

**LOCAL GOVERNMENT
AGENDA SETTING
DYNAMICS**

***THE CASE OF
FISCAL DISTRESS
IN NEW YORK***

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Intergovernmental Studies Program

Rockefeller College of Public Affairs and Policy ■ University at Albany

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The Intergovernmental Studies Program (IGSP) works to improve intergovernmental performance and collaborative outcomes for state and local governments. IGSP builds an understanding of effective intergovernmental practices through case research and partnership projects with state agencies and local governments.

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ABSTRACT

This study examines local government agenda setting dynamics in New York State to explain an observed increase in interest in intermunicipal cooperation among local government managers. In the model developed to explain this trend, increasing interest in intermunicipal cooperation, conceived as a tool to maintain service scope and quality levels while keeping costs down, is hypothesized as a function of the extent of municipal fiscal distress. Preliminary results reveal only one of the measures—tax hikes in cities—has a significant statistical relationship to increased interest in intermunicipal cooperation. An alternative explanation, where state-level institutional actors drive the local government agenda setting process, is suggested.

BACKGROUND

A critical mass of local governments in New York State have experienced significant fiscal distress over the course of the last several years according to several indicators—number of cities and counties approaching legal tax limits, number of cities with declining bond ratings, and number of cities with declining real property values. This study, undertaken by the Intergovernmental Studies Program of the University at Albany, examines the extent to which municipal fiscal distress impacts the local government agenda. The guiding logic is that as municipal fiscal distress increases, municipal managers adapt by searching for new methods to raise additional revenue or reduce operating costs.

Several factors converged over a brief period to raise the New York State local government fiscal distress meter in recent years, more for some types of municipalities than others. First, all municipal governments are coping with rising energy costs (Perry 2006a; Waldman 2007). Second, a downturn in the stock market in 2001-02 triggered an increase in municipal contributions to the state pension fund. When the stock market posted high returns during the late 1990s, the New York State Office of the State Comptroller stopped requiring municipal contributions to the fund. Soon after the market began declining, significant contributions were required again, challenging local government fiscal capacity (McKinley 2001; Humbert 2004). Third, the steady rise in the cost of providing health care coverage to employees significantly increased the cost of operating municipal governments (Coin 2004). Counties in New York State are further affected by the increase in the cost of health care coverage because they must contribute one-half of the state Medicaid cost.

Significant stress on a system, in the current study the local government system, might induce those responsible for managing the system to innovate structural changes to increase its stability and sustainability. One popular reform approach, originating in the metropolitan reform literature dating to the early 20th century, and appearing again in the recent regionalism literature, is premised on the

idea that fragmentation of local government leads to duplication in the delivery of services and consequent inefficiencies. Consolidation of services across governments (e.g., fire, assessment, courts, etc.) or of two or more general purpose governments achieves efficiencies through economies of scale. Additionally, there is an expectation of improved services resulting from larger, more professionally operated organizations that are able to institute tight controls (Hamilton 1999) .

Fragmentation characterizes the New York State local government system, which contains more than 1,600 general-purpose local governments (i.e., counties, cities, towns, and villages) (N.Y.S. Office of the State Comptroller 2007a). For New Yorkers, there are important advantages to political fragmentation. Local governments hold zoning and planning authority; police and law enforcement services are accountable to local officials and tailored to community norms and needs. However, the costs of providing local services in many jurisdictions under the current governance structure, especially in many regions north of the New York City metropolitan region, have begun to significantly outpace the ability of local property taxpayers to contribute. Local government budgets are heavily weighted toward human resources and the largest budgetary increases tend to be for providing health care benefits to employees.

The study researchers hypothesize that as the costs of operating local governments escalate, municipal managers would be increasingly interested in finding alternative ways of keeping costs down without diminishing service scope and quality. One set of tools ready at their disposal is intermunicipal cooperation or consolidation, where two or more municipalities collaborate in the production and delivery of specific services or consolidate functions or governments. The statutory framework in New York facilitating intermunicipal cooperation provides broad authority to municipal governments to enact intermunicipal agreements that consolidate services across two or more jurisdictions or two or more municipal governments (N.Y. General Municipal Article 5-J § 119-u). While it is allowed under municipal law, the question remains: Do municipal managers view intermunicipal cooperation as an effective tool at their disposal and elevate it onto the local government agenda?

This study seeks to fill a gap in the agenda setting literature, which is largely silent on local government agenda setting processes and dynamics, by building a model examining the relationship between the extent of municipal fiscal distress and local government intermunicipal cooperation agenda activity. The study researchers selected counties and cities as a tractable starting point, representing a sample of 57 counties and 61 cities. For each set of cases, researchers measured the extent of municipal fiscal distress by collecting bond rating, real property value, and tax and debt limit exhaustion data from 2004 to 2006. To measure local government intermunicipal cooperation agenda activity, researchers collected state of the county and city addresses and budget messages

from 2005 to 2007.

The number of county documents containing references to intermunicipal cooperation increased from 16 (of 41 collected for 2005) to 25 (of 49 collected for 2007), representing a 56 percent absolute increase. For cities, the document count increased from 18 (of 36 collected in 2005) to 21 (of 47 collected in 2007), representing a 16 percent absolute increase. This data suggests several questions. What drove the rise in agenda activity during this three-year period? Did local government managers recognize that they needed to develop innovative service delivery methods to adapt to the sustained fiscal distress, or was some other dynamic responsible for the increase in intermunicipal cooperation?

The study researchers considered these and other questions and began building answers in four stages. First, they defined the parameters of the problem by building the case for municipal fiscal distress impacting New York State local governments, particularly cities and counties. Second, the researchers situated the issue of municipal fiscal distress impacting New York State local governments within the context of the “garbage can” approach to agenda setting developed by John Kingdon (1995). Third, they built the research design along with a model of the relationship between municipal fiscal distress and intermunicipal cooperation agenda setting activity. Fourth, the researchers analyzed the results and their implications to understand local government and intergovernmental agenda setting dynamics.

THE PROBLEM

Fiscal distress among local governments in New York State, in particular upstate cities and counties, increased significantly beginning in the first years of the 21st century, according to a number of indicators and observers of the local government system. The increased distress followed a period of prosperity and surplus in the late 1990s. For example, Table 1 (shown on page 4) reveals bond ratings declined in 16 percent of cities and five percent of counties from 2004 to 2006, while real property values fell in 21 percent of cities. The table also shows that nine percent of counties and 13 percent of cities approached legal tax limits from 2004 to 2006.

Table 1
County and City Fiscal Distress Indicators
2005-2007

	COUNTY		CITY	
	Frequency	Percent	Frequency	Percent
Bond Rating Decline 2004-2005 OR 2005-2006				
Yes	3	5.3	10	16.4
No	54	94.7	51	83.6
Total	57	100	61	100
Real Property Decline 2004-2005 OR 2005-2006				
Yes	2	3.5	13	21.3
No	55	96.5	48	78.7
Total	57	100	61	100
Tax Levy Increase 2004-2005 AND 2005-2006				
Yes	23	40.4	32	52.5
No	34	59.6	29	47.5
Total	57	100	61	100
Debt Limits Approached 2004, 2005, 2006				
Yes	0	0	2	3.3
No	57	100	59	96.7
Total	57	100	61	100
Tax Limits Approached 2004, 2005, 2006				
Yes	5	8.8	8	13.1
No	52	91.2	53	86.9
Total	57	100	61	100

Source: Tax and debt limit, real property, and tax hike data obtained from the New York State Office of the State Comptroller; bond rating data obtained from Moody's bond rating service.

The New York State Office of the State Comptroller (OSC) is an institutional observer of the local government system. The agency has a constitutional responsibility for providing oversight directed toward ensuring the fiscal integrity of local government operations (NYS Constitution Article 5 § 1). The agency collects local government fiscal data through legally mandated reporting mechanisms, interacts often with local government officials, issues reports on local government fiscal conditions, and plays a key role when municipalities are taken over by a state appointed control board (NYS Executive Law Article 4 § 40, 3). More than any other single institution of state government, OSC is uniquely suited to be the “watchdog” of the local government system’s fiscal health and render assessments on the condition of the whole system and its constituent parts.

The Local Government and School Accountability division of OSC issued several reports in recent years registering concern over the fiscal conditions among New York State local governments, especially cities and counties. For example, a February 2006 publication, *Analysis of Fiscal Distress in New York State's Cities*, concluded that although no single fiscal distress indicator used to evaluate city positions provides a balanced perspective, taken together the indicators suggest several of the larger upstate cities may be in trouble. The data presented in the report's "Overall City Profile" table reveal that 21 percent of cities are registering above average or substantially above average on two or more of four fiscal distress factors (NYS Office of the State Comptroller 2006aa).

Other municipal fiscal stress reports issued by OSC in the last two years include: *Fiscal Challenges Ahead for New York's Cities*, an analysis of mandatory multi-year plans submitted by cities; *County Medicaid Costs: UPDATE*, an analysis of the impact of Medicaid cost increases on local government fiscal integrity; *Outdated Municipal Structures*, an analysis of current utility of the fragmented local government system in New York that emerged over the course of approximately two centuries; and *Layers of Debt: Trends and Implications for New York's Local Governments*, an analysis of the multi-layered debt challenges facing municipalities, particularly counties (NYS Office of the State Comptroller 2006a, NYS Office of the State Comptroller 2006b; NYS Office of the State Comptroller 2006c; NYS Office of the State Comptroller 2007b) .

The impression from the data and the assessment of OSC suggests a high proportion of New York counties and cities are in fiscal distress. Does this condition of distress translate into increased agenda activity around intermunicipal cooperation? The literature on agenda setting teaches that conditions must be recognized and defined as problems by political actors (Kingdon 1995: 109). Do local government managers recognize and define municipal fiscal distress as a problem to the same extent as OSC, and as a consequence, elevate intermunicipal cooperation to the institutional agenda? Can we explain the increase in local government intermunicipal cooperation agenda activity as a function of municipal fiscal distress or some other dynamic?

AGENDA SETTING

Agenda setting research has its origins in the communication literature in the early part of the 20th century and subsequent scholarly efforts to understand the media's internal agenda setting dynamic, the role the media plays in setting the public agenda, and the extent of its agenda setting influence (Rogers and Dearing 1993). Political scientists informally began outlining a program for agenda setting research in the 1960s when pluralist scholars began recognizing that elites control access to the items that rise to the decision-level agenda (Dahl 1960; Schattschneider 1960; Gaventa 1980; Rogers and Dearing 1993). The 1972 seminal volume *Participation in American Politics: The Dynamics of Agenda Building* increased the focus of agenda setting scholarship among political scientists by out-

lining a research agenda with numerous formulated propositions for future testing (Cobb and Elder 1972). The publication of *Agendas, Alternatives, and Politics* in 1984 similarly increased the focus by presenting a framework for analyzing the dynamics of federal institutional-level and decision-making-level agenda setting processes—the garbage can model (Kingdon 1995).

To date there has been little systematic research on local government agenda setting processes. We believe the garbage can model outlined by John Kingdon (1995) for understanding federal policy agenda setting processes is well suited to adaptation to the local government context. In the garbage can model there are three *streams*—*problems*, *policies*, and *politics*. *Policy entrepreneurs* hold particular pet policies/solutions dear. They seek out problems to which they can attach their favored policies/solutions. When the political stream is ripe, a problem is activated, and solutions are available, the three streams join, a *policy window* opens, and a particular policy alternative favored by the policy entrepreneur can be pushed through the metaphorical opening.

In the New York State context, *indicators* watched by local government budget officers, such as tax levy increases and bond rating declines, might activate the problem stream. Changes in tax and debt limits, monitored by OSC, may be another source of activation. Finally, *feedback* through requests to New York State legislators by local government managers for additional municipal financial assistance and audits of local governments performed by examiners from OSC may result in local government conditions being defined as a problem (Kingdon 1995: 90-3, 100-3).

The policy stream is stimulated by policy proposals promoted by specialists in the policy community, where old ideas are recombined into new ones to provide a better fit with current problems. New York State local government managers, the New York State Legislature, the governor, and the State Comptroller's Office have increasingly promoted intermunicipal cooperation as a policy tool to address municipal fiscal distress. Emphasizing cooperation and collaboration on the production of a service or even the integration of functions across jurisdictions might be said to be a more politically palatable variation on an older theme of the progressive reform movement. That vision emphasized complete municipal consolidation and its consequent loss of autonomy as a means of attaining efficiencies and improving quality. No new system is necessary, as the legal framework facilitating intermunicipal cooperation is already well developed. Thus, intermunicipal cooperation as a solution to municipal fiscal distress in the New York State context is a ready-made policy tool waiting for a problem to which it can connect (Kingdon 1995: 116-27).

The political stream is ripe when the local community *mood* is receptive, local interests are in favor of a particular alternative or at least not actively opposed to it, and/or there is turnover in key government personnel or turf battles occurring between government institutions and actors (Kingdon

1995: 145-59). We can draw no generalization on the local community mood across New York State, the positions of local interests, or the receptiveness of local government managers to intermunicipal cooperation. Evidence from studies of intermunicipal cooperation suggests varying levels of receptiveness to intermunicipal cooperation among New York's local government management community (Cresswell 2008; Regional Institute 1997). However, the researchers can measure turnover in local government personnel and identify possible turf battles between state-level institutional actors designing programs—initiated by the New York State Legislature and the State Comptroller's Office—to ameliorate municipal fiscal distress. More recently, with the change in gubernatorial administration in January 2007, the Governor has joined the cross-section of institutions promoting intermunicipal cooperation by forming the Commission on Local Government Efficiency and Competitiveness by Executive Order 11. However, the Commission's activities do not impact the analysis in this study since the municipal fiscal distress and agenda setting data pre-date its formation.

The following question emerges from this discussion. Can the increase in agenda setting activity observed among counties and cities from 2005 to 2007 be better explained internally—by municipal managers responding to alarming fiscal distress indicators—or externally—by state-level institutions perceiving alarming fiscal distress indicators and responding with renewed interest in intermunicipal cooperation? This renewed interest is expressed by designing programs that raise awareness of the need for intermunicipal cooperation, and provide incentives for it to occur. What seems plain is that the problem stream was activated, a solution with a constituency was at hand, and key state-level political institutions (e.g., the Legislature and OSC) had reason to be competitive. Given that the policy window opened, evidenced in the increase in intermunicipal cooperation agenda setting activity, the matter left to determine is what form did the streams take when they came together. Did local government managers who elevated intermunicipal cooperation on the agenda do so because they monitor long-term fiscal sustainability indicators and observed first hand the alarming trends, or because of activity initiated by state-level institutions?

DATA AND METHODS

The more a municipality approaches fiscal distress, the more steps it should be willing to take to avert the possible peril of angering taxpayers by reducing the scope and quality of services to which they have grown accustomed and/or risking state intervention through a control board. Intermunicipal cooperation agreements that build economies of scale to achieve cost savings may be one of the steps taken. Thus, the study researchers hypothesize that interest in intermunicipal cooperation agreements as a cost savings method will rise on the agenda as local governments register increasing levels of municipal fiscal distress.

To test this hypothesis, the researchers collected data on counties (n=57) and cities (n=61) in New York State between 2004 and 2007, a period characterized by increasing municipal fiscal distress. For each case, researchers collected state of the county and state of the city addresses and budget messages as a proxy measure for the dependent variable of agenda activity levels. Thus, there are two data sets and two models to test, one for counties and one for cities. For the independent variables measuring municipal fiscal distress, researchers collected data (from 2004 to 2006) on bond rating declines, real property value declines between, tax and debt limits approached or reached between, and tax levy increases between.

Dependent Variables

To assess the extent to which intermunicipal cooperation is on municipal agendas, the study researchers collected state of the city and state of the county addresses delivered by chief officers—mayors, managers, or supervisors—or budget managers between 2005 and 2007. The study focused on state of the city and state of the county addresses in order to create a feasible set of parameters for data collection and early hypothesis testing. Collecting similar data for the far more numerous towns (n=932) and villages (n=approximately 553) simply was not practical within the research timeline. Not all documents were available. In some cases, cities and counties reported that administration turnover resulted in the loss of previous addresses. In other cases, cities and counties indicated chief budget officers delivered budget messages, but chief officers did not deliver state of the municipality addresses. Researchers used these budget messages in lieu of the addresses where they were available. Budget messages are a sensible substitute since chief budget officers use them to demonstrate that they are doing everything possible to avoid raising taxes or reducing the scope or quality of services.

Researchers collected addresses and budget messages directly from 41 counties and 36 cities for 2005 data, 43 counties and 42 cities for 2006 data, and 49 counties and 47 cities for 2007 data. The research team coded each state of the addresses or budget messages dichotomously as 0 or 1, depending on whether they mentioned intermunicipal cooperation in a given year.¹ After coding all the addresses and budget messages for each year, researchers created a composite variable of agenda activity across the three-year period by coding 1 if municipalities mentioned intermunicipal cooperation in any of the three years or 0 if they did not.

¹ It would have been possible to develop a more sophisticated coding scheme using an ordinal scale measuring the number of times intermunicipal cooperation was mentioned. Under the time constraints of the conference, this coding moved to a second phase of data analysis.

Independent Variables

The research team selected several municipal fiscal distress indicators as independent variables. To assess the extent of municipal fiscal distress, they gathered data on tax levy increases, bond rating decreases, real property value decreases, and extent of exhaustion of constitutional tax and debts limits.

Tax Levy Increases

Researchers selected property tax levy increases as a measure of municipal fiscal distress because steep increases suggest municipalities can no longer maintain traditional service quality levels without burdening taxpayers. In isolated cases, tax levy increases may be related to decisions made by more prosperous municipalities to pay up front for capital infrastructure improvements or equipment in order to keep long-term debt service costs down. However, the general economic condition of regions in upstate New York does not support the conclusion that the majority of communities are in this position. The team collected data measuring changes from the 2004 to 2005 and 2005 to 2006 tax years from OSC, coding 1 for increases that outpace the rate of inflation or 0 for not. For the analysis, they then created a composite variable across the two periods, coding 1 if there was a tax levy increase outpacing the rate of inflation in both of the two periods, or 0 if not.²

Bond Rating Decreases

The research team selected bond rating decreases as a measure because they indicate municipalities cannot convince the professional investment community of the fiscal sustainability of current operations and may increase the cost of future capital infrastructure projects (New York Times 2008). The study team collected data measuring changes in municipal bond ratings from 2004 to 2005 and 2005 to 2006 using Moody's bond rating service—ratings that decreased were coded 1 for decline, while those that did not were coded 0. A composite variable was constructed across the two periods, coded 1 if there was a bond rating decline in one or more of the two periods, or 0 if not.

Real Property Value Decreases

The researchers chose real property value decreases as a measure of municipal fiscal distress because property values determine, in part, the capacity of municipalities to generate revenue and impact the tax rate. The study team collected data measuring changes in the full valuation of a municipality's real property value from 2004 to 2005 and 2005 to 2006 from the State Comptroller's Office, coding 1 for decline or 0 for not. A composite variable across the two periods was also constructed; bond rating declines in one or more of the two periods were coded 1, an absence of such declines was coded 0.

² A two-step process was used to check the robustness of the independent variables. In the first step, dummy variables were assigned a 1 if a condition existed in either year of a consecutive two-year period. If the hypothesized relationship emerged in this broad test, a more stringent test was applied assigning dummy variables a value of 1 only if a condition existed in both years. Only the tax levy variable exhibited this level of robustness.

Legal Tax and Debt Limits

The research team selected legal tax and debt limits as a measure of municipal fiscal distress because municipalities that approach their limits jeopardize their continued ability to obtain operating and capital infrastructure funds from these important sources. A municipality was classified as fiscally distressed if it exceeded 80 percent of its legal tax and/or debt limits, the standard used by the State Comptroller's Office. Annual OSC reports provided data on the extent of legal tax and debt limit exhausted in 2004, 2005, and 2006. For each year, the measure was coded as 0 or 1, depending on whether the municipality reached or exceeded the 80 percent bar. After coding each case for each year, the study team created a composite variable of tax and debt limits across the three-year period by coding 1 if municipalities reached or exceeded the 80 percent rate in any of the three years, or 0 if they did not.

Method of Analysis

The study team created the composite variables inclusive of all the years for which they collected data in order to test the hypothesis under the most favorable circumstances first. If the statistical analysis yielded results supporting the hypothesis under the easiest conditions, the team could then test yearly data to see if the connection persisted.

Researchers initially generated cross-tabulation outputs for each of the fiscal distress indicators correlated with each of the city and county address variables for which data were available. This revealed the perceived extent of the relationship, if any, between the dependent and independent variables. To assess the strength and significance of the statistical relationship between the dependent and independent variables, the study team tested the hypothesis using logistic regression analysis. This type of analysis is appropriate for dichotomous dependent variables, as in this instance with two models—counties and cities.

RESULTS AND DISCUSSION

The results of the cross-tabulations appear in Table 2 (shown on page 11). None of the county variables is significant. The tax limit variable flows in the opposite direction—counties appear more likely to mention intermunicipal cooperation if they did not reach or exceed above-average levels. The city variables cross-tabulations suggest more of a connection between municipal fiscal distress and intermunicipal cooperation agenda setting activity. Several of the city variables are in the expected direction—bond rating declines, tax levy increases, and tax and debt limits reaching or exceeding above-average levels. Cities were twice as likely to mention intermunicipal cooperation if bond ratings declined and five times as apt if tax levies increased significantly. However, only the tax levy increase variable was significant in the chi-square tests. Further, there was also a significant increase in interest in intermunicipal cooperation for each of the other three variables—bond ratings and tax and debt limits—when municipalities did not register municipal fiscal distress. Thus cities were twice as likely to mention intermunicipal cooperation if bond ratings declined whether they were in fiscal distress or not. One implication of this data pattern may be that forces external

to municipal governments, such as state-level institutions and actors, drove the observed increase in interest in intermunicipal cooperation, regardless of local fiscal conditions.

Table 2 City and County Municipal Fiscal Distress Cross-Tabulations 2005-2007				
	Intermunicipal Cooperation COUNTIES 05, 06, 07		Intermunicipal Cooperation CITIES 05, 06, 07	
	Yes	No	Yes	No
Bond Rating Decline				
Yes	2	1	7	3
No	30	14	24	12
Total	32	15	31	15
Real Property Decline				
Yes	-	-	3	4
No	32	15	28	11
Total	32	15	31	15
Tax Hike				
Yes	12	7	22	4
No	20	8	9	11
Total	32	15	31	15
Debt Limits Approached				
Yes	-	-	2	0
No	32	15	29	15
Total	32	15	31	15
Tax Limits Approached				
Yes	2	2	3	3
No	30	13	28	12
Total	32	15	31	15

Table 3 (shown on page 12) reveals the results of the logistic regressions for the two models. Support for the hypothesis in both models is weak. The counties model has three variables—tax levy increases, bond rating declines, and tax limits reach or exceeded. No county for which the study team possessed data on intermunicipal cooperation agenda setting activity experienced a decline in real property values or reached or exceeded above-average debt limits. Thus, these variables are constants and were omitted from the analysis. None of the remaining three variables was significant, which was expected given the results of the cross-tabulations.

The cities model permits analysis of all the variables, in contrast to the county model. Only one of the measures of municipal fiscal distress—tax levy increases—was in the expected direction and sta-

tistically significant. For every additional city enacting a tax hike exceeding the rate of inflation in two consecutive years, there is approximately a two percent increase in the likelihood cities will mention intermunicipal cooperation in their state of the city addresses or budget messages.

Table 3
City and County Municipal Fiscal Distress Coefficients
2005-2007

Variable	COUNTY		CITY	
	B	Significance	B	Significance
Bond Rating Decline	0.294	0.829	0.614	0.528
Real Property Decline	-	-	-0.967	0.372
Tax Hike	-0.373	0.563	1.930	0.012
Debt Limits Approached	-	-	22.47	0.999
Tax Limits Approached	-0.864	0.421	-1.207	0.308

Source: Intergovernmental Studies Program, Rockefeller College of Public Affairs, University at Albany.

Given the results of the cross-tabulations and the logistic regression models, the study team was compelled to reject the hypothesis, except for the possibility that city politicians may be particularly impacted by heavy and repeat tax hikes and thus be more apt to elevate intermunicipal cooperation to the institutional agenda. City leaders may be more vulnerable politically than county leaders to tax hikes because cities are apt to represent a disproportionate component of the local government tax bill relative to counties. For example, a taxpayer who owns a \$100,000 property in the city of Albany pays approximately \$1,400 to the city and \$400 to the county in taxes each year. Also, tax hikes are immediately felt by taxpayers whereas the other municipal fiscal distress indicators selected have an indirect impact.

What are the implications of the data analysis? Clearly, the research team’s model for counties does not explain any variation related to the extent of intermunicipal cooperation agenda setting activity. The cities model does not perform much better, excepting the possible explanatory power of the tax hike variable. These results resulted from performing a test using composite measures, excepting perhaps the composite tax levy variable requiring two consecutive years of tax hikes. Thus, one might expect that if the other composite variables were disaggregated into measures of change over one period driving an increase in intermunicipal cooperation agenda setting activity in the same or a succeeding period, an even weaker relationship would be observed.

Municipal fiscal distress alone, as measured by a number of indicators, does not appear to drive change in the intermunicipal agenda setting activities of local government officers in New York

State. Yet there was an increase in the extent of agenda setting activity. What explains this increase?

The agenda setting approach outlined by Kingdon (1995), and adapted to the context of the New York State local government system earlier in this report, provides some explanatory insight into the agenda setting dynamics of local governments. The problem stream could be activated either by indicators watched by local government managers (internally) or state government officials (externally) or by feedback from local governments to state government officers. Given the results of the two models, it appears unlikely local government managers activated the policy stream for reasons related to municipal fiscal distress, except perhaps by city mayors having to significantly raise taxes two years consecutively.

Entrepreneurial local government managers or state government institutions might stimulate the policy stream by promoting proposals for intermunicipal cooperation regardless of municipal fiscal distress. The right local community mood, an absence of strong opposition groups, and the presence of turf battles might ripen the political stream. The results of the two models provide no insight into the question of whether the policy stream was stimulated more by proposals from local government managers or state government officials. Perhaps the study team's measures of municipal fiscal distress require further refinement.

Alternatively, in the IGSP report *Municipal Cooperation and Consolidation: Mapping Albany County*, the study team identified many instances of municipal managers acting with an entrepreneurial spirit to extend the reach of their service delivery system (Cresswell 2008). Perhaps local government managers possess certain characteristics that make them as a group more apt to examine the option of intermunicipal cooperation, apart from economic considerations, such as education level.

It is also possible that state government officers are more successful in setting the local government agenda. As noted earlier, several state-level actors—the governor, legislature, and Comptroller's Office—are likely candidates to have activated the problem stream. They have been active members of the policy community suggesting intermunicipal cooperation is a twofold tool—one that relieves the immediate challenge of fiscal distress and also stimulates the long-term reorganization of the local government system from the bottom-up. There are several examples of state-level actor using the intermunicipal cooperation tool. Former NYS Comptroller H. Carl McCall started *\$MART* reviews, which sometimes recommend intermunicipal cooperation in some form (N.Y.S. Office of the State Comptroller 2002). The NYS Legislature enacted the Shared Municipal Services Incentive (SMSI) program in 2005 that provide grants-in-aid to municipalities entering into intermunicipal arrangements. The governor instituted the Commission on Local Government Efficiency and Competitiveness (LGEC), which in part promotes intermunicipal cooperation demonstration projects.

While the study team has no information on the ripeness of the political stream at the local government level, it does possess some evidence that state-level institutions may be engaging in turf battles over the intermunicipal cooperation issue. The continuing increase in the cost of local government is one of the major issues facing upstate New York. Politicians want to claim credit for addressing major policy challenges (Mayhew 1973). They do not want to be upstaged by their colleagues in other institutions, or to be viewed as less responsive than their competitors.

During the study period former Comptroller McCall the State Comptroller's Office actively promoted *\$MART* reviews, the NYS Legislature touted the SMSI program, and former Governor George Pataki suggested increases in SMSI program expenditures and controlled its implementation through the New York State Department of State (Times Union 2006b). More recently, the change in gubernatorial administration and the establishment of the LGEC Commission possibly increases the stakes in a turf battle.

The question arises as to whether state-level actors drove the agenda setting process of local governments in the current context given that local government managers do not seem to be responding to the fiscal distress indicators examined. However, state-level actors do seem to operate at times: when it immediately impacts taxpayers, when they are likely activators of the problem stream, when they promote proposals advancing intermunicipal cooperation as the right policy tool to address current fiscal needs, and when they have cause to engage in turf battles. The three streams appear to have converged in the context under study. The study team is left in search of policy entrepreneurs who might have pushed the intermunicipal cooperation solution through the policy window. State-level actors who more often than local government managers view a more comprehensive municipal fiscal distress portrait might be stimulating a local government intermunicipal cooperation agenda, particularly through the inducement of the grants-in-aid as a component of the SMSI program.

CONCLUSIONS

The results of the data analysis for the two models lead the researchers to reject the hypothesis that the local government intermunicipal cooperation agenda is a function of municipal fiscal distress alone, except possibly in the case of tax hikes where taxpayers perceive an immediate impact and politicians are vulnerable to electoral pressure. An alternative explanation—that the dynamics of state-level institutions drove the agenda setting process—fits well with the parameters of the garbage can model outlined by Kingdon (1995) as adapted to the dynamics of the local government context in this study. Local government agenda setting dynamics with respect to cooperation appear to be more affected externally—by state-level political actors—than internally—by local government actors. Thus, in the current study local government agenda setting processes are intergovernmental agenda setting processes.

However, more research needs to be done before it can conclusively be determined that state-level institutional actions explain the increase in intermunicipal cooperation local government agenda setting activity in the dataset. The increase in interest might still be explained as a function of local government managers reacting to fiscal distress using a more refined dependent variable. For example, instead of measuring the dependent variable dichotomously the study team might develop an ordinal measure capturing the number of times municipal officers mentioned intermunicipal initiatives. Other variables—such as the education level of the local government chief officer or the budget officer, the budget of the local government, or the turnover of city mayors and/or county supervisors, executives, managers, and administrators—may explain the variation and increase in interest.³

The study team focused on two of the smallest classes of municipalities in terms of the number of local governments in New York—cities and counties—as a starting point for a tractable analysis given time and resource constraints. However, state-level efforts to establish an intermunicipal cooperation agenda—manifested by the SMSI program and the LGEC Commission—are targeted to all classes of local governments. Therefore, the current research could be expanded to include towns and villages in the analysis. Because of their greater number, expanding the analysis to include towns and villages may provide increased clarity into the state’s capability of playing the role of intergovernmental agenda-setter, and the effectiveness of some of the mechanisms it uses. Additionally, a focus on towns and villages would permit the development of a dataset large enough to enable the construction of regional portraits of the linkage between municipal fiscal distress and an intergovernmental cooperation agenda. Other research might examine some of the initiatives adopted by other states seeking to build an agenda to stimulate the restructuring of local government service delivery arrangements.

3 The size of the budget of a local government could be used as a proxy measure of the level of staff professionalism and the consequent likelihood systematic attention is paid by administrators to changes in fiscal distress indicators.

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