

Understanding the Impact of Government Consolidation on Regional Economic Development:  
A Study Prepared for the Mid-Ohio Regional Planning Commission (MORPC)

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## **Introduction**

Having just come out of the longest recession since World War II, the United States is in need of greater economic growth. Although this downturn has not affected Columbus nearly as much as the rest of the country, The Arch City still faces its own share of financial woes. Before the recession, cities and counties were already looking for ways to boost their economic viability. One possible solution discussed, and implemented in some places, has been the consolidation of governments or government services. This paper considers how a consolidation of, and cooperation between, economic development groups—business collaboratives, Chambers of Commerce, local government departments, Metropolitan Planning Organizations, and non-profit groups—would impact the Columbus area’s economic performance.

To assess the effects of consolidation on economic development, we have selected four cities—Austin, Texas; Indianapolis, Indiana; Nashville, Tennessee; and Sacramento, California based on their demographic and economic similarities to Columbus. Each city’s level of economic development consolidation will be evaluated according to the level of interaction and cooperation among the economic development groups operating within the region. Through research and primary survey data on the number of economic development groups and the level of interaction and cooperation among them, we hope to derive recommendations for the Columbus area about the effect consolidation can have on economic development.

### **Consolidation: Lessons from the Scholarly Literature**

Numerous studies have investigated various kinds of consolidation’s effects on economic development. Carr and Feiock’s research on the cities of Nashville, Tennessee; Indianapolis, Indiana (1999); and Jacksonville, Florida shows little evidence that consolidation within these cities has resulted in economic development. Studies on tax base sharing have produced mixed

results (Pammer and Dustin 1993). Given this information, this study will instead focus on economic development organizations within a metropolitan area, the amount of collaboration or consolidation between them, and any links they might have to consolidated government.

Studies by Carr and Feiock (1997, 1999) show particularly interesting results related to city-county consolidation and economic development. They note in their 1999 research that the expected benefits of regional government consolidation include clearer lines of government authority, reduced costs of service delivery, and increased coordination with respect to economic development. Through consolidation, government could address economic growth issues at a regional level. Carr and Feiock note that, while the efficiency gains of consolidation are well-documented, consolidation rarely happens because it is unpopular with local residents.

Carr and Feiock's study from 1999 analyzes nine city-county consolidated governments, ranging from more rural counties, such as Muscogee County, Georgia (City of Columbus) and Ormsby County, Nevada (City of Carson), to much larger metropolitan areas, such as Marion County, Indiana (City of Indianapolis) and Davidson County, Tennessee (City of Nashville). We include the latter two metropolitan areas in our own analysis. Their essay uses statistical analysis to examine the number of retail and manufacturing businesses in each area from 1950 to 1993, with a particular focus on new businesses. They conclude that there is no link between government consolidation and economic development. Although economic development did not significantly improve economic growth, it also did not produce any detrimental effect. Furthermore, while consolidation itself does not attract more businesses, it may reduce the costs of doing so. Carr and Feiock's 1997 study on the City of Jacksonville, Florida and Duvall County's consolidated government yielded similar results.

In their *Assessment of City-County Consolidation of Nashville and Davidson County, Tennessee*, Nownes, Houston, and Schwerdt also found that consolidation did not significantly affect economic growth, though it did improve government efficiency. Population, per capita income, and retail and manufacturing were all largely unaffected. Retail sales mostly seemed to decline well after consolidation was implemented, though in the end it was comparable to nearby regions, suggesting that consolidation produces a temporary increase that diminished over the years and was outweighed by other factors. Although property taxes were not reduced as they were supposed to, consolidation did appear to slow down the increase in government expenditures per capita, suggesting that the metropolitan government was more efficient, but doing more with taxes instead of reducing them. Most impressively, fire protection expenditures actually fell after the consolidation, while they nearly doubled in nearby areas. Their research also found that consolidation made it easier to assign government responsibility, increased government professionalism, and reduced double taxation, "free riding", and service inequities<sup>1</sup>.

What is most interesting about Nownes, Houston, and Schwerdt's research is where it contradicts Carr and Feiock's. While the latter found that consolidation was unpopular with local residents, the former found that Nashville locals were very satisfied with the consolidation.<sup>2</sup> Of course, this discrepancy can be explained by looking at Nashville's pre-consolidation history. Prior to 1963, consolidation was not very popular in that region, like in many others. It was only once the issue became choosing the lesser of two evils, annexation or consolidation, that it was able to win a majority vote. Once implemented, people found that consolidation made good on

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<sup>1</sup> Nownes, Anthony J., David Houston, and Marc Schwedt. "An Assessment of the City-County Consolidation of Nashville and Davidson County, Tennessee." in *City-County Consolidation: Promises Made, Promises Kept?* Suzanne M. Leland and Kurt Thurmaier, Eds. Washington, DC: Georgetown University Press, 2010.

<sup>2</sup> Nownes, Houston, and Schwedt

its promises and produced a more efficient government that was easier for them to deal with. It appears that misconceptions and distrust are what make it unpopular until people experience consolidation for themselves, after which point they become quite happy with it.

Tax sharing is another form of government consolidation researched by Pammer and Dustin (1993). Tax sharing policies require local governments contribute to a regional pool of tax revenue, which in theory should increase productivity and foster intergovernmental cooperation. Their study specifically focuses on a tax-sharing plan implemented in 1992 in Montgomery County, Ohio (whose largest city and county seat is Dayton), called the Economic Development/Government Equity, or ED/GE, plan. The ED/GE program was voluntary for local governments, and provided benefits to those that participated. Pammer and Dustin's analysis focuses on three outcomes of this plan. First, they note that four municipalities filed a lawsuit against the county, claiming that the plan was unconstitutional. Local courts tried the case, which the State Supreme Court later appealed and overturned in favor of the county. This conflict between local governments does not bode well for intergovernmental cooperation. Pammer and Dustin also write that the county government used the program's tax revenues to fund an international marketing plan for the region and special projects promoting its aviation technological industry, both of which require local government cooperation. Finally, the funds were redistributed to cities and townships inversely to their contributions. This study shows that this program had mixed success.

With this research in mind, this paper focuses specifically on consolidation and cooperation among economic development organizations in given metropolitan areas, some of which have consolidated city and county governments, and some that do not. These

organizations include city and county departments, metropolitan planning organizations, and public-private partnerships.

## **Research Methodology**

### **City Selection**

In order to better analyze the effects of consolidation, this paper compares and contrasts a handful of cities. Columbus was included so as to better make predictions about the impact consolidation would have on that region. As stated earlier, the other cities were chosen based on their similarities to Columbus and each other so as to minimize the confounding effects of neglected variables and to better generalize the results. Excluding Columbus, we chose an equal number of consolidated and non-consolidated cities so as not to attribute general trends to consolidation. Finally, we restricted the total number of cities to five, so that each city would receive sufficient individual attention.

To keep the cities similar, we considered whether or not they: had a mostly non-manufacturing workforce, had a major university, and were the capital of that state's government. This information can be observed below. Had we not controlled for these factors, their presence or absence could result in strong economic differences having nothing to do with consolidation. For instance, a large university would bring in many students from outside the state, who would provide money for tuition, food, and housing, among other things. These institutions also tend to have sports teams, which also bring in more people willing to spend money on goods and services during game days. Were it not controlled for, this economic boon would be significant enough to skew the results. Manufacturing, on the other hand, provides a different sort of problem. Consolidation impacts certain jobs more than others, so a difference in economic structure would result in a difference in reaction to any structural changes.

Table 1.  
Case Study Demographic Information

<b>City</b>	<b>Population</b>	<b>% Manufacturing Jobs</b>	<b>Major University Y/N (Name)</b>	<b>Consolidated Y/N</b>	<b>State Capital Y/N</b>
<b>Columbus</b>	754,885	5.8%	Y (Ohio State)	N	Y
<b>Austin</b>	757,688	6.8%	Y (Texas)	N	Y
<b>Indianapolis</b>	798,352	10.3%	Y (IUPUI)	Y	Y
<b>Nashville</b>	596,462	5.5%	Y (Vanderbilt)	Y	Y
<b>Sacramento</b>	463,794	5.2%	Y (UC Davis)	N	Y

### Survey

A survey was mailed to municipal, county, and regional government economic development agencies and non-profit organizations in all five cities (see Appendix 1). The survey asked these groups to discuss the size and scope of their department, list economic development initiatives that region was working on, and to rate their level of collaboration with other groups. In order to protect the anonymity of the responders, answers received will not be attributed to any agencies or their members. Because of the time frame that this study was conducted within, we were not particularly successful in our response rate. Assuming that a longer time frame would have netted additional responses, we believe that this was a valuable component of our study and aided in informing our analysis.

From the onset, we disbursed nineteen surveys. Of the three sent to organizations in the Austin region, we received two of them back. At the time of this report, we have not received any information from the various economic development groups in Columbus or Indianapolis. In both Nashville and Sacramento, we have received one of four surveys in return. This gives us an overall response rate of just over twenty five percent.

## **Economic Health/Growth**

To assess the economic consequences of consolidation, we employ two indices developed by the Brookings Institution in 2007 that measure a city's economic growth and well-being. We have updated the indices with data from 2000 and 2008 to create a list of indicators relevant to the evaluation of a city's economic performance. These indicators are combined into indexes that allow for relative comparison of selected cities with each other as well as over 200 other cities. Their methods provide the following criteria for a city to be analyzed:

- (1) The city had a population of at least 65,000 in 2008, and
- (2) The city was the largest within its metropolitan area in 2000 or 2008, or
- (3) The city's population was equal to at least 50% of that of the largest city in the metropolitan area in 2000 or 2008, or
- (4) The city had a population of at least 100,000 in 2000 or 2008, regardless of its relative size within the metropolitan area

Cities meeting these criteria were then analyzed along eight indicators (see Figure 1) from the Restoring Prosperity Report and combined into two standardized indices using z-scores: the Economic Conditions Index and the Residential-Being Index. These indices measure economic growth and the current economic health and vitality of a city, respectively. In each index, the 290 qualifying cities were divided into three categories: weak, moderate, and strong, according to their ranked standardized scores. The cities' combined index scores were then ranked to measure their total economic strength. Those in the lowest 20th percentile are considered to be the economically weakest in the U.S. Thus, these indices allow for a relative comparison of cities' economic performance over the last decade.

Table 2.  
Indicators of Economic Growth and Health

	<b>Definition</b>	<b>Source</b>
<b>Economic Conditions Index (2000-2008)</b>		
<b>Change in Employment</b>	Change in the number of jobs	US Census Bureau, Census Data 2000 and American Community Survey 2008
<b>Change in Annual Payroll</b>	Change in the annual wages of the county containing a majority of city residents	US Census Bureau, County Business Patterns, 2000 and 2008
<b>Change in Establishments</b>	Change in the number of establishments in the county containing a majority of city residents	US Census Bureau, County Business Patterns, 2000 and 2008
<b>Residential Well-Being Index (2008)</b>		
<b>Median Household Income</b>	Median income of city households	US Census Bureau, American Community Survey 2008
<b>Per Capita Income</b>	Total income per city resident	US Census Bureau, American Community Survey 2008
<b>Unemployment Rate</b>	Unemployed residents as a percentage of residents in the labor force	US Census Bureau, American Community Survey 2008
<b>Poverty Rate</b>	Percentage of residents with household incomes below the poverty line	US Census Bureau, American Community Survey 2008
<b>Labor Force Participation Rate</b>	Percentage of working-age residents in the labor force	US Census Bureau, American Community Survey 2008

### Case Studies

#### Austin/ Travis County, Texas

##### *Structural Overview*

The City of Austin has a council-manager form of government, in which six council members and a mayor, elected at-large, appoint a city manager to administrate the city.<sup>3</sup> In Travis County, a board of four commissioners and one county judge are the policy makers and

<sup>3</sup> Austin City Connection—The Official Website of the City of Austin. “Austin City Council.” <http://www.ci.austin.tx.us/council/>.

chief administrators. Each commissioner represents a different district in the county, while the judge is elected at-large from the entire county.<sup>4</sup>

Surprisingly, Travis County does not have an economic development department. However, there are three notable development groups that shape the region's economic development actions: The City of Austin's Economic Growth and Redevelopment Services Office, The Greater Austin Chamber of Commerce, and the Capital Area Metropolitan Planning Organization (CAMPO).

The Economic Growth and Redevelopment Services Office for the City of Austin seeks to promote and facilitate sustainable growth while preserving the character of Austin. In order to fulfill this mission, they conduct regular studies to promote mixed-use urban redevelopment and engage with employers and developers in order to encourage expansion or relocation to the city. At the behest of the Council and Mayor, the department has implemented programs to attract emerging technology firms and create a sustainable environment for small businesses. While the department focuses solely on growth within Austin city limits, it further narrows its focus to an area it defines as the Desired Development Zone. This allows the city to focus on a more sustainable, planned development effort.<sup>5</sup>

The Greater Austin Chamber of Commerce is a private, non-profit organization driven by its more than 2,300 members, ranging from businesses, civic organizations, educational institutions, and private individuals. Although their mission is very similar to that of the City of Austin's Economic Growth and Redevelopment Services Office, the Chamber takes a different approach to attracting and retaining businesses to Austin. More specifically, the Chamber works

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<sup>4</sup> Travis County. "Travis County Commissioners Court." Last modified Tuesday, March 9, 2010. [http://www.co.travis.tx.us/commissioners\\_court/default.asp](http://www.co.travis.tx.us/commissioners_court/default.asp)

<sup>5</sup> Austin City Connection—The Official Website of the City of Austin. "Austin City Council." <http://www.ci.austin.tx.us/council/>

to build a network of Austin area businesses through educational programs and sponsored networking events to promote collaboration and collective responsibility within the region.<sup>6</sup>

Finally, the Capital Area Metropolitan Planning Organization (CAMPO) is the Metropolitan Planning Organization (MPO) for the Bastrop, Caldwell, Hays, Travis, and Williamson Counties in central Texas. Like the Austin Chamber of Commerce, CAMPO takes a regional approach to economic development—specifically transportation infrastructure. CAMPO’s Transportation Policy Board, which is made up of elected leaders and stakeholders within the region, has direct say in the dispersal of federal transportation funds for the region. Additionally, the MPO produces regional transportation studies and conducts research regarding unmet needs in order to improve the viability of the region as a whole.<sup>7</sup>

### *Survey Results*

Perhaps the most interesting piece of information obtained from the survey results we received was that one non-governmental organization opened a satellite office in Los Angeles, California, over one thousand miles away from the city. This was done, according to this group’s response, because California has the greatest source of leads and relocations than any other state. The two surveys we received seem to indicate moderate to strong involvement between the various non-governmental organizations within the region, but do not give conclusive evidence regarding how these groups interact with the more formal government organizations.

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<sup>6</sup> Austin Chamber of Commerce. “Overview.” <http://www.austin-chamber.org/membership/benefits/index.php>

<sup>7</sup> Capital Area Metropolitan Planning Organization. “About CAMPO.” <http://www.campotexas.org/about.php>

## **Columbus/Franklin County, Ohio**

### *Structural Overview*

The City of Columbus is led by a mayor and seven-member city council, elected at-large. Like most county governments in Ohio, Franklin County's is run by three commissioners. Columbus' economy has never had a large manufacturing sector. Major employers in the area include the business sectors of apparel, aviation, banking, defense, education, energy, and insurance.

Four notable economic development organizations in the area are the City of Columbus Department of Economic Development, Franklin County Economic Development, the Mid-Ohio Regional Planning Commission (MORPC), and Columbus 2020! Although they each differ in their organizational make-up and scope, they all share the same goal and mission: macro-level economic development in central Ohio.

The City of Columbus Department of Economic Development deals specifically with development within the City of Columbus limits, having little interest in the surrounding region. The department executes its mission through the use of business taxes, financial incentives for businesses, workforce development, and providing businesses with regulatory navigation and introductions to community leaders. They focus on their ability to collect, analyze, and present data and figures for businesses both already in, and looking to relocate to, Columbus.<sup>8</sup> They also provide brownfield remediation, neighborhood commercial revitalization, and financial

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<sup>8</sup> City of Columbus Department of Economic Development. "Site Selection." <http://econdev.columbus.gov/siteselection/aboutus.aspx>.

assistance that includes business loans, capital improvement funds, performance incentives, and property tax abatement.<sup>9</sup>

The Franklin County Economic Development department performs a variety of functions that the other organizations listed here do not. These include floodplain administration, land use planning, residential building inspection, and zoning enforcement. Their Cooperative Economic Strategy Program provides Franklin County communities with grants and inducements to leverage public sector incentives and private investments.<sup>10</sup> This department's Planning Program provides consultation and facilitation services regarding planning decisions made within the county to townships, the private sector, and community interests groups regarding planning decisions. It also assists in the application and permit processes to land owners and developers. A program like this could be utilized in inter-jurisdictional planning issues.<sup>11</sup>

Columbus 2020! is a collaborative, regional public-private partnership. Given their name, the purpose of this organization is clear. They have established three goals for the Columbus region to meet by the year 2020: create an additional 180,000 jobs, increase per capita income by 40%, or \$15,000, and gain recognition as a national leader in economic development. To achieve these goals, their strategy is to retain and expand the companies and industries already in Columbus, attract major employers to the region, and create more commercial enterprises by leveraging the region's research assets and entrepreneurs. The City of Columbus, Franklin County, and MORPC are all supporting partners of Columbus 2020!<sup>12</sup>

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<sup>9</sup> City of Columbus Department of Economic Development. "Financial Assistance."

[http://econdev.columbus.gov/business\\_services/financial\\_assistance.aspx](http://econdev.columbus.gov/business_services/financial_assistance.aspx)

<sup>10</sup> Franklin County Economic Development Department. "Cooperative Economic Strategy Program." <http://www.franklincountyohio.gov/commissioners/edp/programs/program1.cfm>.

<sup>11</sup> Franklin County Economic Development Department. "Planning Program."

<http://www.franklincountyohio.gov/commissioners/edp/programs/program3.cfm>.

<sup>12</sup> Columbus 2020! "What We Do." <http://columbus2020.org/what-we-do>.

The Mid-Ohio Regional Planning Commission is a federally-funded and federally-mandated metropolitan planning organization. MORPC is both a political subdivision and a registered 501(c)(3) non-profit. MORPC provides service to Delaware, Fairfield, Fayette, Franklin, Knox, Licking, Madison, Morrow, Pickaway, Ross, and Union counties. It also works closely with 44 of the local governments in central Ohio. Larger cities in this area are Lancaster, Marion, and Chillicothe, Ohio. MORPC works in the areas of energy and environment, government affairs, housing, regional development, and transportation. This organization has a number of forums and workshops focused on economic development, including multi-jurisdictional planning groups to encourage collaboration among governments.<sup>13</sup>

### *Survey Results*

One organization returned a questionnaire from the Columbus area. The responses in this questionnaire show that there are high levels of collaboration between the regional economic development organizations (Franklin County, Columbus 2020!, MORPC). Furthermore, chambers of commerce and local non-profits are also somewhat highly involved. However, collaboration between the City of Columbus and the regional organizations is moderate. Overall success in these collaborations is moderately high.

### **Indianapolis/Marion County, Indiana**

#### *Structural Overview*

Indianapolis is one of the largest consolidated cities in the U.S. In 1970, it merged with the government of Marion County to form “Unigov”. During this merger, Indianapolis swallowed many of Marion County’s local municipalities, though a few were allowed to maintain a semi-autonomous status within the city. The Circle city is governed by a mayor and

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<sup>13</sup> Mid-Ohio Regional Planning Commission. “Regional Collaboration.” [http://www.morpc.org/regional\\_dev/collaboration/collaboration.asp](http://www.morpc.org/regional_dev/collaboration/collaboration.asp).

City-County Council. The former represents the entire county, while the latter is made up of 29 members, each representing one of 25 districts or the county at-large.

Four large economic development organizations in the Indianapolis metropolitan area are the Division of Economic Development of the Metropolitan Development Department for the City of Indianapolis and Marion County, the Indianapolis Metropolitan Planning Organization, and two non-profits: DevelopIndy and Indy Partnership. Each group works on a specific subset for economic development within the region. Other groups involved include the Greater Indianapolis Chamber of Commerce, whose broad mandate for business assistance includes economic development, and the Central Indiana Corporate Partnership, a collective of the area's largest corporations focusing on 'big picture items,' in addition to attracting more business to that region.<sup>14</sup>

The Economic Development Division's main purpose "is to assist with the implementation of commercial, industrial and retail development projects that promote job creation and retention and increase the tax base [while,] at the same time, assisting with neighborhood projects that revitalize communities." To this end, they acquire, redevelop, dispose, and maintain inventory of city property, and recommend economic incentives to decision making forums.

Unlike Columbus's MPO, which acts as part of a broader regional development group, the Metropolitan Planning Organization of Indianapolis concentrates solely on transportation

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<sup>14</sup>CENTRAL INDIANA CORPORATE PARTNERSHIP. "About CICP."  
[http://www.cincorp.com/about\\_cicp.aspx](http://www.cincorp.com/about_cicp.aspx)

development for the area. Their focus is on long and short-range transportation issues in the greater Indianapolis area.<sup>15</sup>

Develop Indy targets economic development through three major areas: business and workforce development, and real estate. The organization functions as a working group for local businesses looking to change their business patterns, and nonlocal businesses interested in moving to Indianapolis. They assist in all aspects of business, from site selection and government liaison, to market research. They're willing to provide any tool a company might need to make a greater investment in Indianapolis.<sup>16</sup>

Although they provide many of the same resources as Develop Indy, the Indy Partnership differs from them in that they are funded by a large number of investor businesses. Essentially, they are a cooperative of businesses trying to improve the area's development.<sup>17</sup> Recently, a merger between the Indy Partnership and Develop Indy was announced.<sup>18</sup> Under their new structure, each group will remain autonomous, while combining administrative and fundraising resources.

### *Survey Results*

At the time of the finalizing of this paper, one set of survey results were received from the Indianapolis economic development organizations. The survey indicates that there is some level of interaction among these organizations, and that they are able to collaborate successfully. Additionally, the recent merger of Develop Indy and Indy Partnership shows that consolidation

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<sup>15</sup> Indianapolis Metropolitan Planning Organization. "About the Indianapolis Metropolitan Planning Organization." <http://www.indympo.org/About/Pages/overview.aspx>

<sup>16</sup> Develop Indy "About Develop Indy." <http://www.developindy.com/about-develop-indy.aspx>

<sup>17</sup> Indy Partnership "About Us." <http://www.indypartnership.com/About-Us.aspx>

<sup>18</sup> Indy Partnership "Develop Indy, Indy Partnership to Consolidate Operations for More Efficient, Effective Economic Development Effort." [http://indypartnership.com/IP\\_DI\\_Consolidation.aspx](http://indypartnership.com/IP_DI_Consolidation.aspx)

in Indianapolis is far from dead. The city is still trying to increase the interconnectedness of economic development. This new larger non-profit would, as they see it, allow for consolidation of administration while also trying to broaden the scope of the development efforts.

## **Nashville/Davidson County, Tennessee**

### *Structural Overview*

Nashville, Tennessee became the first major city in the U.S. to form a metropolitan government when it merged with Davidson County in 1963. The metropolitan government is divided into urban and general districts, which cover the boundaries of the former City of Nashville and the remainder of Davidson County, respectively. The metropolitan area also consists of seven smaller municipalities, which also divide the provision of services in two. The municipalities typically provide the police, while Metro Nashville provides everything else. Like the other cities we've examined, Nashville runs under a council-mayor system. The mayor and five of the 40 member Nashville Council represent the whole county, while the other 35 members represent separate districts.

The most notable groups involved in Nashville's economic development are their Chamber of Commerce, the Mayor's Office of Economic and Community Development, their MPO, and the Nashville Capital Network.

Nashville's Chamber of Commerce works with the business community to improve public schooling and encourage higher education. It also supports small businesses and uses business recruitment to create new jobs. They work with the Music and Health Care Councils to

foster growth in key industries, and serve the community as a source of data and information.

Finally, they advocate business-friendly legislation and work to remove barriers to prosperity.<sup>19</sup>

The Mayor's Office of Economic and Community Development focuses on stimulating local economic activity in several ways. It acts as a source of business information and referrals, and as liaison between local businesses and the city's permitting and regulatory processes. It develops incentives with the mayor to attract and retain businesses. It issues permits for economically stimulating events like parades and filming. Finally, it's active in the stimulation of tourism.<sup>20</sup>

Nashville's Metropolitan Planning Organization is mostly devoted to developing regional transportation. However, they have also made it their mission to promote sustainable economic growth. They do so by working with local businesses and appropriating federal funds for transportation projects. NAMPA is comprised of elected officials from at least five counties, as well as a Technical Coordinating Committee and their regular staff.<sup>21</sup>

The Nashville Capital Network takes a two-tier approach to promoting economic growth. First, it educates entrepreneurs on the fundraising process and helps to refine their business concepts. They also aid in fundraising by matching them with experienced advisers and investors. The second tier involves building a stable source of capital to get businesses off the

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<sup>19</sup> Nashville Chamber of Commerce, "About Us."

<http://www.nashvillechamber.com/Homepage/AboutUs.aspx>.

<sup>20</sup> "Nashville.gov - Mayor's Office of Economic and Community Development."

<http://www.nashville.gov/ecdev/index.asp>

<sup>21</sup> Nashville MPO, "Nashville Area MPO: About the MPO." Last modified January 3, 2002.

[http://www.nashvillempo.org/about\\_mpo/](http://www.nashvillempo.org/about_mpo/)

ground. They do this by creating a network of investors, to whom they offer investment analysis, and managing a \$5.2 million sidecar investment fund.<sup>22</sup>

### *Survey Results*

Only two organizations in the Nashville area returned their questionnaires. Given their level of consolidation, it is not surprising that Nashville sees moderate to high collaboration between the Mayor's Office of Economic and Community Development and the Nashville Chamber of Commerce. They are also moderately collaborative with Nashville Capital Network. However, it is surprising that they are very collaborative with other chambers of commerce. Where there was collaboration, both organizations reported strong success rates. Both organizations also listed the Nashville Health Care Council and the Nashville Entrepreneur Center as other organizations involved in the area's economic development. Finally, they both reported strong success rates with their economic growth initiatives.

### **Sacramento/Sacramento County, California**

#### *Structural Overview*

City government in Sacramento consists of a city-wide elected mayor and an eight-member city council, each elected by one of the districts within the city. Sacramento County is governed by an elected, five-member Board of Supervisors, who, in turn, appoint a County Executive to administer the county. Sparrow discusses, at length, efforts to pass city-county consolidation through elections in both 1974 and 1990 (2004). Both attempts failed, and reasons for these failures include lack of a crisis, confidence in the current government, and no “accelerator event” to sway public interest. Major employers in the City of Sacramento include

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<sup>22</sup> Nashville Capital Network, "Nashville Capital Network." Last modified June 24, 2003. <http://www.nashvillecapital.com/>

the city, state, and county governments, health care companies, local school districts, and the Intel Corporation.

Four economic development organizations in the Sacramento include: the City of Sacramento Economic Development, Sacramento County Economic Development and Intergovernmental Affairs, Sacramento Area Council of Governments (SACOG), Sacramento Area Commerce and Trade Organization (SACTO). Like in some of the other cities in this study, this group of organizations includes one from city government, one from county government, one metropolitan planning organization, and one public-private partnership.

The City of Sacramento Economic Development department provides an array of services for all sorts of businesses within the city. These include both site selection services for businesses looking to locate in Sacramento and workforce development programs for groups already operating within the city. For small businesses, this organization can assist in a certification program, whose incentives include bid preference, as well as advocacy for small businesses, encouraging government partnerships and dialogue with other small businesses.<sup>23</sup> Finally, the business incentives this department provides include loan programs, small business administration lending, and other economic incentives including redevelopment funds for businesses looking to locate in one of five specified areas within the city.<sup>24</sup>

In addition to helping businesses locate and expand within the county, the Sacramento County Economic Development and Intergovernmental Affairs organization oversees two business parks, McClellan and Mather. McClellan Business Park is a redeveloped Air Force

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<sup>23</sup> City of Sacramento Economic Development. “Small Business Services.” <http://www.cityofsacramento.org/econdev/business-open/small-business-certification.cfm>.

<sup>24</sup> City of Sacramento Economic Development. “Incentives and Assistance.” <http://www.cityofsacramento.org/econdev/business-open/incentives-and-assistance.cfm>.

base.<sup>25</sup> Accordingly, businesses there now include aircraft related industries and a technology incubator, along with data call centers and hotel and conference facilities. Also on the site of this business park is McClellan public airport. Mather Business Park is another transformed Air Force base in development that also has an on-site airport and premier office space, as well as plans for a private university. Assistance in business incentives provided by this organization includes expedited permit processing, potential tax credits, redevelopment areas, and recycling market development zones.<sup>26</sup>

The Sacramento Area Council of Governments is an association of local governments in the Sacramento region, and a federally-funded and federally-mandated metropolitan planning organization. Six counties—El Dorado, Placer, Sacramento, Sutter, Yolo, and Yuba—and twenty-two cities comprise this region. SACOG prepares the region’s long-term transportation plan along with the distribution of affordable housing in the area. Transportation planning for the region includes mass transit, bicycle networks, clean air, and airport land uses. Currently, SACOG is undertaking a major effort, called the Sacramento Region Blueprint Transportation and Land Use plan, to link transportation and land development more closely.<sup>27</sup>

The Sacramento Area Trade and Commerce Organization is a public-private partnership that serves the same six-county area as SACOG. In addition to site selection services and advocacy for businesses and projects in the region, SACTO considers itself the area’s leading marketer. SACTO collaborates with a team of marketers in their region to create marketing and

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<sup>25</sup> Sacramento County Economic Development. “Your Business is our Business.”  
<http://www.economic.saccounty.net/default.htm>

<sup>26</sup> Sacramento County Economic Development. “Incentive Programs.”  
<http://www.economic.saccounty.net/IncentivePrograms/default.htm>.

<sup>27</sup> Sacramento Region Blueprint. “Linking Land Use and Transportation.”  
<http://www.sacregionblueprint.org/>.

recruitment efforts, throughout both the country and the world, to generate interest in the area.<sup>28</sup> Their focus is on building a first-tier economy in the area. To achieve this goal, SACTO will use aggressive marketing and recruitment strategies to shift the economic emphasis in the area to high-quality, higher-wage jobs with a broader tax base.<sup>29</sup>

### *Survey Results*

One organization in Sacramento returned the questionnaire, but this response provides sufficient data for our analysis. Coordination efforts between the City, SACOG, SACTO, local Chambers of Commerce, and other local non-profit organizations are high. Furthermore, success in these collaborations is high. However, economic development coordination efforts between the City of Sacramento and the County of Sacramento are moderate. Because the city and county governments are not consolidated, this result is not surprising. The State of California is, as described in the survey response, simultaneously highly involved and not involved. This is because the state's multi-billion dollar deficit will have a clear impact on regional economic development endeavors. But this organization reports minimal contact. Furthermore, this organization reports high levels of success in its few initiatives, despite the recent economic downturn.

## **Findings and Analysis**

### **Compare and Contrast**

Our primary interest in evaluating these cities is to understand the differences between consolidated and non-consolidated cities and their impact on economic development. As these

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<sup>28</sup> Sacramento Area Commerce and Trade Organization. "What We Do."  
[http://www.sacto.org/index.cfm/about-sacto/what\\_we\\_do/](http://www.sacto.org/index.cfm/about-sacto/what_we_do/).

<sup>29</sup> Sacramento Area Commerce and Trade Organization. "Building a First Tier Economy."  
[http://www.sacto.org/index.cfm/about-sacto/building\\_a\\_firsttier\\_economy\\_sactos\\_fiveyear\\_strategic\\_plan/](http://www.sacto.org/index.cfm/about-sacto/building_a_firsttier_economy_sactos_fiveyear_strategic_plan/).

case studies reveal, there are varying levels of consolidation among the cities, meaning that, if there is correlation between consolidation and economic development, it should bear itself out. From our preliminary research as well as some supporting evidence from the survey results, we have placed each city on a spectrum from most consolidated to least. We rank Indianapolis as the most consolidated, due to its unified governmental structure and its level of consolidation among economic development organizations. This is followed by Nashville, which despite being consolidated still maintains multiple service districts making it slightly less centralized than Indianapolis. Sacramento, Columbus, and Austin are all not consolidated, but Sacramento has a high degree of communication between its various organizations and those of Sacramento County and has attempted to consolidate at several times. Columbus, while there is a degree of communication between the Franklin County and Columbus, lacks the repeated attempts at consolidation that Sacramento has had. Ultimately, Austin most closely mirrors Columbus in its levels of interaction or consolidation between the county and city, but it has the most autonomous county government of the five cities.

Based on the scholarly readings referenced earlier, we are led to believe that we should see no negative or positive impact on the economic development of our case studies based on their level of governmental consolidation. To bear this out, the tables below give insight into each city's level of economic growth and economic health across the indicators outlined in research methodology, as displayed below in Table 3. Each table lists results based on the spectrum of consolidation as laid out above.

Table 3.  
Economic Growth by Level of Consolidation

City	Change in Employment	Change in Annual Payroll	Change in Number of Establishments	Economic Growth Index	Relative Index Position (291 Cities)
<b>Indianapolis</b>	-1.7%	+16.9%	-0.8%	-0.70561	254
<b>Nashville</b>	+0.5%	+30.2%	+0.8%	-0.42013	223
<b>Sacramento</b>	+3.7%	+12.6%	+10.9%	0.33088	69
<b>Columbus</b>	-2.8%	+21.25	-1.35%	-0.65305	248
<b>Austin</b>	+1.2%	+12.3%	+17.6%	-0.07097	152

Table 4.  
Economic Health by Level of Consolidation

City	Median Household Income	Per Capita Income	Unemployment Rate	Poverty Rate	Labor Force Participation Rate	Residential Well-Being Index	Relative Index Position (291 Cities)
<b>Indianapolis</b>	\$44,830	\$25,360	8.1%	16.1%	69.2%	0.00695	145
<b>Nashville</b>	\$46,029	\$27,169	5.7%	11.8%	68.2%	0.17323	110
<b>Sacramento</b>	\$37,049	\$25,725	9.2%	15.3%	65.0%	-0.15040	173
<b>Columbus</b>	\$43,600	\$23,423	7.3%	20.6%	69.9%	0.04284	141
<b>Austin</b>	\$51,004	\$30,429	5.5%	17.6%	74.1%	0.62377	52

At first glance, the results can be surprising to supporters of economic consolidation.

Austin and Sacramento, both non-consolidated cities, rank higher than both of the consolidated cities in the area of economic growth. Seemingly, this indicates that consolidation provides no

tangible economic benefit to cities. However, this initial conclusion is difficult to assess because Indianapolis and Nashville were consolidated so long ago. Whatever initial boost consolidation might have provided their economic development may have been temporary, and so unlikely to persist over an extended period of time. This is because many of the “savings” from consolidation come from the consolidation of services which will only have short run monetary savings. So, the data then suggests that in the long run consolidation may actually be harmful, as the two consolidated cities rank so far down the list of cities

Columbus ranks near the bottom of all cities, as well as the comparison cities, in economic growth statistics. It ranks between the two non-consolidated cities, which presents two possible scenarios: Columbus is merely an under-performing outlier or the level of governmental consolidation plays almost no role in the economic growth of a city. The scholarly literature appears to support the latter. The city also fits because there are several other potential reasons for the variation in economic growth data. However, expanding the study to more consolidated and non-consolidated cities would further clarify the status of Columbus.

There are clearly other factors besides the level of consolidation of the region that must be considered in understanding differences in economic performance. For example, it could be significant that Indianapolis employs almost double the amount of workers in the manufacturing sector compared to Austin and Sacramento. Or, perhaps regional and geographic differences play a role. Have Columbus and Indianapolis struggled to shake off the “Old Rust Belt” tag while Sacramento and Austin have benefited from the appeal that the Sun Belt has? Both Austin and Sacramento have benefited from new and emerging industries such as telecommunications and dot-coms, while Columbus and Indianapolis have seen little or no growth in those areas. Furthermore, the varying levels of taxation have a major impact on the success of growing the

local economy, especially when attracting new businesses to the area. Additionally, the limited scope of this study does not provide us with the ability to adequately address the extent to which these factors impact economic development in comparison to consolidation.

These considerations suggest that a different approach may be necessary to evaluate the effects of consolidation. Logically, if economic development organizations consolidated, they would be able to function more efficiently and therefore become more effective. The scholarly literature previously mentioned showed little, if any, correlation between city and county consolidation with positive economic development. In light of this, the level of consolidation and coordination among the economic development organizations themselves, then, becomes the most relevant factor for this study. After two failed attempts at approval of consolidation by the electorate, Sparrow notes that Sacramento's elected leaders look for new ways to cooperate to solve city and county-wide problems. In the same way, our survey looked at the cooperation among economic development organizations in each of the five regions. While we are able to reach no definitive conclusions about what types of formal and informal cooperation yield the best results economically for the region, we are confident that, if studied further, these networks would provide insight into how best to maintain and improve the development climate.

## **Conclusion**

While our study presents very little in the way of new findings on this topic, we believe our exercise is an important addition to the discussion. Specifically, our attempt at understanding what role Metropolitan Planning Organizations play in regional economic development is valuable. We applaud MORPC for expanding their scope beyond transportation policy, and encourage them to maintain an active role in creating government efficiencies within the Columbus region. While consolidation may not necessarily be the answer to creating more

efficient, economically viable cities, it is important for all the key stakeholders come to the table to solve the challenges of a 21st century economy.

**Appendix 1**

**Economic Development Questionnaire**

What is the annual budget of your department?

What is the size of your department's professional staff?

How long has your department been in existence?

Please describe some of the innovative initiatives your department is currently undertaking and/or have recently completed, especially those that are unique to your region.

The economic development organizations we have identified in your area include \_\_\_\_\_.

Please list below other departments or organizations you work with in your area that also focus on economic development.

To what extent does your department participate or collaborate with (Circle a number)

o \_\_\_\_\_

Low High

1    2    3    4    5

o Chambers of commerce

Low High

1    2    3    4    5

o Local non-profits

Low High

1 2 3 4 5

Please evaluate your success in these collaborations. (Circle a number)

Low High

1 2 3 4 5

To what extent is the state government involved in your operations and initiatives? (Circle a number)

Low High

1 2 3 4 5

Please evaluate the success of your department's current economic growth initiatives in the area in which you operate.

Low High

1 2 3 4 5

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