

Synopsis and Next Steps

Learning from Abroad: Multi-Purpose Special Districts in British Columbia as a Possible Model for Governance Innovation for Local Governments in the United States

Harold (Hal) Wolman, Institute of Public Policy
The George Washington University
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About the Author

Harold (Hal) Wolman is a research professor at the George Washington Institute of Public Policy (GWIPP) and an emeritus professor of Political Science at the George Washington University. His published work includes studies on policy transfer and comparative public policy; urban and regional policy, politics, and institutions; urban and regional economic development; local fiscal problems; and national urban policies and politics. He holds a Ph.D. in Political Science from the University of Michigan, a master's in Urban Planning from the Massachusetts Institute of Technology, and a B.A. from Oberlin College. Contact: hwolman@gwu.edu

Synopsis

The problem: The large number of governments in metropolitan areas in the United States has been termed “fragmentation” (as opposed to, at the other extreme, a single unitary regional government). Local government fragmentation makes it difficult to effectively address problems that cross jurisdictional boundaries or are regional in nature. Mechanisms to deal with these problems in the U.S. consist

primarily of single-purpose special districts spanning all or part of the region, inter-local agreements, and voluntary associations of local government such as COGs.

Local government fragmentation makes it difficult to effectively address problems that cross jurisdictional boundaries or are regional in nature.

While they do serve as a mechanism for addressing cross-jurisdictional concerns, single-purpose special districts, the most common solution, have important shortcomings. They make coordination across service functions difficult, since each special district is responsible for only the single service it provides (the silo effect). In addition to their effect on coordination, single-purpose districts distort spending priorities by preventing comparisons of local services, i.e., is it more important to spend this dollar on service A or on Service B. Furthermore, they are costly: compared to delivery by general purpose local governments, empirical research is nearly unanimous that, despite any gains derived from achieving economies of scale, service delivery by special districts results in *higher* total government expenditures without any improvement of quality. Finally, they raise accountability and transparency concerns. Despite the fact that many special district boards are elected, turnout is very low and their actions are nearly invisible to the public.

The possible solution: In several foreign countries (e.g., Belgium, Canada, France, Italy, Spain), multi-purpose special districts (MPSDs), rather than or in addition to single-purpose special districts, are a common mechanism for achieving inter-municipal collaboration in service delivery. Although such districts do exist in the United States, they are relatively rare and

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consist mostly of some combination of water, sewer, and natural resource districts. Multi-purpose special districts (MPSDs) provide the

potential for reducing at least some of the adverse consequences of fragmentation. Like single-purpose regional districts, MPSDs promote efficiency and lower per unit costs through permitting services to take advantage of economies of scale where the optimal geographic area

for service delivery exceeds that of individual jurisdictions. However, unlike single-purpose special districts, MPSDs provide promise for achieving administrative efficiencies by reducing costs, since a single administrative infrastructure can service multiple functions as opposed to having to build and maintain separate staffs and systems for each single-purpose special district. In addition, the structure of multi-purpose districts permits the coordination of activities across various, often related, functional areas, thus surmounting the “silo effect.” By establishing templates for joint service delivery or collaboration, they can reduce the transaction costs for arranging inter-municipal agreements. (For description and discussion, see pp. 8-10 of full report.)

The most relevant example: Regional Districts in British Columbia. British Columbia regional districts (RDs) are entities set up under a 1965 provincial law that provides for the voluntary establishment of districts comprised of municipalities in the region. A regional district is a vehicle for delivering services to some or the entire region. The regional district board (which consists of members appointed by the member municipal councils, with representation and voting rights determined on a population-weighted basis) determines which services to deliver and to which geographic areas.

Participation is voluntary. Individual municipalities can determine whether or not they wish to be a member of the RD (in fact virtually all municipalities have agreed to do so, partly as a result of encouragement by the provincial government, but mostly as a result of their calculation that the benefits of membership far outweigh the cost). Once a member of the RD, individual municipalities can also choose to opt in or opt out of each service. This is the major feature that assures municipalities that they retain control of their own destinies and serve their municipality’s interests.

The service areas may differ from service to service, i.e., they do not have to encompass the entire region, although some services do so. Even for these regional services, there have been very few instances of individual municipalities opting out. Long-term association and constant negotiation have apparently constructed a norm of cooperation among members.

Regional districts do not have the legal ability to impose a tax, but they do have the power to requisition payments from member municipalities in an amount required to cover the cost of the services they receive. The cost paid by each of the members is supposed, to the extent possible, to be equal to the benefits received. In addition, there is a payment requisitioned from all municipalities to cover the overhead and administrative costs of the RD. While most of the regional districts are composed of small municipalities and rural areas, the two most visible districts are *Metro Vancouver* (formerly the Greater Vancouver Regional District) and the Capital Regional District (Victoria). These provide a mechanism for metropolitan government for each of British Columbia’s two most important metropolitan areas. (For description of Regional Districts and how they work, see pp. 10-21 of the report.)

The main report concludes that regional districts have performed well in accomplishing their objectives (see pp. 21-25 of main report). The regional districts have reduced costs through taking advantage of economies of scale (as do single-purpose special districts), but also through reducing administrative and overhead costs as a result of being able to pool central functions across all services instead of constructing separate structures for each special district.

They have achieved improved coordination across service functions. Most importantly, they have greatly facilitated the ability of local governments to engage in multi-lateral inter-municipal agreements. Brian Walisser and Gary Paget, both of whom have been deeply involved in the operations of British Columbia regional districts, recount the following:

“A few years back, Gary and I were invited to a symposium on regionalization convened by civic leaders in the Lewiston-Auburn metro area (that BC’s regionalization scheme was voluntary was of great interest to them). At the time, they were actively exploring the expansion of inter-local sharing. One thing that was very clear to Gary and me was that sharing agreements for the Mainers, and they only had a couple, were very tough to conclude. This was because in each and every case, they DID start with a blank page – negotiating service sharing in a very legalistic fashion. Tough work, we thought! If there was no standard template in BC, it is pretty well a certainty that a region like the one I happen to live in would never have succeeded in establishing upwards of 200 individual urban and rural services of varying scales and involving different partners. It simply wouldn’t have happened. The transaction costs would have been crushing.”

Would regional districts work in the United States or at least in some regions in the United States? The main report (pp. 25-38) considers several possible differences in setting that might affect transferability to regions in the U.S., including differences in institutional, legal, political, cultural, historical, and demographic contexts. The report concludes that the major contextual concerns are political in nature and particularly the fear local governments have of surrendering their autonomy and decision making to

Would regional districts work in the United States?

external institutions. However, it also emphasizes the voluntary nature of RDs and the ability of individual local governments to either opt in or opt out of each service delivery agreement provides a new and innovative feature that should greatly reduce a local government’s political reluctance. The report also notes that questions of membership, representation and voting rights and weights will have to be worked out on a region by region basis.

The report concludes (pp. 38-40) that, compared to the current system of many single-purpose districts and individually negotiated inter-municipal agreements, a multi-purpose district designed along the lines of the British Columbia regional districts has the potential to deliver substantial improvements in terms of efficiency, coordination, and effectiveness. It observes that problems of accountability and transparency remain, but these problems are, nonetheless less severe than those that exist in the present single-purpose district system. RDs have potential to work in both metropolitan regions and in rural areas.

The report also stresses that, at least initially, RDs are likely to be much more attractive to and engender much less opposition in some regions than in others. These include one county MSA regions or large one county non-MSAs ones, regions dominated by manager-council systems, and regions in states that share political cultural characteristics with British Columbia. In addition, regions in states that have already authorized multi-purpose special districts or have home rule provisions that would permit them would have an immediate advantage. If state legislatures can be persuaded to enact legislation that authorizes the setting up such multi-

purpose service districts (where such authorization does not already exist) and, further, to provide incentives for local governments to join, political interest would be further stimulated.

The main themes highlighted in the report are set forth below (see pp. 40-42 of the main report).

- Multi-purpose special districts, such as Regional Districts (RDs) in British Columbia provide a possible model for adoption, with adaptation, as a means of improving local governance in the United States.
- British Columbia Regional Districts provide a particularly attractive model. RDs are regional organizations whose board consists of “directors” appointed by and members of the municipal councils that belong to the organization. RDs provide service delivery for services two or more of its members agree to provide and, in some cases RDs provide service delivery to the entire region. Membership is voluntary as is participation in individual services.
- Compared to the present US system, which is dependent largely on single-purpose special districts and on negotiated inter-local agreements to address concerns that cross jurisdictional boundaries, multi-purpose special districts such as RDs have the potential to achieve greater efficiency, effectiveness and coordination across functional silos. They could prove particularly useful in facilitating more negotiated agreements among subsets of jurisdictions in the region and in increasing regional service delivery where all (or nearly all) local governments agree that the benefits to them of regional services exceeds the cost.
- Although much of the debate about fragmented government and its perceived problems is centered on metropolitan areas in the United States, RDs in Canada work well in both metropolitan and non-metropolitan small town and rural areas. There is no reason they cannot be adapted to work in both type of areas in the U.S. as well.
- The major political barrier to greater inter-local and regional cooperation in US regions is the fear of local governments that institutions set up to achieve such cooperation will result in a significant loss of their local autonomy and a reduced ability to pursue their interests. The RD model should greatly reduce this concern because membership is voluntary and an individual member jurisdiction can opt-in or opt-out of any service the RD delivers.
- Introduction of a system based on an RD model will require adaptations to the US context to make it workable. Among these are mechanisms to allow for membership of counties (and perhaps townships) as well as municipalities, to allow membership and voting rights for a much larger number of general purpose local governments than exists in the British Columbia context, and to arrange representation and voting rights that meet both the test of political viability and constitutionality. Population-weighted voting is one such possibility, but, given its lack of common usage in the US, also constitutes a challenge. The role of existing single-purpose special districts will also have to be considered.

- A system such as an RD will make more sense in some regions in the US than in others. Similarly the kinds of adaptations that will need to be made will differ across regions. There need not be a one size fits all model, nor should it be expected that all regions will want to adopt, even with substantial changes, such a model.
- How to create a multi-purpose special district such as an RD based is a critical question. At a minimum it will require state government authorization in states where such authorization does not currently exist. It will also require a “champion” or set of champions to do the initial heavy political lifting to promote the idea and to sketch out the proposal.
- The political narrative and rhetoric associated with bringing into being an institution based on RDs will likely be highly important. In British Columbia RDs have been promoted as 1) voluntary organizations – membership is not mandated and members can opt out of any service (this narrative continues even though there are now a small number of services that the province requires all RDs to engage in) and 2) RDs are not a new level or type of government; rather they are an extension (akin to a system of committees) of the existing local governments. Hard thinking about the relevant strands of political narrative that would help promote a multi-purpose service district in a US region will be required.
- Adoption of an RD will not necessarily involve an immediate and once and for all setting up of a new institution (although that may be the case). Instead it may be built on the foundation of existing institutions or arrangements and evolve incrementally.
- RDs are not “silver bullets” for inter-jurisdictional problems. Observers (including advocates) of RDs in British Columbia note that they have not done well in addressing problems where there are clear winners and losers, where there is explicit and observable redistribution or where there are major social values at stake. That will likely be the same in the US.
- Nonetheless, these same observers also argue that the continual interaction among local government members of RD boards have helped foster trust and norms of cooperation that have made both addressing and solving inter-jurisdictional and regional problems easier, even for difficult problems.
- There appears to be a trade-off between the *flexibility* that permits a variety of approaches and member participants in setting up and delivering the various RD services and the resulting *complexity* of having a single organization with a variety of committees with overlapping membership. However, at the same time, this system of overlapping committee membership increases the possibility for coordination among services that the RD delivers.
- Special districts, whether multi-purpose or single-purpose almost always involve a trade-off between public visibility/accountability and effectiveness. I have argued that while this trade-off will continue to exist it can be made less severe in a multi-purpose special

district where members have accountability to the local government that appoints them than it is in the current system of a multitude of single-purpose special districts.

Next Steps (see pp. 42-44 of full report)

1. Conduct research to determine what states already authorize multi-purpose districts such as Regional Districts and what states would have to enact new or additional legislation. For those states that already authorize multi-purpose special districts, it would be useful to identify what prompted them to do so.
2. Stimulate interest in regional districts.
 - a. Hold a conference on regional districts as a mechanism for possible transfer to some metropolitan areas in the United States. The purpose would be to stimulate interest and spread knowledge about the idea. Invitees at such a conference might include members of the various city and county oriented interest groups (ICMA, NLC, USCM, NACO, NARC, NCSL, NACA, and others), members from state municipal leagues in a few states deemed to be most likely interested, individuals who are leaders in metropolitan areas that have shown interest in structured efforts to increase inter-municipal cooperation, staff local officials/experts from British Columbia who have been participants in regional councils, and local officials/experts from other countries that make use of multi-purpose service districts.
 - b. Follow up with similar conferences at the state level in interested states. The purpose would be both to stimulate interest and to provide information.
 - c. Organize a tour of British Columbia regional councils for those most interested after having participated in the conference(s).
3. Produce a document (presumably based on the report we have produced) describing regional districts, what they can accomplish, and how they are structured.
 - a. Arrange for the document to be disseminated (and produced?) through the major local government organizations and the NCSL.
4. Identify possible “champions” for RDs potential states and regions that might be willing to pursue the idea.
 - a. Regions that, given existing activity and interest, might be willing to consider them.
 - b. Regional leaders that are receptive to new ideas
 - c. State legislators, particularly those on urban or local government oriented committees, that might be persuaded to take the lead in enacting state authorizing legislation, if needed, and enacting incentives to encourage local governments to join an RD type organization.