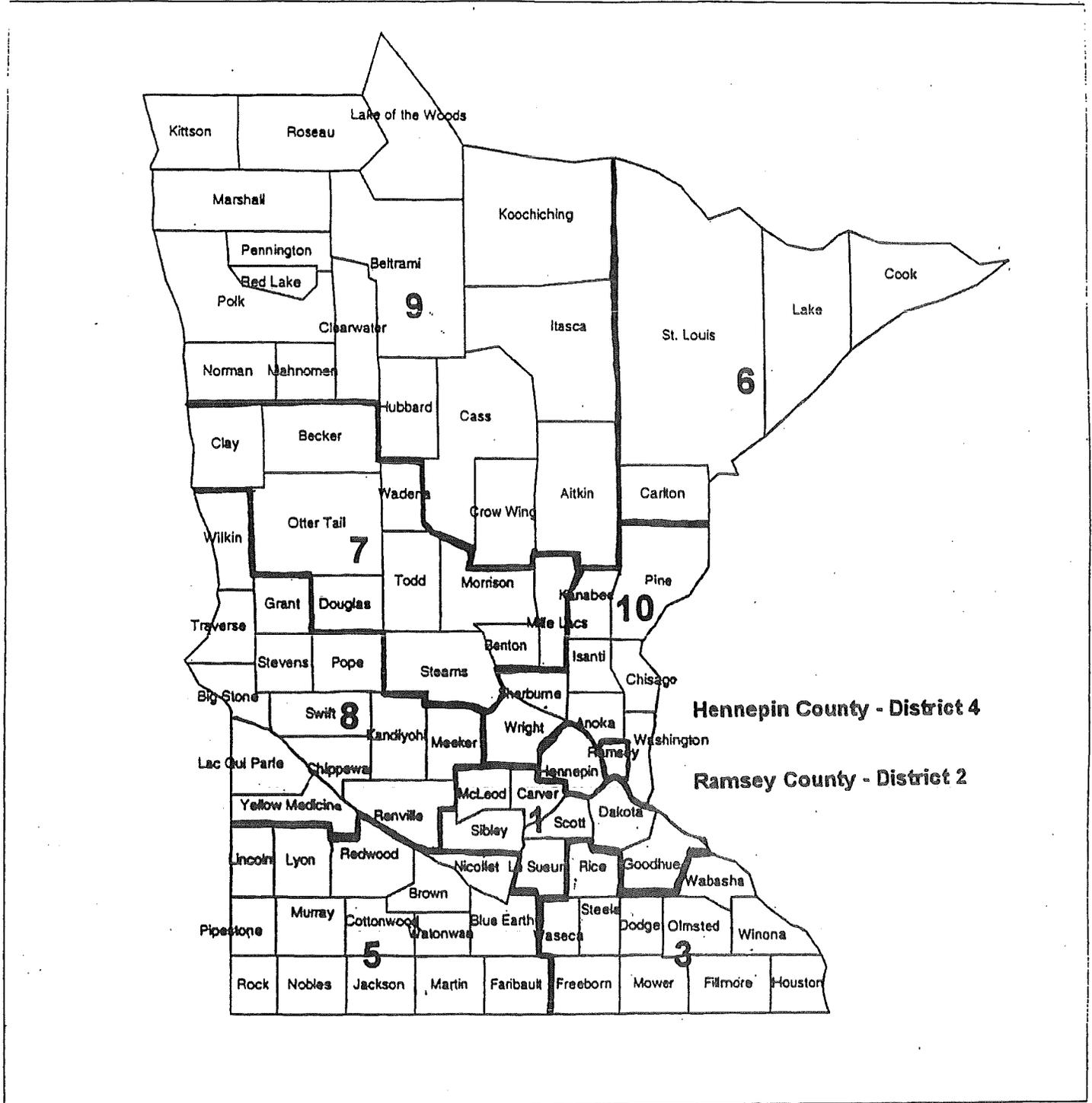
Over the past twenty years, Minnesota's judicial system has evolved from a municipal and county court system to a more unified state judicial system composed of ten judicial districts. This judicial reform was intended to "...provide the public with the simplest and most efficient court system possible. A single trial court will reduce the confusion in the minds of the public respecting which court handles which matters."¹ Prior to court consolidation, the district court was responsible for all civil and criminal trials within its boundaries. In the two districts representing Hennepin and Ramsey counties, the district court also had family, juvenile, and probate court divisions. Today, the ten judicial district courts in Minnesota try all civil, criminal, family, juvenile, traffic, and ordinance violations cases. The districts are comprised of from one to seventeen counties.

Prior to the recent reforms, the county courts, with the exception of Hennepin and Ramsey counties, were responsible for probate and juvenile matters, as well as prosecution of gross misdemeanors, misdemeanors, and petty misdemeanors, as well as family court services, conciliation, traffic, and ordinance violations. In Hennepin and Ramsey counties, a municipal court existed to handle such cases.

Conciliation courts have limited powers and hear only what are known as "small claims" in other states. Conciliation courts in Minnesota hear civil matters regarding damages in amounts of up to \$4,000. Each county (with the exceptions of Hennepin and Ramsey where it is a separate court) has a conciliation court division of the district court.

¹Marshall, J. (1984, February). Court Consolidation Study Commission: Final report. St. Paul, MN: Court Consolidation Study Committee.

MINNESOTA JUDICIAL DISTRICTS



This begs the question, "Could county boundaries be conformed to the judicial district boundaries?" It seems quite apparent from looking at the map of the judicial districts in Minnesota that the answer is not easily (see map, next page). A common complaint expressed by current counties with large geographical areas, is that it is difficult to effectively deliver services to the entire county. St. Louis County which encompasses over 6,000 square miles already. Should one very large county be formed out of St. Louis, Lake, Cook, and Carlton Counties in order to conform with the current Sixth Judicial District boundaries? This new county would be over 10,000 square miles.² This probably would be neither feasible nor desirable from any public policy or court administration standpoint.

In addition, it has not been proven or disproven, due to the difficulty in assessment, whether the state takeover of district court costs has resulted in any significant savings, according to Janet Marshall³, who authored the first study on court consolidation. She also noted that a study done on Iowa which determined that consolidating county courts (combining two or more county courts into one) would save some money for the court system, but it would cost the Sheriff's department and others involved in judicial matters more as they would now have to travel longer distances to perform their duties at the courthouse.

Marshall in her study also noted that while the courts have been consolidated into district courts, each county maintains its own court administrator, in addition to the district court administrators, as well as other county court personnel. Thus, each county remains responsible for a number of services and costs even though the state pays for many of the costs of the district courts.

Regional Development Commissions

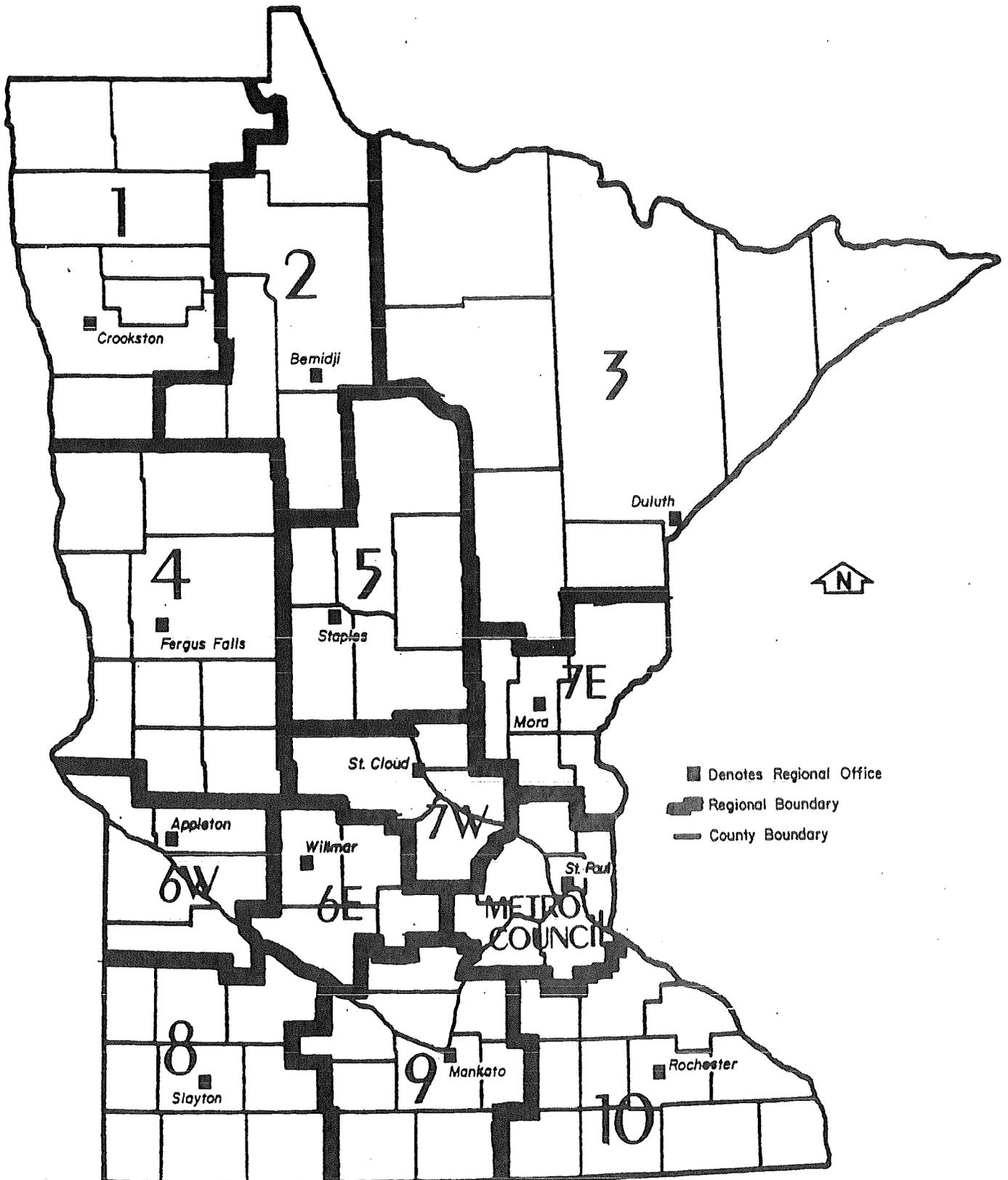
If it would not be feasible to conform county boundaries to judicial district boundaries, would it be feasible to conform to Regional Development Commission boundaries? The immediate apparent answer would appear to be once again, no, for several reasons. The most obvious is again the size of the Regional Development Commissions. The state would be no better off with counties the size of Regional Development Commissions than it would be if counties were configured with the judicial districts. Counties would lose touch with their constituents, they would face greater difficulties in servicing all of their residents, and the issue of where to place the county seat would surface again and certainly become a contentious matter.

The second problem with the Regional Development Commission configuration is the lack of uniformity in services that they offer. Some Regional Development Commissions are inactive and/or invisible to the public (see Appendix 1). Why then would the public see any merit to conforming county boundaries to those boundaries? Of course, if counties were adjusted to the same configurations as Regional Development Commissions, there would be little or no need for

² If counties boundaries were changed to conform with judicial district boundaries, the largest new county would be the Ninth Judicial District with over 20,000 square miles.

³ Marshall, J. (1996, December 30). Telephone Interview.

MINNESOTA REGIONAL DEVELOPMENT COMMISSIONS



Regional Development Commissions, since the county would now be the size of what once was an entire multi-county region. The Commissions are currently responsible for developing and coordinating regional economic plans and reviewing programs related to those agencies, governments, and other facilities in its region. Perhaps if county jurisdictional areas became as large as the Commissions, they could assume the responsibilities of the Commission, therefore eliminating one governmental entity. But, nevertheless, the sheer geographical size and diversity of the Commissions coverage area is too large to be efficient and effective in the administration of county services. The service area is too large and the density of such areas is too low to create economies of scale. These new counties would be as larger than St. Louis County, which has a rather low population density and a large service area. St. Louis County utilizes satellite offices to service the entire county, which can be costly.

Further, by way of illustration, several reasons have been suggested for the demise of the Region 10 Development Commission:⁴

1. Too large of an area - The commission represented a large area of differing demographics, such as some areas that were more concerned with issues related to the river while others were more concerned with agricultural issues. Little consensus existed.
2. Large cities - Large cities in the commission's jurisdiction yielded great power and could influence much of the decision making.
3. Too Many Personalities - Jealousies existed between the cities and smaller units of government over funding. There were also perhaps too many representatives on the Commission which fostered many opposing opinions and ideas and little consensus.

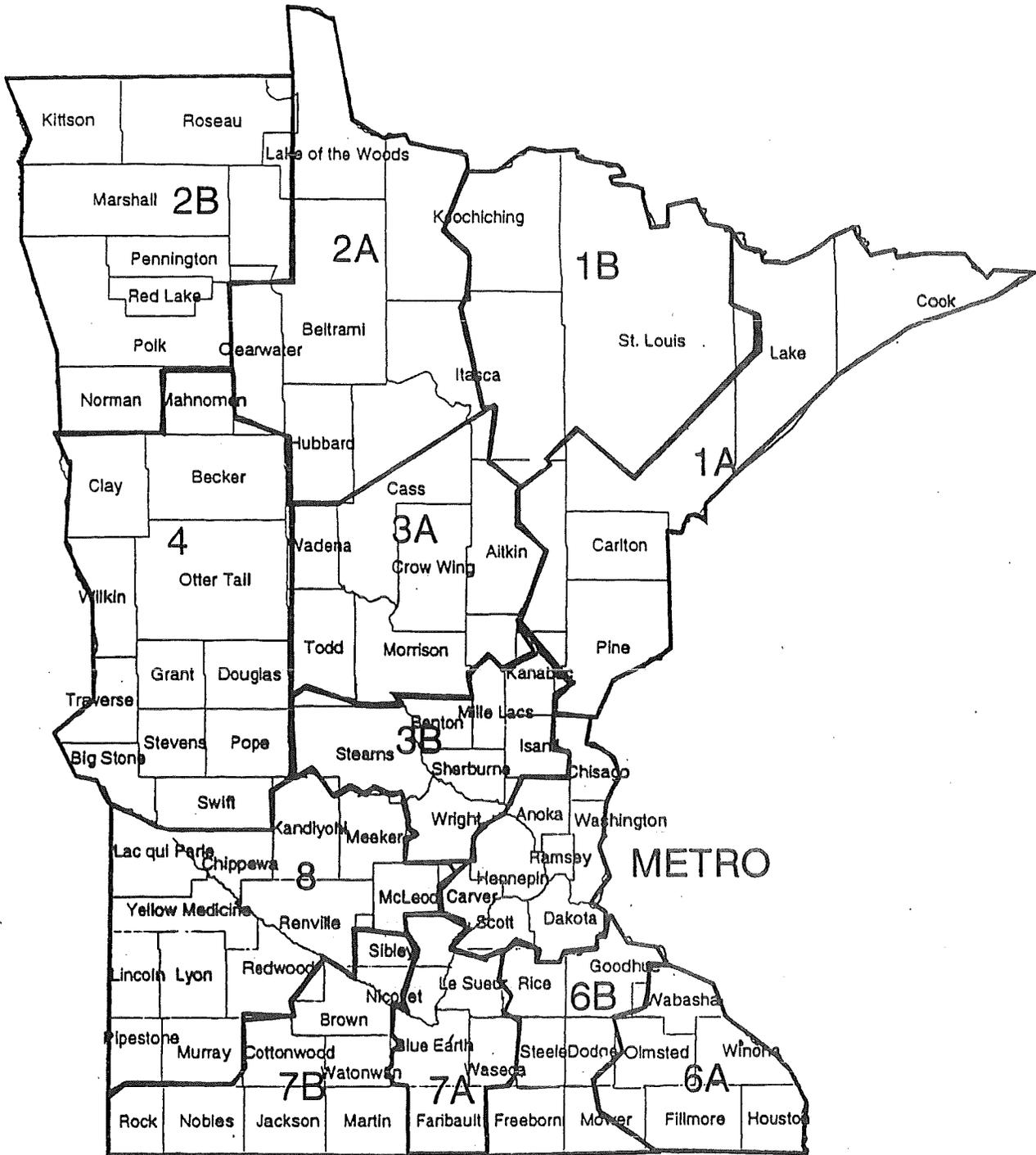
If counties were configured in the same manner as the regional development commissions, counties could potentially face the same problems. The area would certainly be too large (see map, next page), cities within the county may yield great power while the rural areas may struggle for representation or recognition, and there may be too many people involved representing too many interests to effectively reach consensus on many issues.

Highway Maintenance Districts

Highway maintenance districts are another potential set of boundaries to which county boundaries could conform. They essentially exist in Minnesota to service the state road system. There are 8 districts in Minnesota, and most of these districts are divided into two sections (A and B). If counties were conformed along the lines of highway maintenance districts, there would be thirteen counties (three districts are not subdivided). Once again, it is evident by viewing the map of current highway maintenance districts (see map, next page) that it would be very difficult to configure counties in this way and still maintain effective and efficient service areas. For example,

⁴Dhein, J., Schroeder, R. R., Johnson, M., & Holewa, C. (1982). Dissolution of a Regional Development Commission. Mankato, MN: Authors, p. 18.

MINNESOTA HIGHWAY MAINTENANCE DISTRICTS



District 1A stretches from the southern border of Pine County to the northeastern most part of the State, Cook County, an area of perhaps 15,000 square miles.

Barriers to Multiple County Consolidations

The previous three suggestions for the realignment of county boundaries involved the consolidation of multiple counties to reduce the number of counties in the state. Consolidations on such a broad scale which would dramatically reduce the number of counties creates three principal: location of the county seat, the need for satellite offices, and the need to establish uniform compensation packages.

Location of the County Seat

With administrative districts such as judicial, highway maintenance, and Regional Development Commissions that encompass large amounts of land, it is not only difficult to imagine how services would be delivered, it is also difficult to determine where the county seats should or would be. All of these districts have a central office, which is quite often located in one of the existing county seats. This might make the issue of the new county seat's location appear easy to determine, but would those cities which are currently county seats and their residents, be willing to surrender their identity and status as a county seat? From the feedback offered by county residents and officials on the surveys and in focus group discussions, the answer is clearly "No!" The fight over the location of the new county seat of the combined county could be long, hard, and trying. It might lead to deep animosities between different areas within the newly created county. One area where the debate was recently played out was Roseau County, in which residents debated over whether or not to build a new county courthouse in the current county seat of Roseau or should a new county courthouse (and county seat) be built in Warroad. After protracted debate and many heated arguments, it was determined that the City of Roseau would remain the county seat.

Need for Satellite Offices

By creating a significantly larger county, it becomes more difficult to service the entire county population from one central office. It becomes necessary to develop satellite offices to service those residents who are more geographically removed from the county seat. St. Louis County has had to implement satellite offices in order to offer services effectively. The county seat is Duluth, but the county maintains offices and service centers in Hibbing and Virginia. Of course, it becomes more expensive to deliver services from three facilities, rather than just one central facility. However, with a county the size of St. Louis, it would be nearly impossible to service the entire population out of Duluth, and to do so would incur perhaps even higher costs than maintaining satellite offices, both for citizens and the county. However, no matter what method St. Louis County chooses to deliver services, it is generally more expensive to deliver services to its residents (per capita) than it is for counties with smaller geographical areas to deliver services.

Need to Establish Uniform Wage and Benefit Packages

Currently in Minnesota, county employees in the same occupation may have different wage and salary levels, depending on in which county they work. Consolidating many counties into one larger county would require employee compensation plans to be equalized. As Figure 27

illustrates,⁵ a person with the same occupation earns different wages depending upon which county employs them. If counties were consolidated, these differences in compensation would have to be equalized. Figure 27 only selected counties according to which judicial district they are in (though such differences exist no matter how counties are grouped) in order to show the variation in wages. The occupations listed below have differences of \$4, 000 to \$6,000 or more.

Figure 27: Wage Levels for Mechanics and Janitors in Selected Counties

Judicial District	Mechanic	Janitor
District 1 - Dakota	\$26,397	\$14,600
Sibley	19,531	15,954
Goodhue	23,130	16,515
District 3 - Fillmore	26,104	19,370
Mower	23,192	20,009
Rice	20,123	12,939
District 5 - Pipestone	22,069	15,252
Brown	26,083	17,090
Jackson	18,803	15,642
District 6 - Cook	24,482	16,083
St. Louis	24,168	18,744
Lake	29,328	21,694
District 7 - Clay	22,658	12,581
Stearns	N/A	15,835
Benton	18,824	14,560
District 8 - Meeker	20,192	15,678
Big Stone	23,670	16,692
Pope	30,451	14,488
District 9 - Red Lake	20,426	19,282
Itasca	24,294	18,407
Kittson	18,595	14,227

Salaries listed are the minimum salary levels provided for the corresponding position.

⁵ Information on salaries taken from the "Association of Minnesota Counties Salary Survey Information 1995."

Thus, while some money may be saved through the elimination of selected positions, generally upper and middle management, many positions would not or could not be eliminated as the volume of work would not decrease as a result of the consolidation, and employee compensation would have to be equalized with others holding the same position. Most likely, the wages and benefits would be equalized to the higher or highest paid employee's wages and benefits.

School Districts

If it is not possible to make larger counties, would it be possible to make smaller counties, perhaps the size of school districts? At first this may seem possible, as school districts are prominent players in local politics. Many residents also identify closely with their local school district, or at least with their local high school, so changing county boundaries to conform with school district boundaries may enhance resident identity with the county. However, there are significant reasons why it is not feasible to adjust county boundaries to conform to school district boundaries as well. One is simply the number of school districts in Minnesota. The 1994-1995 school year involved 393 school districts. If county boundaries were in conformance with school district boundaries, Minnesota would have roughly 100 more counties than Texas, the state which at present has the most counties in the U.S. As one might imagine, many of these school districts are geographically quite small, particularly in areas of the State with high population densities. Conversely, sparsely populated areas of the State have geographically large school districts, such as in northern Minnesota (see school district map at the end of this section).

Conforming county boundaries to school district boundaries would do little to make population and resource distribution more equal. As the following table indicates, many school districts have less than 500 students, while others have 10,000 or more (Average Daily Membership is a measure of enrollment that weights each pupil according to the actual time which they were enrolled during the school year). Therefore, if counties were configured the same way, numerous counties would have perhaps less than 2,000 residents, while many others could have populations of 40,000 or more. Changing county boundaries to be in conformance with school district boundaries would do little to decrease the fiscal disparities between counties (and school districts) or to even out the economic and resource bases.

Adjusting county boundaries to school district boundaries may also reduce service efficiencies if counties became smaller and their population bases were reduced. In addition, land records, which are presently maintained by counties, would have to be (sub)divided, which could become an expensive and difficult task.

Further, in Minnesota there has been a trend toward school district consolidations, which the State Legislature has encouraged through legislation enabling and encouraging consolidation. Thirty years ago, there were over 2,500 school districts in Minnesota. During the 1994-1995 school year, there were only 393 school districts. School district consolidation is discussed in more detail in the next chapter, but it certainly indicates that school districts are finding it more efficient, effective or otherwise beneficial to expand their service areas and service base through consolidation.

State of Minnesota School Districts 1995-1996

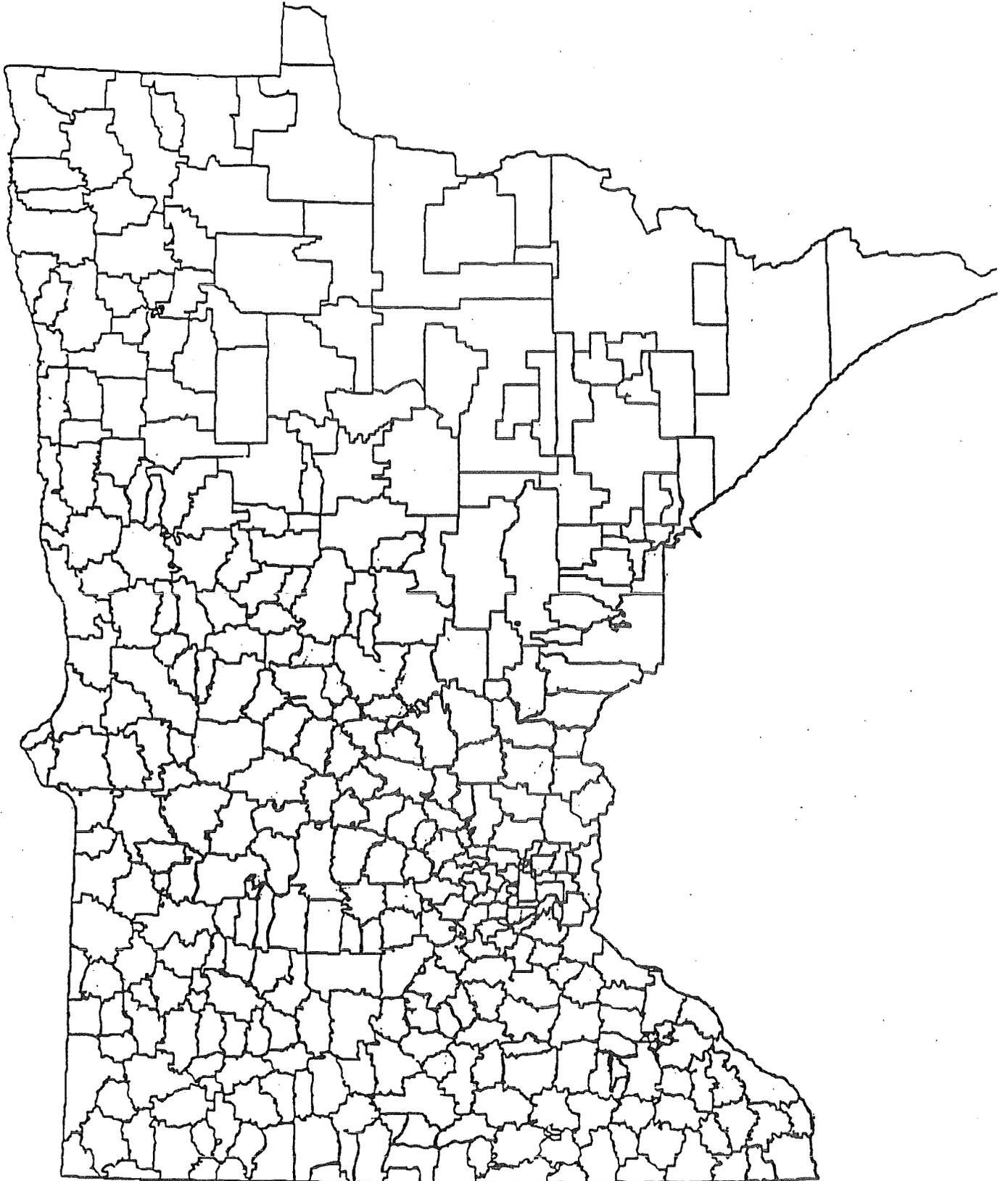


Figure 28: 1994-1995 School District Enrollment⁶

Districts Average Daily Membership	Number of Districts
Under 500	130
500 to 999	85
1,000 to 2,499	108
2,500 to 4,999	37
5,000 to 9,999	19
10,000 to 19,999	9
20,000 & Greater	5

Source: Minnesota Department of Children, Families, and Learning.

The configurations of these school districts are also not always easily deciphered. Many districts have extremely jagged edges, as can be seen from the map of school districts. This would only lead to more confusion amongst residents in determining what level of government provides what service. For residents on or near the borders of these districts, they may be unsure of which county to approach for services. Further, in many areas these district lines would certainly divide cities, so that additional cities would be divided between two or more counties. And where would the county seats be? And how many would there be? Such a boundary change would be an administrative, logistical, economic, and practical nightmare.

Conclusion

It is clear that trying to dramatically adjust Minnesota's counties to conform to other current governmental or administrative boundaries within the State seems to be infeasible and/or unwise. It certainly would do little to improve the services (or reduce the delivery cost of services) to residents or to improve the efficiency of services delivered. It is more likely that it would lead to a decrease in the quality of services at a higher cost, and would result in a feeling of greater alienation by the voters and taxpayers (particularly if the number of counties was significantly reduced). Residents would either be a great distance from the county seat, and may therefore become less involved in county politics and experience an increased apathy toward government, or every major city in the State would be a county seat for one or more counties.

The mere fact that there are so many different boundaries and governmental districts in Minnesota illustrates the point that for each service, there seems to be a different ideal or practical configuration. Granted, not every district is configured ideally, but if the geography and population composition did not impact each service differently, there would be no need to have different

⁶Charter schools are also included in the figures.

boundaries for many different services, or special purpose units of government. Given that knowledge, how can a county, which offers a multitude of different services, have an ideal configuration for delivering all of its services effectively and efficiently, given the vast differences between counties economically, geographically, demographically, and politically?

Chapter 10 Final Conclusions

Overview

Through the course of the study, we have gathered of a variety of opinions and facts related to county government, some complimentary and others not. Therefore, it is difficult to report with complete and certain conviction that county boundaries should (or should not) be adjusted in Minnesota. In the minds of many, the time has moved beyond one in which county boundaries are the limit of a county's service area. Joint Power Agreements and the State Legislature have expanded the county's role, responsibilities and service boundaries beyond simply providing for residents within its own political boundaries. Counties now cooperate with each other and municipalities to provide services to areas in some cases which include several counties.

Despite the trend toward county cooperation and collaboration, it is apparent that boundary lines continue to be important. However, their significance is not related as much to service delivery as it is to history, tradition and identity issues. County lines have remained important partially because of their symbolic meaning. We have observed many instances in which there remains a strong personal association with the county for many rural residents. Rural residents often feel that they are a resident of a county rather than of a township or nearby community. Many people also feel that county residents in rural areas are more aware of the services offered by the county than are residents in more urban areas.

This is not to say that county boundary lines are not essential for service delivery. Counties are still responsible, by state mandate, for many services within their boundaries such as roads and bridges, public safety, human services, and waste management, amongst others. The point is that county services are no longer as restricted by boundary lines as they once were. Counties now have a variety of cooperative and shared service agreements with their neighboring counties, or with cities and towns, to provide services. Counties can, with the cooperation of other counties, provide services outside of their boundary lines, if they deem it mutually desirable and feasible

Changing county boundary lines in some counties may positively impact service delivery and county finances. If a county with a small population is able to serve more residents, it may be able to reduce costs through economies of scale. Or, a county with a large geographical area may be able to adjust its boundaries, making its jurisdictional area small, and increase the effectiveness of its services and/or reduce the costs of delivery. Therefore, the issue of county boundary adjustments should not be completely dismissed, as it may prove beneficial to selected counties or areas of the state. However, there appears to be no direct correlation between population size and per capita expenditures, so the costs savings associated with an increase in population or geographic area is speculative.

Size alone does not determine what the effects of a consolidation might be. In a study done on municipal consolidations, it was found that "size alone is not sufficient for predicting which communities would find it cost advantageous to consolidate."¹ This study, which examined nine municipalities, all with populations under 20,000, found that it would be disadvantageous for municipalities which had part-time police officers, contracts for dispatch, and lower pay and wage benefits to consolidate. Assuming wages would be equalized upon consolidation (that employees in the municipality with low wages would be brought up to the higher wage levels of the other municipalities cooperating in the consolidation), the municipality with previously low wages would have the most to lose from a consolidation.

Obstacles

Clearly there are some large, looming obstacles that would first have to be overcome before any boundary adjustments or consolidations could occur. The major obstacles, which were discussed in previous chapters, may on paper, seem to be rather insignificant, since they are generally related to personal attitudes and opinions and may be open to disputable. However, attitudes are difficult to change, and are carried on from generation to generation. Many people's opinions are formed at an early age, and often remain with them for the duration of their existence. Therefore, how do we go about changing those opinions and attitudes? Showing someone facts and figures does not necessarily change viewpoints; rather it may create cynicism or disbelief. After all, numbers and facts are subject to being manipulated to show desired results.

Viewpoints may also be difficult to change due, in part, to the growing distrust of government and government officials by citizens. Too often the public (voters, taxpayers and consumers of government services) hear of unscrupulous or unwise actions at some level of government, from the least powerful positions to the most powerful. The public feels as though they are losing control of government; that it is no longer of the people, for the people, or by the people. How do those in government service begin the process of regaining and rebuilding public trust once again? Many do not feel that making government entities bigger is the best way to accomplish this. Rather, it moves the government farther away from the citizens it is meant to serve.

Certainly there are other barriers beyond the apprehensions, fears and attitudes of citizens and elected officials. Financial barriers may also keep counties from being willing to participate in a boundary adjustment. A county may lose some state funding if a boundary adjustment prevents it from meeting specified criteria to receive funding. Or, a county may lose a portion of its economic base through a boundary adjustment. How would the county compensate for the lost revenue? The obvious answer is to raise taxes, which is not a popular course to undertake.

Another looming financial barrier may be differing tax rates between counties. If a county is taking annexing a portion of another county, and that new portion has a different tax rate than the other,

¹Bunch, B. S., & Strauss, R. P. (1992, June). Municipal consolidation: An analysis of the financial benefits for fiscally distressed small municipalities. *Urban Affairs Quarterly*, 27, 625.

what tax rate will be used? Will it go up or down? What if that new population demands more services, but does not contribute equally to the tax base? Expenditures for the new county could potentially increase faster than revenues if the new population receives more services than what they pay in taxes.

As has been noted previously, bordering counties may have far different economic and social resources at their disposal. One county may have a smaller economic base than another, and may only be able to offer limited services to its residents. Another county may be able to offer numerous services beyond the minimum essential services. Therefore, will the more affluent county be willing to take on a tax base which will not be able to pay for the increased services it is receiving? Or if part of the affluent county becomes a part of the less affluent, will those new residents of the county be willing to sacrifice certain services they are used to receiving? Many of the other obstacles have been discussed previously in this report such as the decision over a county seat. Where will it be? What will the name be? Will the county itself change its name? What happens to county employees? Are more employees hired, or are excess employees let go? How will collective bargaining agreements be reconciled? Certainly these are hurdles that must be overcome. Some can be solved through financial means, such as compensation for those employees who are released. But how expensive would it be? Would it outweigh the cost savings of adjusting county boundaries?

Options

Clearly many of these have to be examined and solved on a local basis. No econometric or other formula exists that can solve these problems for every county in every situation, just as there is no formula to determine which counties would most likely be willing to participate, or would reap the most benefits from a consolidation. Therefore, it should be left up to each individual county to determine whether it would be feasible and desirable for them to adjust their boundary lines. The state should not mandate that boundary lines be adjusted. Counties even within one state can differ immensely, and what may be successful for one county could be disastrous for another.

Strong sentiments exist in Minnesota regarding the autonomy of counties. Counties would like more leeway to provide the services that are sought by their residents. They are generally not supportive of state formulas for providing services. Mandates are often too restrictive on counties according to some residents and county officials. They hinder counties from finding the most effective and efficient means of service delivery. If left to their own devices, there is widespread sentiment amongst county officials that counties will of their own accord will find the most effective and efficient ways to deliver services, including cooperating with other counties, if practical, to provide the service.

Many other means of increasing efficiency and decreasing costs are available to county officials. One that has been discussed in some detail in this report is Joint Power Agreements. Another option available to counties is privatizing a service or public-private partnerships. These partnerships provide many of the same benefits as county boundary adjustments or consolidations may hope to provide. They are able to offer lower costs through competitive bidding, better

quality services because a direct monetary incentive exists, the ability to circumvent bureaucratic roadblocks, and economies of scale because overhead administrative costs are spread over a larger population. Economies of scale differ for different services, therefore a county may be able to achieve economies of scale for some services but not others.

Phoenix, Arizona has been successful in using private companies to offer services in the area of garbage collection. In 1977, Phoenix opened areas of the city to bids for garbage collection. Various companies competed with the city to provide services. This forced the city to find more efficient means of collecting garbage, and eventually, the city won back some of the contracts it had lost to the private companies.²

Privatization certainly has its disadvantages as well. The process is subject to corruption. There may be room for such actions as bribery, kickbacks, and collusive bidding. Contracts, in some cases have become tools of political patronage to reward supporters. Therefore, these contracts may not provide lower costs or any other benefits directly to the public.

Privatization, while it has the potential to bring lower costs, can conversely bring higher costs to taxpayers and governmental entities. Contractors may bid extremely low to get the contract, but "as contract performance continues, the city or state finds itself dependent upon the particular contractor to such an extent that it cannot change contractors or take back the service."³ In addition, there may be hidden costs that are not considered by the governmental entity such as contract preparation, administration and monitoring of the contractor, and the use of public facilities or materials.

Contracts can lead to lower quality services as well. Private firms are profit motivated, and may be inclined, it is suggested by critics, to cut corners to lower their costs and increase their profits. Poor quality service could also result from a lack of complete specifications in the contract or simply poor contract administration and monitoring.

Clearly, privatization is a complex, divisive issue, as are county boundary adjustments. What works in one area may not be successful in another. Therefore, it should be left up to each entity to decide for itself what would be most feasible and functional. Incentives could, perhaps, be provided by the state, though it is unclear what the necessary incentives would be. To determine this would take serious consideration by the state and by the affected counties.

Counties may also be able to improve services through the use of seamless services. Under such a system, residents could obtain county services from any county, not just their own county. Many county residents actually reside closer to the county seat of a neighboring county than they do to

²Levine, M. J. (1990) Privatization of government: The delivery of public goods and services by private means. Alexandria, VA: International Press Management Association.

³Levine, M. J. 28.

their own county seat. However, they are required to travel the longer distance to their own county seat to receive services, rather than to the conveniently located neighboring county's seat. Some feel that this system can be changed. Technology today provides the opportunity to share and transfer information quickly and economically. Thus, counties could easily service residents of another county and simply bill the residents' home county for the services. This concept is widely known as seamless services, meaning that there are no boundary lines (or seams) for service provision. While in truth the resident is paying taxes and receiving services from one county, he or she can go to any county to obtain necessary services without it being a problem for him or her. The records could simply be transferred via computer between counties. Such a system may also create more uniformity in services between counties to make administration of such a system easier and more economical.

The State of Minnesota's Role in County Boundary Adjustments

Studies have been done in the past on the effects and methods the federal government uses to encourage innovation in local governments. One study hypothesized that "Diffusion rates will be faster for policies with federal incentives than for policies without such incentives."⁴ The article continues on to suggest that states may comply faster to federal policies with the "carrot" (incentives) method is used rather than the "stick" (punishment) method. "That is, threats of the withdrawal of federal funds frequently stimulate states to resist federal encroachment by not complying."⁵ The same article also suggests that positive incentives which offer money or other incentives upon compliance are more effective than negative incentives which threaten local governments with a loss of money if action is not taken to change the situation.

Another source suggests three types of incentives or methods governments can use to encourage compliance and innovation from smaller governments or agencies.⁶ The first would be to provide information to local managers that would increase their knowledge of possible innovations or changes that could be made. The second is providing incremental funding to defray some of the costs of compliance or innovation. The third method would be to provide the technical assistance needed by local governments to comply with the regulation or encourage innovation.

Given the possibilities of the carrot or the stick methods, and the various forums to encourage compliance; what should be the state's role in county boundary adjustments? It is evident that it would not be in the best interest of state government officials to mandate boundary adjustments and county consolidations, or city/county consolidations. While state directives may be the most

⁴Welch, S., & Thompson, K. (1980, November) The impact of federal incentives on state policy innovations. American Journal of Political Science, 24(4), 719.

⁵Welch, S. & Thompson, K. 719.

⁶Weimer, D. (1980, Winter). Federal intervention in the process of innovation in local public agencies: A focus on organizational incentives. Public Policy, 28, (1), 93-116.

efficient way to facilitate adjustments, they are not well accepted by the public or county officials and would only lead to increased apathy, mistrust, resistance, and/or abhorration of state government by the public and county officials. In addition, a referendum would be required to make boundary changes, and the generally unpopular nature of a state mandated boundary adjustment might be reflected negatively toward the referendum and its initiatives by the voting public based not on the merits of the consolidation proposal but on the issue of the state mandate. State legislators are probably aware of this and have made no previous attempts to mandate county boundary changes. Certainly threatening the counties with reduced funding or other assistance (the stick method) is not a feasible option in the case of county boundary adjustments.

The State Legislature has, however, mandated boundary changes for school districts. In the late 1800's and early 1900's, Minnesota had approximately 8,000 school districts. By the mid 1940's, that number had decreased to about 7,600. By the early 1950's, a major consolidation effort had begun throughout the state to dramatically reduce the number of school districts. The main result of this was the closure of many one-room country schools. In 1960, there were 2,581 school districts; 764 of those were non-operational, and 1,371 operated only elementary schools.⁷ In 1963, the first mandatory school reorganization bill which forced non-operational school districts to dissolve was passed. In 1967, the state ordered all districts with only elementary schools to merge with districts having high schools. This reduced the number of school districts to about 550.⁸ One other attempt was made in 1977 to reduce the number of school districts further to 100, but rural Minnesota districts strongly opposed the measure and the bill was defeated.

Recognizing the political ramifications of school district consolidation, state government has begun to focus on cooperation as a means to improve the educational environment. As demonstrated in the following Tables, there are numerous statutes in Minnesota relating to school cooperation and consolidation. Those chosen below represent a majority of the statutes affecting school consolidations. The number of school districts in Minnesota has been steadily decreasing, which would suggest that the incentives offered by the state have been effective in accomplishing their goals. Many districts have found it more feasible and economical to combine or cooperate and thereby, able to offer a higher quality education and educational services to their students and their community.

⁷Northern Minnesota Citizens League. (1988) The future of school districts in Northern Minnesota. Grand Rapids, MN: Author, 11.

⁸Northern Minnesota Citizens League. 11.

**Figure 29:
Statutes Allowing for Restructuring of School Districts**

Statute Number and Title	Statute Description
120.0752 Agreement Between Districts	Districts may make agreements for individual students to enroll in districts in which they are not residents.
122.21 Detachment and Annexation	Transfers small portions of land from one district to another.
122.22 Dissolution and Attachment	Dissolves one school district and attaches that district to one or more adjoining districts.
122.23 Consolidation	Two or more school districts may merge either portions or all of their districts through the process of consolidation.
122.41 Duty to Maintain Elementary and Secondary Schools	Encourages districts to organize into larger units to provide better educational opportunities, and more economically sound, efficient, and equitable school districts.
122.535 Agreement for Secondary Education	Districts with less than 375 students in grades 7-12 are allowed to enter into an agreement or agreements to educate its secondary students in one or more other districts.
122.541 Interdistrict Cooperation	Allows districts to enter into agreements with other districts that result in the discontinuance of grades or portions of grades in one districts, so long as the grades are provided in a cooperating district. A district must maintain at least three grades.
123.351 Cooperative Centers for Secondary Vocational Cooperatives	Empowers districts to enter into agreements for the provision of secondary vocational education programs at a cooperative center.
123.58 Educational Cooperative Service Units (ECSU)	Allows for the creation of ECSUs, which are regional education service agencies directed to assist their member districts in planning and coordinating.
471.59 Joint Powers Agreements	Special education co-operatives may be established under this statute. The joint powers board is to be composed of members of the boards forming the joint powers agreement.

Figure 30:
Statutes Allowing for Aid to Facilitate School District Cooperation and Consolidation

Statute Number and Title	Statute Description
122.91-122.95 Education Districts	A group of districts (at least five districts or four districts with 5,000 pupils or 2,000 square miles) may develop a comprehensive education plan for all the districts. Specific components must be included in the plan as well as conditions for employment. The district may issue bonds. Districts are eligible for revenue based on a per pupil rate, and they may also receive state aid.
124.491-124.496 Cooperative Secondary Facilities Grant Act	A group of three or more school districts which meet certain conditions may apply for a state grant for up to the lesser of either \$5,000,000 or 75% of the cost of a secondary facility.
124.225, subd. 8L; 124.245, subd. 6; 124A.036, subd. 5 Uniform Payment Procedures	Clarifies that when a student attends a district outside of his or her own, the resident district's general education and capital revenue is reduced by the amount the student earned the resident district. The non-resident district's general education and capital revenue is increased by the amount a student earns the non-resident district. The non-resident district is also responsible for transportation from the border to the school, but the resident district is not responsible for any transportation. If the student is handicapped, the resident district is responsible for the excess cost of educating the student.
124.2725 Cooperation and Combination Revenue	Aid offered to districts which have cooperative agreements with other districts, eventually leading to district combination.
124.2726 Consolidation Transition Revenue	A school district that is the result of consolidation is eligible for consolidation transition revenue to be used initially for the payment of district costs for the early retirement incentives granted by the district under the laws of consolidation. Any remaining money must be used for first, operating debt, and second, the general fund. If the aid given by the state is not sufficient, the district may levy the difference over a period of time (no more than three years). A district cannot receive this aid if it received revenue under M.S. 124.2725.
124.2727 School District Cooperation Revenue	Allows for special aid and levies to be used to purchase goods and services from entities formed for cooperative purposes or to otherwise provide educational services in a cooperative manner.
124.2728 Special Consolidation Aid	A reorganized school district may receive aid for the first three years of its reorganization.

Based on information from the surveys and focus group discussions, it is evident that mandating consolidation is not an acceptable option for the state. Many citizens and county officials were quick to comment that boundary change initiatives are, according to the state constitution, subject to public referendum before any adjustments could be made and therefore, it would be unconstitutional for the state to unilaterally mandate boundary changes. The public would, however, be receptive to legislation which would encourage inter-county cooperation in order to offer a range of services as they see fit, rather than as the result of state mandates. However, neither citizens nor elected officials were able to offer specifics on how this could be accomplished. Citizens and county officials were also somewhat receptive to the idea of the state offering financial incentives to facilitate boundary adjustments, though very few were able to offer concrete suggestions regarding the necessary amount. Those who did suggested rather large annual sums which they would utilize to help defray the costs of boundary adjustments or consolidation(s).

FINAL CONCLUSIONS

The research for this report clearly indicates that it would not be acceptable for the state to mandate county boundary adjustments or consolidations. Boundary adjustments should be voluntary, with the support of county residents and officials. The state should also recognize that counties are far more interested in pursuing joint powers agreements and other voluntary cooperative efforts than they are in pursuing boundary adjustments.

It is not clear how consolidation or boundary adjustments would necessarily lead to an improved quality of services, increased range of service, more effective or efficient delivery systems. It is certain how much the State itself would save in administrative costs from the reduction in the number of counties. Already joint power agreements and regionalization of service delivery systems have reduced the number of operating entities for services. The Department of Corrections currently works with 56 counties, there are 10 Judicial Districts, 44 Community Health Districts and 12 State Highway Maintenance Districts incorporating all 87 counties.

The question remains, would citizens, taxpayers, and consumers of government services benefit from a reduction in the number of counties or boundary adjustments? Or would the adjustments amount to a "zero-sum game" in which fewer counties would be expected to provide the same level of services across larger geographic areas without being able to realize a significant cost savings to the county or the state. Alternatively, costs could be shifted to the public who may have to travel a longer distance or accept reduced service levels, quality, quantity, effectiveness or efficiency because of an increase in the number of clients or service area.

The state should, therefore, look for additional methods and mechanisms to encourage voluntary cooperation and collaboration. The nature of incentives which might be necessary to encourage further collaborative efforts are unclear at this time and further research should be undertaken to determine what incentives might be necessary. This would require working closely with state agencies, county officials, and civic organizations in order to gather their input and advice. Counties would also likely welcome efforts by the state to facilitate delivery of services in conformance with individual county's desires, needs, and specifications, based on citizen and elected official input rather than state mandates.

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THE FEASIBILITY OF ADJUSTING COUNTY BOUNDARIES IN MINNESOTA is a report of the Minnesota Board of Government Innovation and Cooperation. It was prepared at the direction of Minnesota State Legislature by the staff of the Board.

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