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SUMMARY REPORT : THE FEASIBILITY OF ADJUSTING COUNTY BOUNDARIES IN MINNESOTA

prepared by

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

January 1996

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THE FEASIBILITY OF ADJUSTING COUNTY BOUNDARIES IN MINNESOTA

prepared by

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January 1997

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HIGHLIGHTS

- State and local government officials should focus on opportunities to improve the effectiveness and efficiency of county services. Focusing solely on reducing the number of counties may lead to overlooking many other equally viable options for improving county services, including joint powers agreements, shared service initiatives, and innovations in service delivery methods.
- Nationally, there are significant variations in the number, geographic size, demographic composition, and economic, political, social environments of counties. There are also significant variations in the structure, operations, legal authority, and programmatic responsibilities of county governments.
- While counties in Minnesota with populations under 7,000 tend to have higher per capita expenditures, there is no macroeconomic evidence to suggest that a consolidation of two or more of these sparsely populated counties would significantly reduce per capita expenditures. In fact, there is some evidence to suggest that consolidation may result in higher, overall per capita expenditures. Using regression analysis, it has been found that there is a moderately significant correlation between the geographic size of a county and the level of per capita expenditures. There is only a slight, statistically insignificant inverse correlation between the population of a county and that county's per capita expenditures. This suggests that, in general, it is more costly to deliver services in large geographic areas than it is to deliver the same services in smaller, sparsely populated geographic areas.
- A more detailed analysis of county expenditure patterns suggests that some county services could be delivered more efficiently if the costs were spread across a larger population base. Other county services are delivered more efficiently if the geographic delivery area is relatively small. Therefore, it may be appropriate for the state to promote joint powers and other intergovernmental service sharing agreements for the delivery of services that would benefit from a larger population base. Likewise, the state should not promote service sharing agreements for those service areas that are more efficiently and effectively delivered within relatively small geographic areas.
- There does not appear to be any widespread support from county officials or the general public for significant county boundary changes in Minnesota. County elected and appointed officials tend on the whole to oppose the concept of adjusting county boundaries and/or consolidations. County boundary adjustments also do not appear to be a high priority for community leaders either. Many of these community leaders also questioned the advisability of boundary adjustments and questioned whether effectiveness might be sacrificed to efficiency.
- County officials and community leaders were united in their opinion that the state should not attempt to mandate county boundary adjustments or consolidations. The initiative to implement boundary adjustments must come from the local level. However, if the state wished to encourage boundary adjustments/and or consolidations, the state should work with local officials to remove legal and fiscal barriers to their implementation.

SUMMARY REPORT:
**THE FEASIBILITY OF ADJUSTING COUNTY BOUNDARIES IN
MINNESOTA**

THE ISSUE

Minnesota has a proud history of providing high quality public services for its citizens. Financing public services was relatively easy during past decades, a period when increases in real personal income helped neutralize strong opposition to increasing tax burdens. Minnesota's economic and political situation has changed during the 1990's. Minnesotans are no longer willing to pay the higher taxes necessary to support historical service levels using existing delivery systems. At the same time, the majority of Minnesotans do not support reducing or eliminating existing public services. Minnesotans are demanding that their state and local officials make better use of the tax dollars currently entrusted to them. Therefore, the challenge for state and local officials is to explore every opportunity to improve the effectiveness and efficiency of the services they deliver.

While the need to improve our service delivery systems is obvious, the changes necessary will not come easily. Historical rivalries and a "turf protection" mentality pose significant barriers to intergovernmental cooperation that could eliminate unnecessary duplication of services.

In recent years, the need to improve the effectiveness and efficiency of all government services has led many to question whether Minnesota's infrastructure of local governments provides the most efficient means of delivering essential public services. While this question could also apply to our infrastructure of cities, townships, and special purpose districts, much of the public debate has focused on the number of counties and school districts in Minnesota. Economic realities, combined with recent state assistance for the consolidation of many school districts, have resulted in a significant reduction in the total number of independent school districts in the state.

Having addressed the perceived need for the consolidation of many small school districts, attention has begun to shift to the appropriate number of counties in Minnesota. Is a system of 87 counties - a system that was primarily designed to minimize travel time to county seats in a horse and buggy era - the most efficient and effective service delivery system in an era of rapidly advancing electronic and telecommunications technology? Much of this discussion in Minnesota hinges on the perceived duplication of services amongst counties and the high level of per capita expenditures, particularly in the rural, sparsely populated counties.

During the 1993 Legislative session, a bill was proposed that would have decreased the number of Minnesota counties from 87 to 19, while another bill suggested that a system of 10 counties may be more efficient and effective. While neither of these bills passed, they reflect increased legislative interest in the appropriate number of counties in Minnesota. Therefore, the State Legislature directed the Board of Government Innovation and Cooperation (the Board) to study the feasibility of adjusting county boundaries in Minnesota.

With the support of the Association of Minnesota Counties, the Board has chosen to look not only at the feasibility of adjusting boundaries, but also the advisability of adjusting county boundaries. The Board recognized that while it may be feasible to change county boundaries, it may not be the best public policy or in the best interest of county residents to do so.

The full report of the Board's findings (of which this is a summary) does not seek to identify any specific county boundaries which should or could be changed. Rather it looks at the issue of county boundary adjustments from a broad perspective. It offers a scenario of what the effects of boundary adjustments might be on counties and their citizens and taxpayers. It would then be up to the residents and elected officials of the counties involved to decide whether changing boundaries is in their best interest.

Each county must determine the costs, benefits, and impacts of boundary adjustments in relation to their own government expenditures, revenues, structures, programs, and the needs of their citizens. The Board can offer only a generalized overview of the effects, as each county possesses its own unique set of social, economic, and political characteristics.

APPROACH

This summary report highlights our major areas of research as well as our most significant findings. The following is an outline of the material discussed in the full report:

- I. An academic review of the effects of adjusting county boundaries, focusing on:
 - A. The ideal geographic and population size of counties.
 - B. The effects of county boundary adjustments on county services.
 - C. The effects of county boundary adjustments on county taxes.
- II. The history of county boundary adjustments and county consolidations nationwide.
- III. Background information on Minnesota counties.
- IV. The current fiscal conditions of Minnesota counties.
- V. Public opinion on adjusting county boundaries in Minnesota.
- VI. Stakeholder and public opinion on adjusting county boundaries in Minnesota.
- VII. Methods to provide effective, efficient services.
- VIII. Final conclusions on the feasibility and advisability of adjusting county boundaries

Exhibit 1: Map of Minnesota Counties

Exhibit 2: Per Capita Expenditures of Minnesota Counties (1989-1994)

METHODOLOGY

To better understand the potential areas of success and failure associated with county boundary adjustments and consolidations, it is important to examine the history of county boundary changes nationwide. By examining the history of counties nationwide, and more closely examining the structure, responsibilities, and fiscal conditions of counties in Minnesota, we can better understand what may happen (or may not happen) if Minnesota county boundaries were to be adjusted. While we conducted an extensive academic review of the feasibility of adjusting county boundaries in Minnesota, we also sought input from citizens and other stakeholders as to their perceptions, impressions, feelings, and opinions on the advisability of adjusting county boundaries. Finally, we looked at the potential effects of county boundary adjustments, compiled all of the evidence, both quantitative and qualitative, and made our final recommendations, all of which are included in this summary report.

In order to obtain the necessary information with which to reach informed conclusions as to the feasibility and advisability of adjusting county boundaries, the research team did extensive literature reviews on issues affecting county government expenditures and services, as well as literature reviews of counties and cities which have either successfully or unsuccessfully participated in consolidations. Many of the research reports on county boundary adjustments are written from an academic perspective, thus focusing largely on the economic factors (revenues and expenditures) of boundary changes. For the purposes of this study, it was important to not only gather academic (historic, administrative and economic) information, it was also vital to gather the views and opinions of county residents, community leaders, elected county officials, and appointed county department heads. Board staff also wished to learn the thoughts and opinions of county officials and citizens (taxpayers) relative to the operations and purpose of county government, and more specifically, their opinions on the advisability of adjusting county boundaries in Minnesota.

To gather the perceptions of the public, the Board conducted a series of focus groups throughout the state. To gather the thoughts of county administrators and elected officials, the Board conducted a survey of county officials in a representative sample of 30 counties in Minnesota. County commissioners, sheriffs, administrators, treasurers, and county attorneys in each of the 30 counties received the survey.

REVIEW OF THE EFFECTS OF COUNTY BOUNDARY ADJUSTMENTS

The Board research team attempted to determine the ideal configurations of counties and the effects of county boundary adjustments on county revenues and expenditures.

The Ideal Geographic and Population Size for Minnesota Counties

Proponents of the need to consider county boundary adjustments and county consolidations have often cited the relatively high per capita expenditures for counties with fewer than 7,000 residents. Upon initial review of the data, it is reasonable to assume the high per capita expenditures result from a lack of economies of scale, whereby certain fixed costs of providing a service (e.g. constructing and maintaining county buildings, the salaries of elected and senior appointed officials, etc.) are spread over a smaller population base. In the more populous urban counties, we

found per capita expenditures for general government (including building construction and maintenance) and highway maintenance tend to be lower, since the fixed costs associated with these areas of service can be spread over a larger population base. However, our analysis suggests that the lack of economies of scale is only one of several factors that contribute to the higher per capita costs of sparsely populated counties.

Our literature review and data analysis has indicated that there is no **ideal** geographic or population size for all Minnesota counties. Rather, the ideal size is often based upon the service being offered, the geographic area to be served, the economic and tax base of the area, and the demographic characteristics of the population.

While many factors impact the per capita expenditures of a county, statistical regression analysis was used to determine the projected significance of a change in population and geographic size on the per capita expenditures of a county. Using regression analysis, our model indicated that increasing a county's geographic area by one square mile was likely to produce a \$.03 increase in per capita expenditures. Conversely, increasing the population of a county by one person was likely to result in a \$.0002 reduction in per capita county expenditures.

While our model would suggest that the consolidation of many sparsely populated counties may actually result in an increase in per capita expenditures, it is difficult to determine the precise geographic county size at which its per capita expenditures begin to increase. Much more micro economic analysis would need to be completed based on the specific counties that would participate in a proposed consolidation.

Yet, the population and geographic size of a county are not the only factors to consider; the costs and quality of delivering certain services, demographic characteristics such as age, employment rate, and socio-economic characteristics of the population also contribute to the actual per capita expenditures of a given county.

Effects of Potential County Boundary Adjustments on Public Services

County government reformers have long advocated adjusting county boundaries as a means of addressing duplicative services and other inefficiencies in the delivery of services. When considering the advantages associated with a county boundary change one should not merely aggregate the savings related to the possible reduction of the administrative staff of county governments. The benefits of adjusting boundaries are highly dependent on the specific details of how the consolidation is designed and implemented by policy makers. Theoretical perspectives on the effects of consolidation suggests that there are three important variables for assessing the effects of a boundary change: (1) economies of scale, (2) population density, and (3) the transportation costs related to consolidating public services. The resulting outcomes will also vary according to the type of services, since some services are capital intensive while others are more labor intensive.

The cost of providing services will also depend upon the structure of the consolidation. Will service departments from two counties fully, partially, or functionally consolidate? Under full consolidation, public services are combined under a single agency. Partial consolidation occurs when two public service functions remain separate, except for a designated group of staff who are

trained to perform both public services or functions (such as police officers and firefighters who are trained to perform both functions). Finally, functional consolidation occurs when two service functions remain separate, but share some common duties or functions.

Lastly, it is important to determine whether satellite facilities will be required to provide the same quality of service to those residents who are located a significant distance from the county seat or other service facility. The cost of establishing and operating satellite offices may offset any benefits created through greater economies of scale achieved through the consolidation or boundary adjustment.

The Effects of Adjusting County Boundaries on County Taxes and Expenditures

The impact a proposed boundary change will have on local taxes and expenditures will vary depending upon the pre-existing tax base. If a county with a low tax base is consolidated with a county with a higher tax base, it is highly likely that the resulting tax rate in the county with the lower tax base would go down (assuming service levels remain the same), as counties with lower tax bases generally require a higher tax rate to raise the necessary revenues. Lower tax base counties tend to have a higher tax rates to cover expenditures, and one purpose of a boundary adjustment would be to eliminate duplicative administrative costs of 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.

Regardless of the intended purpose of the boundary changes, the amount of savings would be crucial for determining the new tax rates. The magnitude of savings would depend upon the nature of the boundary adjustment, the extent of restructuring required, and the pre-existing tax base and tax rates.

While a consolidation of counties may eliminate duplication of services, thereby reducing overall county expenditures, there may also be an increase in certain costs as a direct result of the consolidation. For example, if two or more counties were to consolidate, it may be necessary to implement a uniform compensation (wages, salaries and benefits) package for the newly formed county. Realistically, all compensation for like county positions would be equalized to the higher or highest wage level for that position. While some positions may be eliminated, and thus money saved, the amount of work required of county employees would not decrease and their span of control and responsibility may increase. Further, if the aggregate volume of work remains the same, then most of the line staff positions may remain as employees of the new county. Therefore, any economies of scale created by consolidation may be offset by the need to equalize wages and benefits at the higher wage and benefit levels.

The table on page 6 illustrates the differences in wage levels for similar county employee classifications found in most Minnesota counties. The counties selected for the table are grouped according to the judicial district in which they are located, as it has been suggested that perhaps county boundaries could be changed to coincide with judicial district boundaries. The table indicates that there is a wide variation for minimum salary levels for these county positions. Thus, if these counties were to combine into one county of the same configuration as the judicial district in which they are located, some county salaries may be significantly increased. In some cases,

individual salaries would increase as much as \$5,000 to \$6,000 per year. Increases of such a magnitude may easily offset any economies of scale gained by combining counties.

Wage Levels for Mechanics and Custodians in Selected Counties¹
(Grouped According to Judicial District)

	Mechanic	Custodian
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	20,912	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

¹ Information on salaries is taken from the "Association of Minnesota Counties Salary Survey 1995." Salaries listed are the minimum salary levels provided for the corresponding position.

COUNTY BOUNDARY CHANGES NATIONWIDE

The study began with a review of county boundary adjustments nationwide. Our research indicates that there have been very few county-county consolidations in the United States. In 1926, Governor Alfred Smith of New York proposed a plan to reorganize the New York state government, which included plans for consolidating counties. The plan was defeated. More recently, Iowa looked at the possibility of county consolidations, but the issue proved rather divisive, and the potential cost savings from the proposed changes appeared to be minimal. Currently in Wayne County, Michigan (which contains the city of Detroit), there is a substantial amount of grassroots support for dividing Wayne County and forming three new counties: Wayne County, Newburgh County, and Erie County. Wayne County residents living outside of Detroit proper recognize that they are paying a higher proportion of the county taxes than is being paid by the citizens living within the city. Furthermore, the city has a disproportionate number of residents who receive many of the county services. The residents living outside of the city also feel they are under represented in county government affairs. Therefore, they wish to create their own counties and minimize the perceived inequities. For many of the same reasons that exist in Wayne County, Maricopa County, Arizona (which includes the city of Phoenix), debated the issue of becoming two counties in 1993. However, the issue was put to rest when it was found to be economically unfeasible to divide the county.

Tennessee experienced some success in combining counties. In Tennessee, James County was annexed to Hamilton County in 1919. In this situation, a rather affluent county (Hamilton) absorbed a somewhat impoverished county (James). It is thought however, that the reduction in taxes that occurred after the consolidation was attributable to a state-wide reevaluation of taxes in Tennessee, rather than due to the consolidation. One estimate suggested that the tax savings as a result of the consolidation was about 15%. Nevertheless, the consolidation was beneficial to James County, as services such as roads and education were improved.

Georgia also experienced some success in consolidating counties. In 1929, Campbell County and Fulton County combined; two years later, Milton County combined with Fulton County. Both took place in an effort to reduce taxes in the sparsely populated counties of Campbell and Milton (Fulton County was more densely populated as much of it was coterminous with the city of Atlanta). There was no significant reduction in costs, but tax rates were reduced in the sparsely populated counties, and services were improved to these same counties.

Many county boundary adjustments have been proposed as a means of reducing high per capita service costs in counties, improving the quality of services, or, in some cases, to increasing representation of county residents. It has often been assumed that by increasing the population size, per capita costs could be reduced, as the fixed costs would be spread over a larger population base. More recent studies of county consolidations, such as the one in Iowa in 1991, have not found any substantial evidence that costs would be reduced through consolidations or boundary adjustments. Much of this may be due to current forms of technology which allow for easy, and rather inexpensive, communication within and between counties. Counties have also initiated a number of joint powers agreements and other cooperative agreements to foster better services and lower costs. These joint powers agreements do not require counties to give up their individual identities (i.e. consolidate). County identity remains strong, and is among the major reasons why more county consolidations have not occurred.

In addition to the reluctance of county residents and officials to give up their historical identities, many individuals in more affluent counties fear a consolidation with neighboring counties would increase their overall tax burden. This is particularly true when a consolidation proposal involves a county with a relatively low property tax base combining with a neighboring county with a more affluent property tax base. There is often strong opposition in the more affluent county - since a consolidation will require the affluent county to assume a disproportionate share of the fiscal responsibilities, problems, and debt of the less affluent county.

[During the course of our study, our office was contacted by an elected official from Mahnommen County in northwestern Minnesota. The Mahnommen County official noted that his County was facing a significant fiscal crisis. While the demands for county services were continuing to increase, Mahnommen County was losing a significant portion of its property tax base as private property was being purchased by the White Earth Indian Reservation. While the official was open to discussing a consolidation with a neighboring county as a means of resolving the county's fiscal crisis, he was confident no neighboring county would be willing to inherit the county's diminishing property tax base.]

Perhaps more popular than county consolidations have been city-county consolidations, which generally occur on the premise of conserving resources and creating more efficient management. Some examples of the more than thirty city-county consolidations nationwide are:

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
5. Miami and Dade County, 1996, a petition drive is underway in Miami urging elimination of the city of Miami.

However, even many of these efforts have not obtained the anticipated and expected positive results. Some have reduced costs by eliminating duplicate services and administrations, but they have not brought the desired cost savings or the increased revenues, as was hoped for.²

² 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.

BACKGROUND INFORMATION ON MINNESOTA COUNTIES

Minnesota's 87 counties are organized under the commission form of government. The first 60 of Minnesota's present 87 counties were formed in the period from 1849-1858. The last county formed was Lake of the Woods County in 1922. The counties range in size from 155 square miles (Ramsey County) to 6,092 square miles (St. Louis County). Their populations also vary from 4,088 in Cook County to 1,055,673 in Hennepin County (1994). Many of Minnesota's geographically small counties are located in the southern portion of the state, while the counties with the greatest geographic areas are located in the northern regions.

Minnesota's counties have a number of responsibilities. They offer general government services (services related to general government administration such as property tax assessments, planning and zoning, the county attorney, and general purpose county building costs), public safety and law enforcement, highway maintenance, health and human services, libraries, and numerous other services. County revenues are derived primarily from property taxes, federal and state aids, fines, and license fees.

FISCAL CONDITIONS OF MINNESOTA COUNTIES

Per capita county expenditures appear highest in rural, sparsely populated counties, such as Big Stone and Cook Counties. These counties have populations ranging from 4,088 to 6,025, population densities of three to twelve persons per square mile, and 1994 per capita expenditures of \$900 in Big Stone County and \$1,718 in Cook County. Per capita expenditures appear to be lowest in counties such as Martin and Steele, which have population sizes of 22,842 and 31,646, population densities of 31 to 74 people per square mile, and per capita expenditures of \$376 and \$383, respectively. In 77% of all cases, as geographic size, and/or per capita state grants to counties increase, and/or population decreases, per capita expenditures increase. The table on page 10 exemplifies the differences in expenditure levels for various county groupings.

A few explanations have been offered for the apparent inverse relationship between per capita expenditures and population size. Sparsely populated counties are unable to benefit from economies of scale for many services. They have a small population base over which the fixed costs of many governmental services can be spread, thus their per capita costs are somewhat higher. Population densities are also quite low in these counties and the population is fairly spread out, so service providers, such as health and human service providers, have to travel farther to deliver services, thus increasing service delivery costs. In several cases, the sparsely populated counties also serve a relatively large geographic area, thereby increasing overall expenditures.

Another factor which may serve to increase per capita expenditures in sparsely populated counties is the lack of cities with populations over 2,500. Many of the very small cities located within these counties contract with and/or rely on the county for the provision of a number of services which are normally provided by municipal governments. For example, most cities with less than 2,500 residents opt to rely upon the County Sheriff's Department for their law enforcement services, rather than maintaining their own police department. While larger cities may perform the property assessment function, cities with populations under 2,500 routinely rely on the county assessor's office for this service. Many solid waste initiatives, such as recycling and composting programs, are provided exclusively by the county in these sparsely populated areas of the state; in areas with

larger cities, the municipal government has opted to provide these solid waste programs and services. Generally, while the cities **may** pay the county for the service, it still costs the county money to produce the service, and not all of the county's costs are returned through the fees paid by the cities. The table on page 11 lists the number of cities over 2,500 in some of the most sparsely populated counties in Minnesota. The table also allows for a comparison with a randomly selected set of counties that serve larger populations.

Expenditure Levels for Counties According to Population

	1994 Population	Square Miles	Population Density	1994 Per Capita Expenditures
Sparsely Populated Counties				
Big Stone	6,025	490	12.3	\$899
Cook	4,088	1,346	3	1,718
Kittson	5,601	1,123	5	821
Traverse	4,343	568	5.65	953
Counties with Medium Pop. Bases				
Chisago	34,700	419	82.8	583
Le Sueur	23,922	467	51.2	508
Steele	31,646	425	74.5	383
Martin	22,842	734	31.1	376
Counties with Large Pop. Bases				
Dakota	308,002	571	539.4	409
Ramsey	492,909	155	3,180.1	652
Hennepin	1,056,673	567	1,863.6	607
Anoka	266,713	424	629	466
Counties with Large Geographic Areas				
Beltrami	35,360	2,501	14.1	688
St. Louis	198,866	6,092	32.6	751
Koochiching	15,822	3,127	5.01	737
Lake	10,398	2,062	5	964

**Number of Cities with Populations Over 2,500³
In Counties With Less Than 7,000 Residents**

	1993 Population	1993 Pop. Density	# of Cities Over 2,500 in 1993	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
Mahnomen	5103	9.1	0	901
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
Dodge	16,275	37.4	1	456
Goodhue	41,681	55.4	2	465
Lyon	24,979	35.3	1	346
Otter Tail	51,309	26.2	2	529
Pine	22,006	15.6	1	634
Rice	51,122	103.3	2	405
Winona	48,396	78	3	405

³ 1993 figures are used for this table because 1994 figures were not available on the number of cities in each county with populations over 2,500.

In Minnesota, many of the rural, sparsely populated counties also have populations which have a disproportionate number of citizens over 65 years old. Many of these citizens tend to require and/or request more human, social, public health, and medical services, thus increasing expenditures for these counties. During the past two decades, many of these same counties have also experienced economic stagnation, particularly those counties which rely on the agricultural and mining industries. This in turn has caused citizens seeking employment to relocate outside of the county or rely more heavily upon various public services while they seek adequate employment. Thus, the proportion of those reliant upon the county for services is increasing while those less reliant on the county are moving out of the county. There has been an increased demand on social and human services from an aging population in counties with declining overall population bases and a struggling mining, forestry, or agri-businesses economies.

Many counties with small populations receive more money, per capita, in the form of state grants. These counties may not be able to raise the necessary level of revenues through taxes and service charges alone, thus they tend to rely more upon state grants for revenue. It can be shown statistically that county per capita revenues from state grants have a positive relationship to county per capita expenditures. That is to say, counties which receive the most per capita from state grants also seem to have the highest per capita county expenditures; the more a county receives from the state on a per capita basis, the more it spends on a per capita basis. While this direct relationship may suggest that the state could reduce per capita county expenditures in some counties if it were to reduce state aid to those counties. However, this would not be an economically, socially, or politically wise move. It would force such counties to cut expenditures and consequently, to cut necessary services, and could possibly cause business and citizens to relocate, thereby worsening the situation. In reality, most state aid to counties is driven by formulas that measure the need of citizens for specific services. As was noted before, many sparsely populated counties have a disproportionate number of citizens who are likely to require specific county services. Therefore, it stands to reason that these same counties are likely to be the recipients of a disproportionate amount of formula-driven state aid payments.

As was noted earlier, statistical analysis of county expenditures suggests that the geographic size of a county is another factor which affects per capita county expenditures. Counties with large geographic areas tend to have higher per capita expenditures. It was found that for each one square mile increase in the size of the county, per capita expenditures increased by \$0.07. Therefore, the consolidation of two or more counties may, in certain cases, actually increase per capita expenditures.

In real dollars, per capita county expenditures have fluctuated over the six year period from 1989-1994 (see exhibit 2 at the end of the report).⁴ According to the State Auditor's Office, expenditures and revenues for counties increased in 1993 for the first time since 1990, which was a reversal of a downward trend established over the previous years. Declining county revenues and expenditures in the early 1990's were the result of a reduction in federal and state fiscal assistance and an increasing reliance on property taxes for revenues. Many counties have since

⁴ When county per capita expenditures were adjusted for inflation to 1989 constant dollars, using the consumer price index for the North Central Region (Minneapolis) from the U.S. Department of Labor's Bureau of Statistics, it appeared that per capita expenditures actually remained constant or decreased over the six year period.

sought other ways to generate revenues to finance essential public services, including a heavier reliance on various fees, such as license and permit fees.

PUBLIC OPINION ON ADJUSTING COUNTY BOUNDARIES

As part of our study, we conducted a series of focus groups of various community leaders throughout the state. Although one might expect county officials to be somewhat skeptical of any suggestion that county boundaries should be changed, we were less sure of what the general public reaction to such a proposal might be. We were somewhat surprised to find that many community opinion leaders share skepticism of public officials.

To conduct our focus groups, we invited local community leaders from such organizations as the Chamber of Commerce, the League of Women Voters, the Northern Minnesota Citizens League, local school district officials and academia, to participate in an informal discussion of county services and existing county boundaries.

Focus group participants were first asked to explain the relationship between county government and residents. Many participants felt that county residents were not fully aware of what services are offered by counties, especially in urban areas. Residents of cities tend to look to the city for services which may actually be provided by the county. This confusion is compounded by a general lack of understanding of which services are offered by which local government entities. Rural residents appear to be more aware of the services the county offers, and tend to identify more politically and geographically with the county than with a nearby city or town.

Many county residents who participated in the focus groups were opposed to changing county boundaries. They saw little need or rationale for such changes. At present, there are a myriad of joint powers agreements in place. These agreements cover a wide variety of county operations; so much so that at times county boundary lines have become somewhat symbolic, rather than serving as rigid limits to service delivery areas. Residents generally felt that changing county boundaries would do little to enhance services or reduce inequities between counties unless the structure of county government was completely eliminated, thereby requiring the state to develop a single, uniform service delivery system. If new county lines were drawn, rather than eliminating counties completely; demographic, political, economic, and geographic characteristics (and rivalries) would still exist no matter where the new boundary lines were drawn, and many of the same problems would remain.

Focus group participants questioned whether the state's interest in boundary adjustments was to promote increased efficiency or to increase effectiveness. Several participants suggested that one or the other goal must be chosen; they cannot occur simultaneously. If the goal is to increase efficiency, then perhaps county boundaries should be adjusted in order to reach some ideal county geographic size or population size, if in fact an ideal size could be determined for a given region. Alternatively, if the ultimate goal is to create more effective services for county residents, then adjusting county boundaries would not necessarily do anything to improve the quality or range of services county residents receive.

The majority of the focus group participants, whether or not they supported boundary adjustments, shared the opinion that any attempt to adjust county boundaries must be initiated at the local level. The state administratively and legislatively should not attempt to dictate such changes. However, if an attempt to adjust boundaries and/or consolidate counties is initiated at the local level, the state should help remove the barriers to the boundary adjustments and work with local officials to help facilitate the process.

COUNTY OFFICIALS' OPINION ON COUNTY BOUNDARY ADJUSTMENTS

In order to obtain county officials' and administrators' opinions and perceptions of county boundary adjustments, a mail survey was conducted of a representative sample of 30 Minnesota counties. Although the response rate was not as high as we would have liked, it would appear that officials representing rural counties with small populations and a high percentage of senior citizens were the most opposed to adjusting county boundaries. As one might expect, there was little support among county officials statewide for boundary adjustments. Many of the county commissioners in the small, sparsely populated rural counties feared losing the close relationship that often exists between county residents and county officials. It was often felt that apathy toward, and distrust of, county government would increase if the population and geographic size of individual counties were increased.

Counties with larger geographic areas were somewhat more supportive of adjusting county boundaries, though it was not unanimous either within or between counties. Many of the commissioners and officials in larger geographic counties noted that the spatial area of the county is already so large that they might benefit from annexing certain portions of their county to a neighboring county. This would allow current residents who live in the far corners of one county, but who are actually closer to the county seat of a neighboring, smaller county, to receive services from the more accessible county seat in the neighboring county.

Overall, Minnesota county officials are opposed to boundary adjustments. They perceive negative effects on the cost, quality, level, and range of services when populations increase and geographic areas expand. Limited economies of scale for some services may be reached through increasing the population, though county officials felt that very few services would be positively effected.

With both the focus group participants and the survey respondents indicating that any move toward changing county boundaries should come from the counties themselves, not from the state, the state would be well advised to move slowly and cautiously regarding this issue. County officials are currently frustrated by the number of funded and unfunded state and federal mandates placed upon them. To place an additional mandate requiring them to adjust their boundaries, consolidate with another county, or simply to consolidate selected service systems would only add to the level of frustration county residents and officials have with Minnesota state government.

ALTERNATIVE METHODS TO PROVIDE EFFECTIVE, EFFICIENT SERVICES

Many counties have implemented cooperative agreements of several kinds, including joint powers agreements, to deliver services. Such agreements have the advantages of limited government restructuring to implement versatility and flexibility in service delivery, the ability to contract or franchise county services, lower costs and/or greater efficiency. Another method, which has been suggested, but has not been implemented widely as of yet, is the use of seamless services.

Joint Powers Agreements

Joint Powers Agreements have been used extensively by Minnesota counties to offer a variety of services to their residents, such as waste management, health and human services, public safety, and solid/hazardous waste management, among a multitude of other services. In some of the southern counties, joint powers agreements have been implemented to provide human services, such as the Faribault-Martin Human Services Board, and the Region VIII North Welfare Board, comprised of Lincoln, Lyon, and Murray counties. Joint powers agreements in general allow counties to cooperate collectively with other counties or jurisdictions to offer services to a broader community, thus pooling the resources and expertise necessary to offer the service amongst themselves. The pooling of resources allows counties more funds and other resources to work with, and spreads the costs out over a larger population and tax base, which may potentially reduce the per capita costs of the service.

Joint powers agreements have also eliminated some of the duplication of services and administration provided by counties, thus lowering costs for each of the counties involved. They have erased many of the service delivery boundaries which have kept counties from operating efficiently in the past. This has been achieved through the ability of counties to opt in and out of the agreement at will.

Seamless Services

Many county residents actually reside closer to the county seat of a neighboring county than they do to 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 commonly referred to as seamless services, meaning that there are no boundary lines (or seams) to 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 electronically transferred between the two counties. Such a system may also serve to create more uniformity in the range and level of services between counties.

CONCLUSIONS

Seven general conclusions can be drawn from our research on the feasibility of adjusting county boundaries in Minnesota:

- Given the demands on counties for more efficient and effective services, every effort to improve the operation of county government should be explored at the local level, including the desirability and feasibility of consolidating counties or adjusting county boundaries. If local interest exists for adjusting county boundaries and/or consolidating counties; the state should help facilitate the process by removing any barriers that may impede the local initiative. The state should not mandate consolidation. In addition, the state may wish to offer financial incentives to help counties overcome some of the fiscal barriers to county boundary adjustments and/or county consolidation.
- While sparsely populated counties may have higher per capita expenditures, our analysis does not suggest that consolidating two sparsely populated counties will significantly reduce their per capita expenditures, particularly if they also represent large geographic areas. More importantly, if county consolidations are implemented, the effectiveness of county services may be sacrificed with little appreciable increase in the efficiency of the services.
- Little or no support exists among community leaders and county officials for county consolidations, absent significant financial assistance to help counties overcome administrative and fiscal barriers to consolidation.
- Joint Powers Agreements and Service Sharing arrangements are perceived by the public and county officials as a more desirable alternative for eliminating duplication of services and increasing efficiency; the state should actively encourage their continued and expanded use.
- County officials should not be content with the significant level of intergovernmental cooperation that is already taking place; instead, they should explore numerous additional opportunities that exist for intergovernmental cooperation in the delivery of a service. Unless county officials demonstrate that they are maximizing the potential savings that can be achieved through voluntary intergovernmental cooperation, there will be continued efforts by state policy makers to force governments to work together.
- It is also not clear that county consolidations or boundary adjustments will always yield an improvement in the quality of services, range of services, or more effective or efficient service delivery systems. The results are likely to be different depending upon the specific counties involved in a proposed consolidation or boundary adjustment.
- There would likely be appreciable administrative savings for state government if there were fewer counties in Minnesota. Most state programs and services delivered by the county require significant administrative coordination between the individual counties and the state agency responsible for overseeing the statewide delivery of the program or service. For example, for most statewide programs and services, local delivery plans must be developed by the individual counties and submitted to the state agency for review and

approval. Fewer counties would mean fewer local plans and grant applications to review, approve, and manage. Although the state agencies we contacted were not immediately able to quantify the potential administrative savings, the representatives of the agencies agreed that fewer counties would reduce their administrative workload.

However, it was also noted that a similar savings could be realized if specific services were to be provided through multi-county joint powers arrangements. If two or more counties formed multi-county human service boards, the multi-county cooperative would need to submit a single plan to the Department of Human Services for every service delivered through the cooperative. 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 regional delivery systems, 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 realizing significant cost savings to the county or the state. Alternatively, costs could be shifted to the public who may have to travel longer distances or accept reduced levels, quality, quantity, effectiveness or efficiency of services because of an increase in the number clients or the size of the service area. Definitive conclusions are hard to reach regarding the economic and service delivery benefits of adjusting county boundaries or consolidating counties in Minnesota.

Because the focus of the study was voluntary boundary adjustments, and not mandated adjustments, the research has indicated that it might be feasible to adjust county boundaries and/or consolidate counties. Public support may prove more likely in situations where the public is given the choice of what to do, provided they also see a reason for the change. Within Minnesota there is a great deal of variation in the characteristics of counties. Therefore, it is impossible to predict in advance what the characteristics are of counties which might be willing to participate in a voluntary boundary adjustment initiative. It is equally difficult to predict with absolute certainty what counties would realize a financial benefit if they were to consolidate with neighboring counties. Any proposal to adjust county boundaries, or consolidate counties, must be analyzed on an individual basis; it is impossible to definitively state that all proposals to consolidate counties will produce a specific result (i.e. improved efficiency and effectiveness in the delivery of services).

The major obstacles to boundary adjustments may appear to be minor since they deal more with attitudes than with objective, quantifiable data. But attitudes may prove difficult to change and are typically maintained across generations. It is also important to understand that the Minnesota Constitution requires the voters of all counties affected by a proposed boundary adjustment to be given the opportunity to vote on the proposal in a referendum. If a majority of voters oppose a proposed boundary adjustment, the adjustment may not be implemented. Given this Constitutional requirement, it is essential that any proposal to adjust county boundaries must win the support of the electorate.

Given these realities, how should the state approach changing attitudes and opinions if it was determined that consolidation or boundary adjustments are advantageous? Showing someone facts and figures does not change their attitudes. Rather, it may create resentment and cynicism. After all, numbers and facts, it is suggested, can be manipulated to demonstrate desired results.

Clearly then all issues regarding boundary adjustments must be resolved at the local (county) level through voluntary means. Local approaches should include consideration not only of consolidation, boundary adjustments, joint powers agreements, and other inter-county cooperatives (both formal and informal), but also the creation of new counties from existing counties if it is determined locally desirable. The likelihood is that state mandated boundary adjustments would face strong local opposition from elected and appointed officials and citizens. Instead, the state should promote innovative and cooperative avenues for local governance and offer assistance (financial or otherwise) which will help county officials overcome real and perceived barriers to implementation of initiatives that will produce more effective and efficient service delivery models.

EXHIBIT 1

MINNESOTA COUNTIES

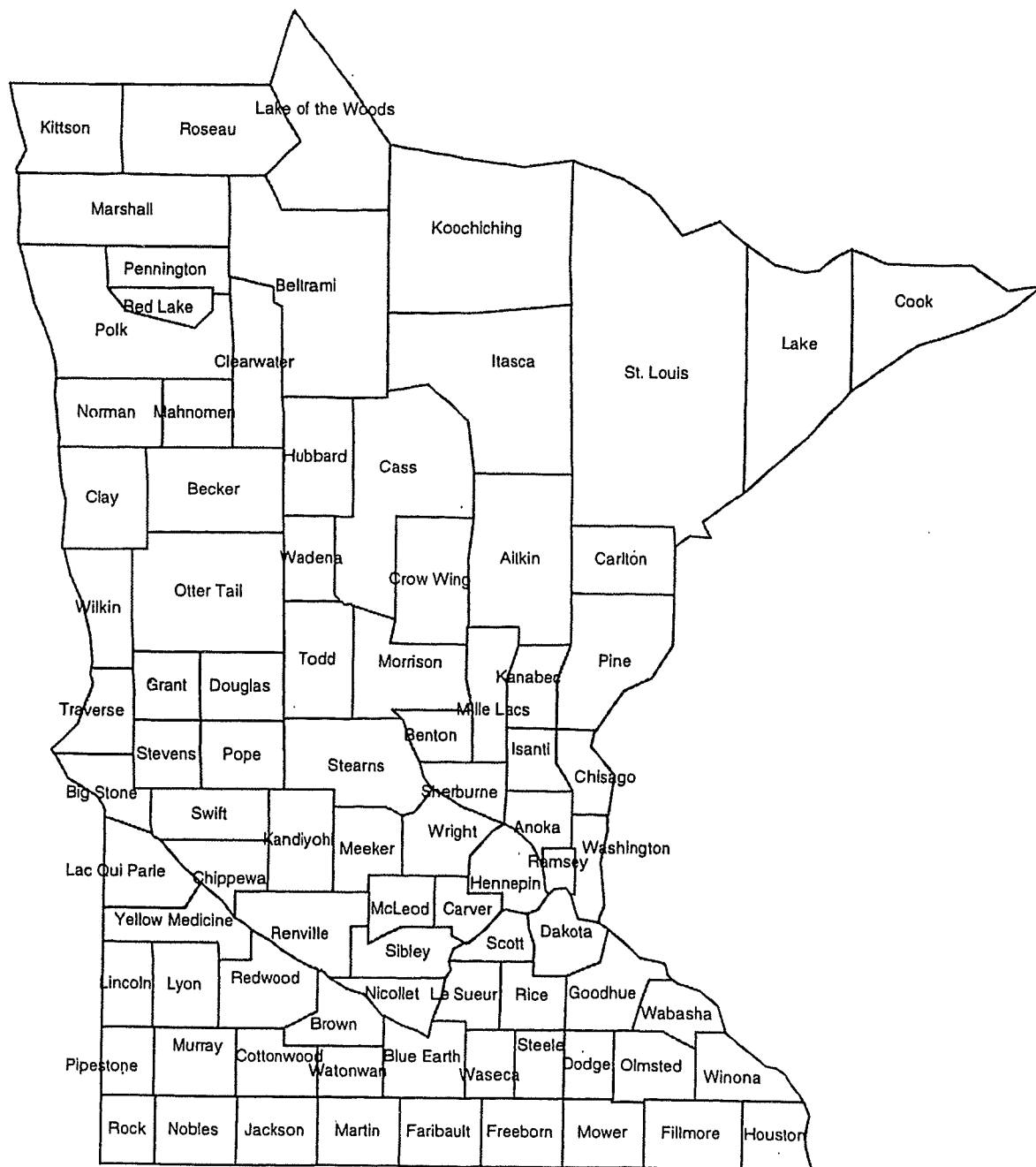
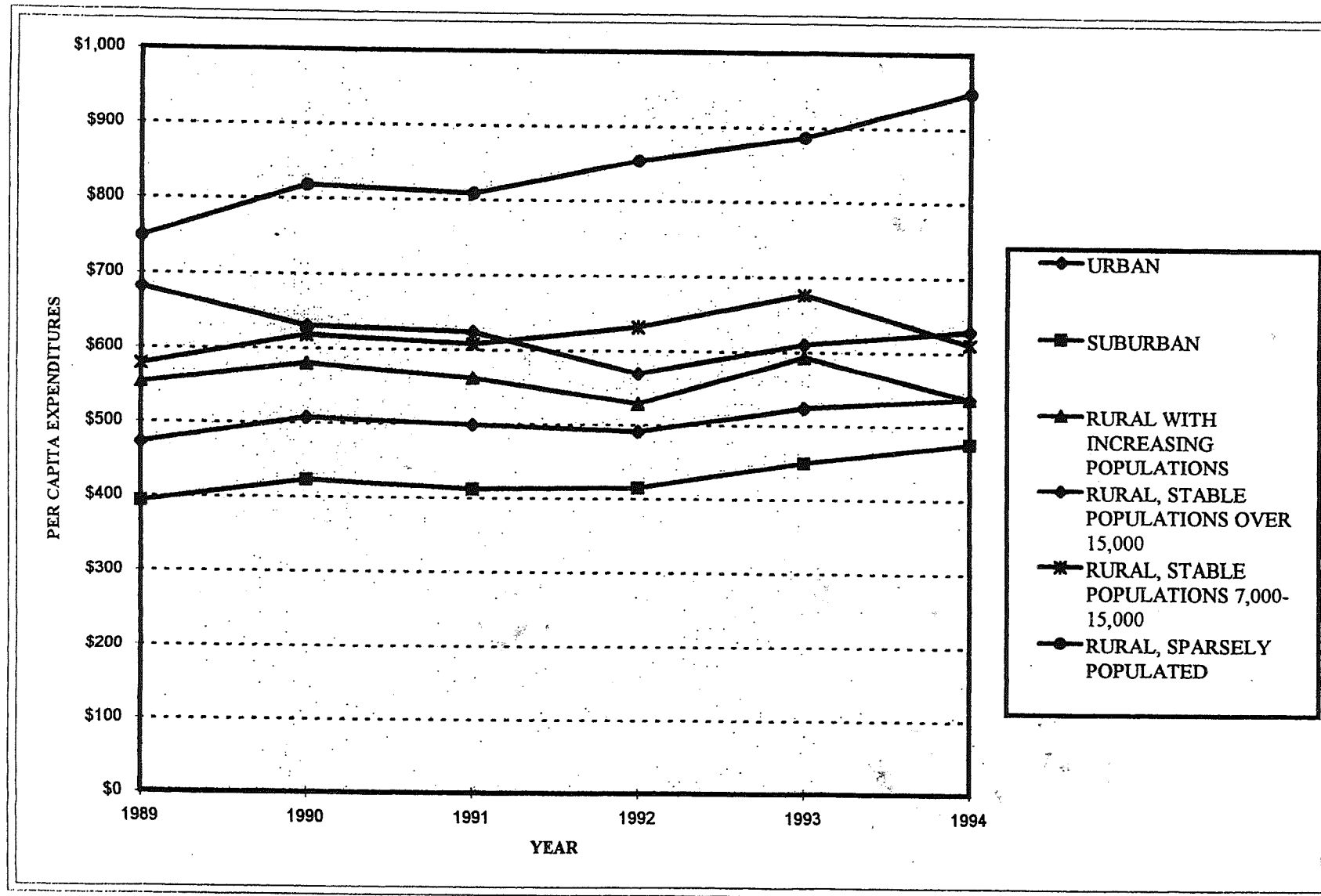


EXHIBIT 2

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



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.

The Board of Government Innovation and Cooperation was created by the Minnesota State Legislature in 1993 in order to encourage and facilitate improved local government service delivery. By providing incentives for innovative and cooperative approaches and by removing state-imposed barriers to more effective and efficient service delivery methods and mechanisms; the Board assists local government officials to improve the quality of services they delivery.

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