

# RESEARCH NOTE

**INTERGOVERNMENTAL STUDIES PROGRAM**

Rockefeller College of Public Affairs and Policy ■ University at Albany



## Study on Local Government Agenda Setting

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## **Intergovernmental Studies Program**

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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.*

## Impetus for the Study

In preparing to issue an update of an earlier Intergovernmental Studies Program report (*Intermunicipal Cooperation and Consolidation Activities in New York State: A Snapshot*, 2004), we observed a significant increase in interest in intermunicipal cooperation between 2005 and 2007, particularly among counties. Curiosity about the origins of the increased activity led to the current study (*Intermunicipal Cooperation and Consolidation Activities in New York State: A Second Look*, 2008). We reasoned that since there was also an increase in fiscal stress among local governments during this period, it was plausible that municipalities were more likely to pursue cost savings approaches, including those stemming from cooperative agreements. The study began with the hypothesis that interest in intermunicipal cooperation agreements as a cost savings method rose on the agenda of municipal governments as they experienced increasing levels of fiscal distress.

## Research Methods

To test this hypothesis we collected data on counties (n=57) and cities (n=61) in New York State between 2004 and 2007. As a first step, we collected state of the county and city addresses or budget messages to serve as proxy measures for the dependent variable of agenda activity levels. Thus, we have two data sets and two models to test, one for counties and one for cities. For the independent variables, measures of municipal fiscal distress, we collected data on bond rating declines between 2004 and 2006, real property value declines between 2004 and 2006, tax and debt limit thresholds reached between 2004 and 2006, and tax levy increases between 2004 and 2006 for each city and county. Preliminary results reveal that only one of the measures—tax levy increases in cities—has a statistically significant relationship to increased interest in intermunicipal cooperation.

The first table (Table 1) displays the number of city and county annual messages that mentioned intermunicipal cooperative agreements as part of the jurisdiction's strategic initiatives. The total number of city and county addresses we were able to locate increased as a function of time. The yield of county documents increased from 41 to 49 between 2005 and 2007, and the yield of city documents increased from 36 to 47 between 2005 and 2007.

## Findings

The results show an increase in interest in intermunicipal cooperation over time. County governments were over 50 percent more likely to express an interest in intermunicipal cooperation in 2007 than in 2005. City governments were

**TABLE I**  
**County and City**  
**Interest in**  
**Intermunicipal Cooperation**  
**2005-2007**

**Source:**  
Intergovernmental Studies Program,  
Rockefeller College of Public Affairs and Policy,  
University at Albany, 2008 report.

	<b>COUNTY</b>	<b>CITY</b>
	Frequency: Mentions of Intermunicipal Cooperation	Frequency: Mentions of Intermunicipal Cooperation
<b>2005</b>		
Yes	16	18
No	25	18
Total	41	36
<b>2006</b>		
Yes	21	18
No	22	24
Total	43	42
<b>2007</b>		
Yes	25	21
No	24	26
Total	49	47

nearly 17 percent more likely to express and in intermunicipal cooperation by 2007. Since the scores for the frequency only reflect the first mention of intermunicipal cooperation in the document, and do not capture multiple expressions of interest, the current analysis may understate interest in cooperation.

The next table (Table 2) aggregates the fiscal data on the 57 counties and 61 cities. The choice of indicators—bond rating decline, real property value decline, tax levy increases, and debt and tax limits exhausted—are standard measures signaling fiscal stress in municipalities. Bond rating declines generally reflect operational deficits, rising costs, and a shrinking tax base in the affected municipality. Decreases in the overall value of real property affect tax and debt limits, and borrowing capacity. Tax levy increases that exceed the consumer price index (CPI) increase stress on taxpayer resources, especially if the increases continue. In order to avoid overstating the influence of tax levy increases, municipalities received a 'yes' score for this variable only if the levy increased beyond the pace of inflation for both year-to-year comparisons. With respect to tax limits, the state comptroller considers a municipality to be in a dangerous financial condition if eighty percent of tax limits are exhausted.

Table 2 shows that a few counties, and many more cities, are faring poorly on one or more fiscal distress metrics.

Results from a logistic regression for each of the two models shows that support for the hypothesis in both models is weak. The counties model has three variables—tax levy increases, bond rating declines, and tax limits reached or ex-

**TABLE 2**  
**County and City**  
**Fiscal Distress Indicators**  
**2005-2007**

	COUNTY		CITY	
	Frequency	Percent	Frequency	Percent
<b>Bond Rating Decline</b> <b>'04-'05 or '05-'06</b>				
Yes	3	5.3	10	16.4
No	54	94.7	51	83.6
Total	57	100	61	100
<b>Real Property Decline</b> <b>'04-'05 or '05-'06</b>				
Yes	2	3.5	13	21.3
No	55	96.5	48	78.7
Total	57	100	61	100
<b>Tax Levy Increase</b> <b>'04-'05 and '05-'06</b>				
Yes	23	40.4	32	52.5
No	34	59.6	29	47.5
Total	57	100	61	100
<b>Debt Limits Approached</b> <b>'04, '05, '06</b>				
Yes	0	0	2	3.3
No	57	100	53	96.7
Total	57	100	61	100
<b>Tax Limits Approached</b> <b>'04, '05, '06</b>				
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.

ceeded. No county for which we have data on intermunicipal cooperation agenda setting activity experienced a decline in real property values, or reached or exceeded above-average debt limits. As a result, 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.

As shown in Table 3, 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 statistically 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**  
**County and City**  
**Municipal Fiscal**  
**Stress Coefficients**  
**2005-2007**

**Source:**  
Intergovernmental Studies Program,  
Rockefeller College of Public Affairs and Policy,  
University at Albany, 2008 report.

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
	County model not significant		City model significant at .05 level	

## Implications for Further Research

The results show that the hypothesis does not hold; we cannot explain the increased interest in intermunicipal cooperation on the basis of fiscal indicators. What alternative explanations exist for understanding the increase in agenda activity? One explanation is that state government officials are responsible for setting the local government agenda. Several state-level actors—governor, Legislature, and Comptroller’s Office—have been active members of the New York State policy community exploring intermunicipal cooperation as a twofold tool. They hope to relieve the immediate challenge of fiscal distress and to stimulate the long-term reorganization of the local government system from the bottom-up. Activities of the Office of the State Comptroller, the Legislature, and the governor to encourage cooperative activities may be responsible for the energized intermunicipal agenda.

Thus, in the current study, local government agenda setting processes may be intergovernmental agenda setting processes. More research needs to be done before we can claim that state-level institutional actions explain the increase in intermunicipal cooperation local government agenda setting activity in the dataset. Other variables that stem from local leadership or local government professionalism may explain the findings.

We 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 our time and resource constraints. However, recent state-level efforts to establish an intermunicipal cooperation agenda—manifested by the Shared Municipal Services Incentive program and the Governor’s Commission on Local Government Efficiency and Competitiveness—are targeted to all classes of local governments. The current research could be expanded to include towns and villages and permit the development of a dataset large enough to construct regional portraits of the linkage between municipal fiscal distress and an intergovernmental cooperation agenda.