

**ICMA** | conference

# PRAGMATIC MUNICIPALISM:

US LOCAL GOVERNMENTS' RESPONSES TO FISCAL STRESS

**Mildred E. Warner & Austin M. Aldag**  
Cornell University

**Yunji Kim**  
Seoul National University

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## • 3 Main Schools of Thought

### **Cutback Management** (Levine 1978 )

- Strategic Management and environmental constraints
- Resistance tactics first (new fees, restructuring) then smoothing (deferring and cutting less popular program)

### **Austerity Urbanism** (Donald et al. 2014; Peck 2014)

- Post-Great Recession
- Coalitions among local, business and business to privatize and cut services in places; mostly in places of highest need

### **“Pragmatic Municipalism”** (Warner and Clifton 2014; Kim and Warner 2016)

- Push back. Explore new service models and new revenue strategies.  
Protect service delivery



# 3 Main Schools of Thought

## Critiques

### Cutback Management

- Time period when theorized
  - Has not been updated for the 21<sup>st</sup> century / post-Great Recession

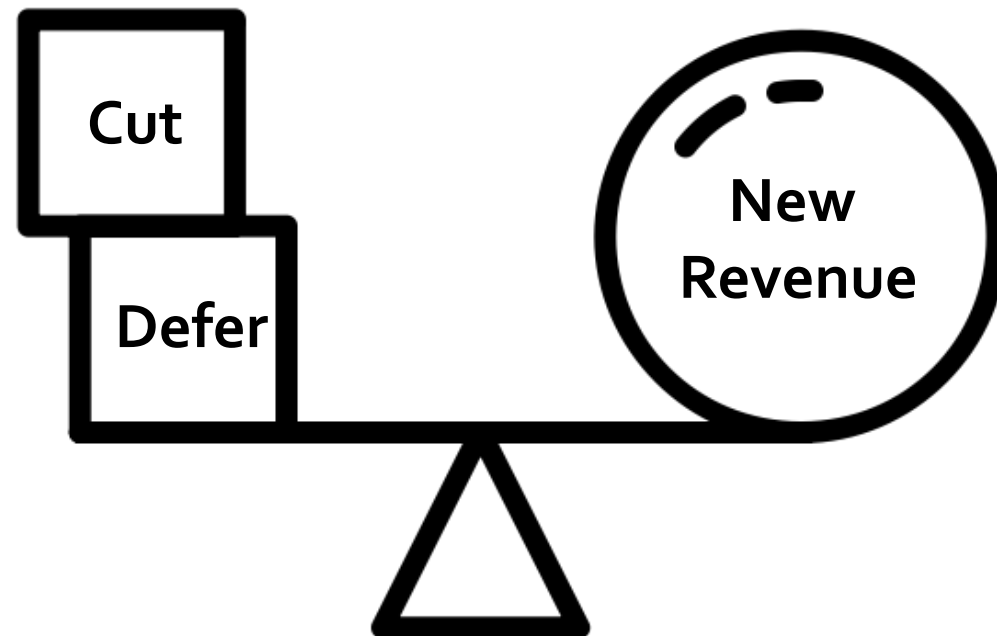
### Austerity Urbanism

- Does not fully consider external environment of local power
- Methodological
  - Primarily uses case studies of extreme places (i.e. Detroit)

### “Pragmatic Municipalism” (service protecting)

- A more positive view reflective of the broad range of US local governments

*Local governments employ broader, balanced tactics in response to fiscal stress in order to maintain services in pragmatic ways*



## State Policy

State Aid  
Decentralization  
Mandates  
Rules



## Economy

Tax exempt land  
Econ dev. Challenges  
Aging infrastructure



**Local  
Government  
Organization**  
Pragmatic  
Management

Fiscal Stress

Fiscal Stress

Cuts

Supplement

Defer

Fiscal Stress



## Demography

Poverty, Aging

**Source:** Aldag, Austin M., Yunji Kim, and Mildred E. Warner. (2019). "Austerity Coalitions or Strategic Management? Causes and Responses to Local Government Fiscal Stress." *Environment and Planning: A* 51(6): 1287-1305.

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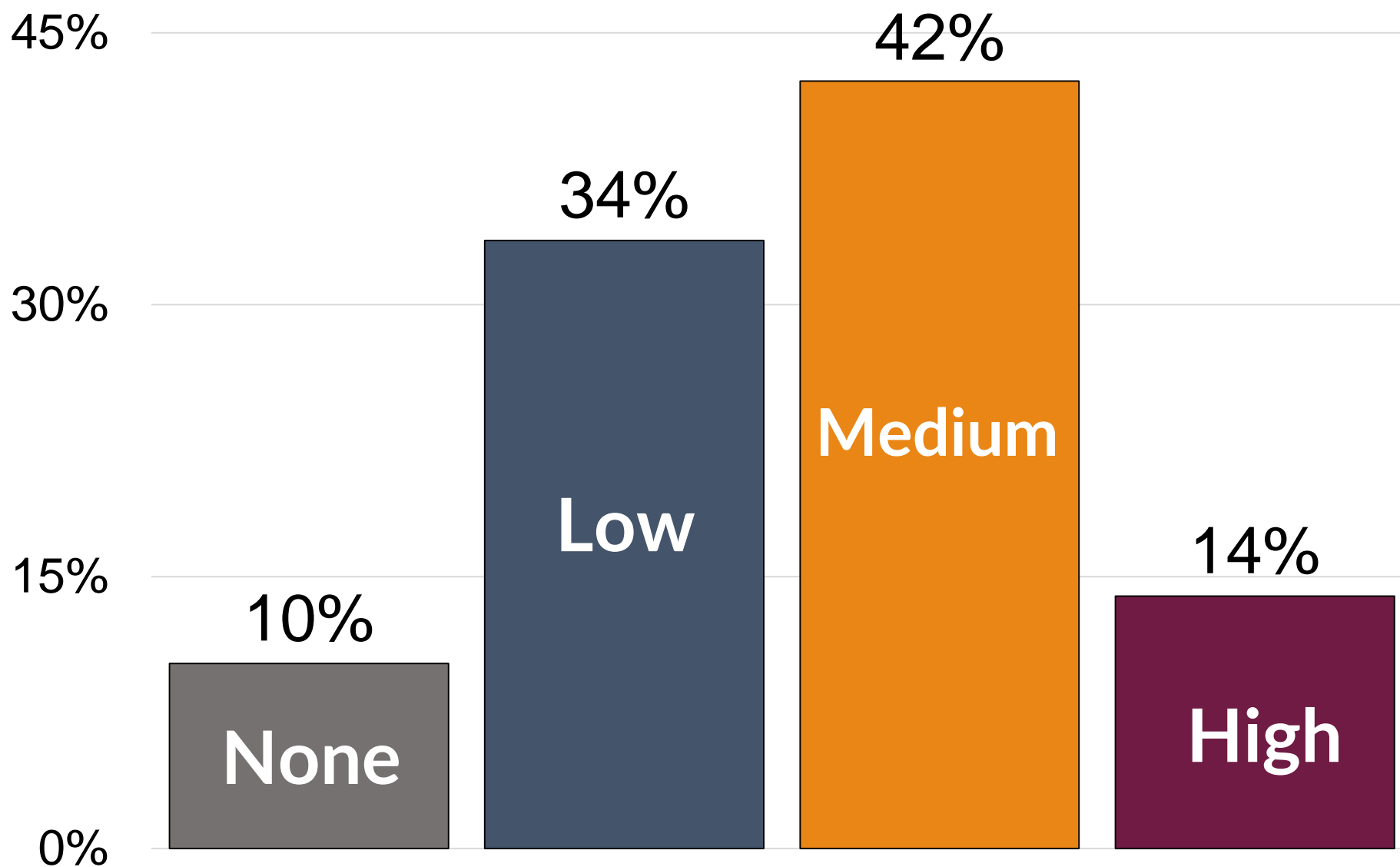
## ICMA Alternative Service Delivery Survey (2017)

- N = 2341 cities and counties
  - All counties, cities >2500 pop
  - 17% response rate

2000, 2010 US Census; 2012-2016 American Community Survey; 2012 Census of Governments

Structural Equation Model (SEM)

What is the level of fiscal stress faced by your government?

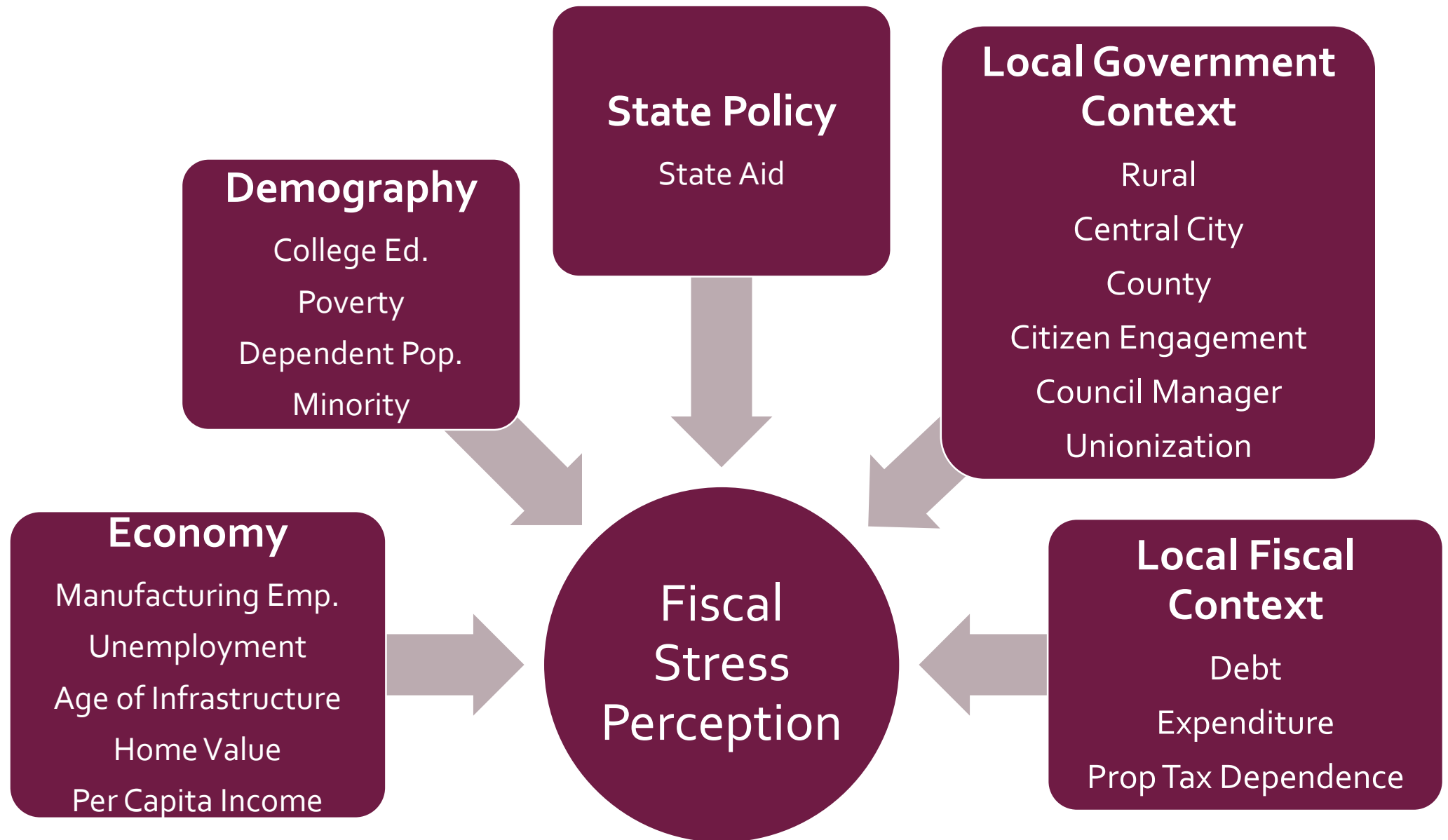


N = 2,204. Source: ASD (2017)

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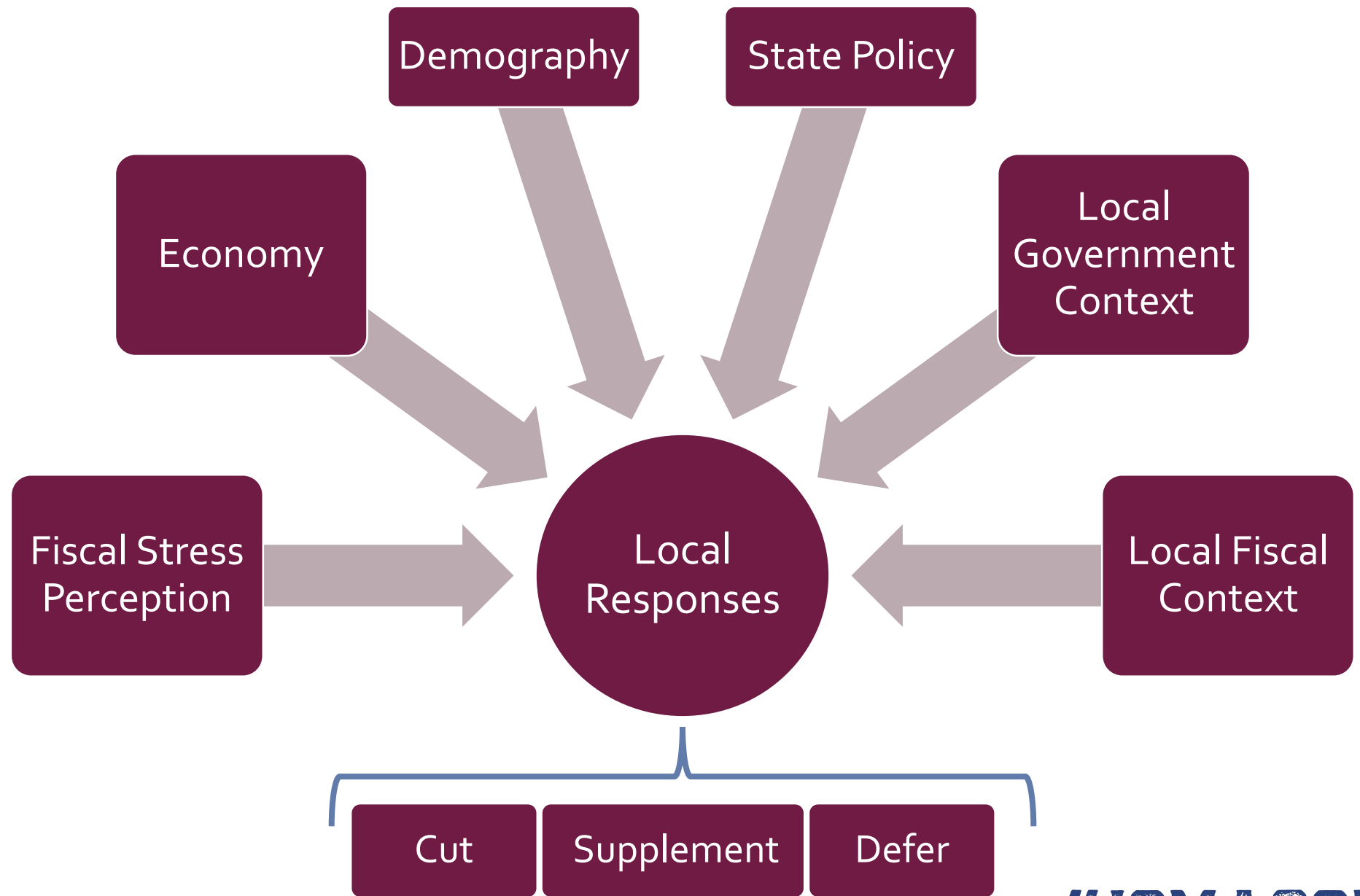


# Model: Perception of Stress



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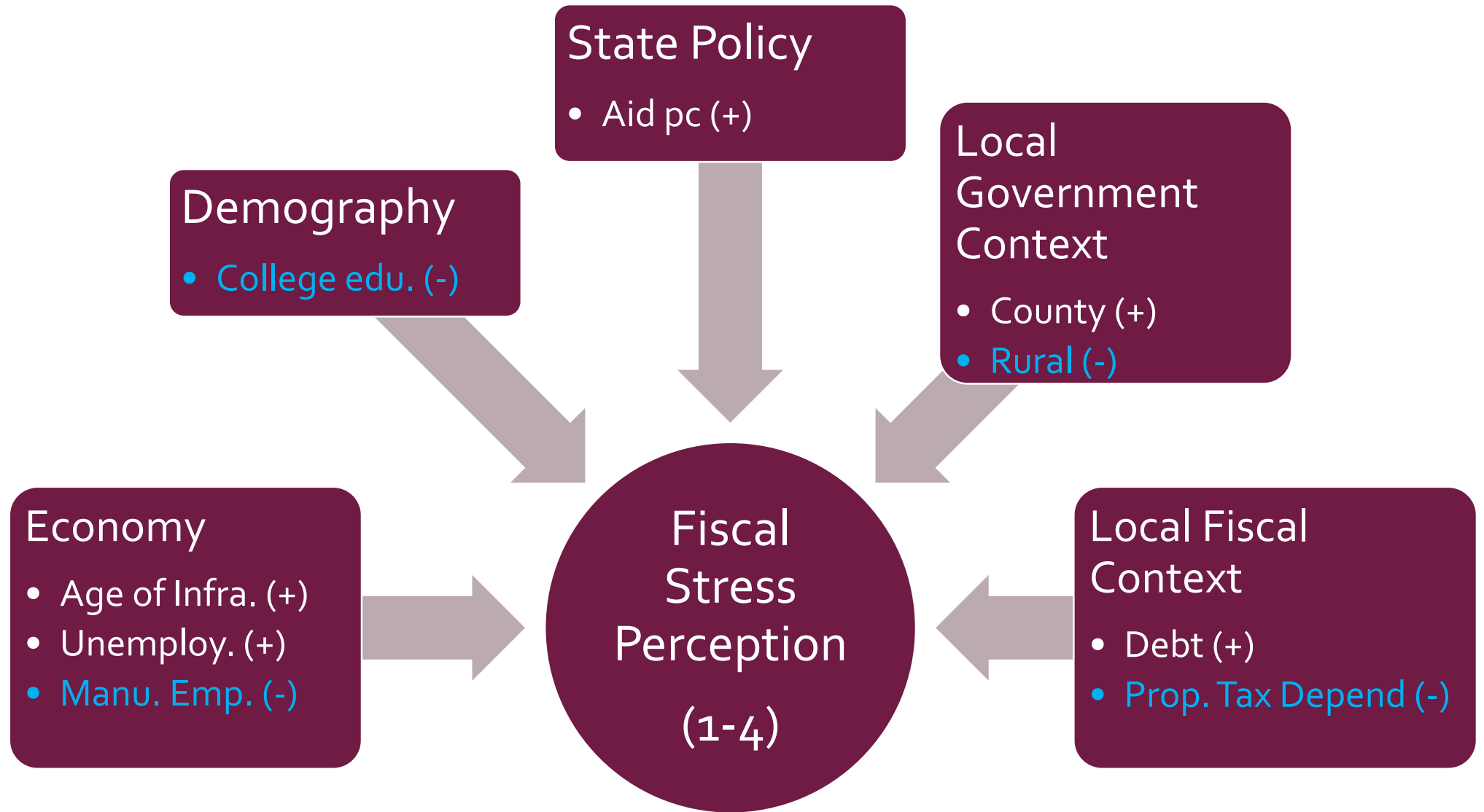
# Model: Responses to Stress



Cut <small>(<math>\alpha = 0.59</math>)</small>		Supplement <small>(<math>\alpha = 0.67</math>)</small>		Defer <small>(<math>\alpha = 0.68</math>)</small>	
Reduce Staff	46%	Increase existing user fees	55%	Defer capital projects	59%
Reduce personnel benefits	31%	Increase taxes	43%	Defer maintenance expenditures	44%
Reduce Services	23%	Adopt new fees	36%	Reduce fund balance	40%
Eliminate Services	12%				

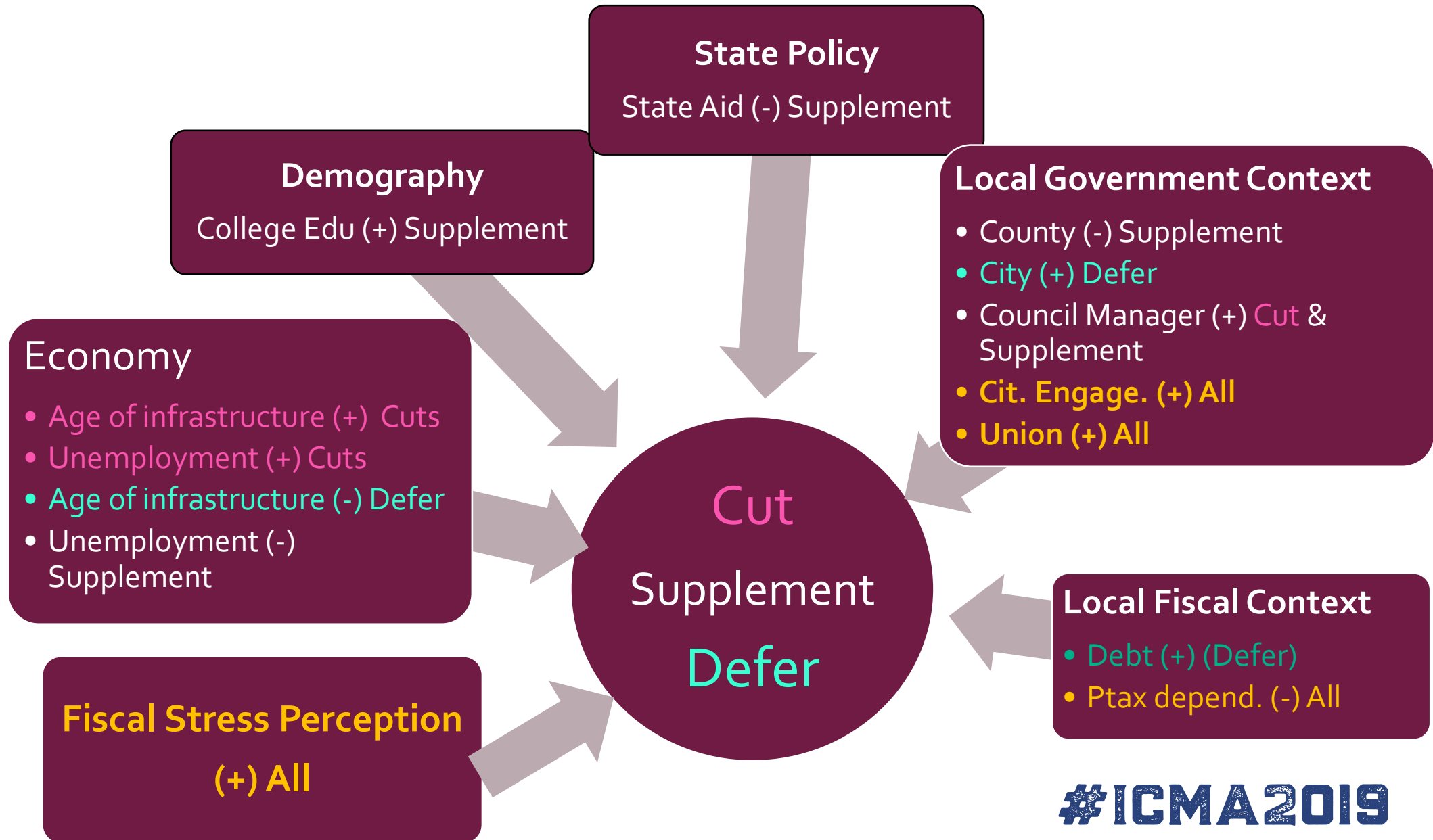
Cut <small>Index (0-4)</small>		Supplement <small>Index (0-3)</small>		Defer <small>Index (0-3)</small>	
Mean = 0.87	SD = 1.1	M = 1.05	SD = 1.1	M = 1.11	SD = 1.1

# Results: Drivers of Fiscal Stress





# Results: Drivers of Responses to Stress



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		Cut	Supplement	Defer
<b>Economy</b>				
	Age of infrastructure	+	NS	-
	Unemployment (%)	+	-	NS
<b>Demography</b>				
	College Educated (%)	NS	+	NS
<b>State policy</b>				
	State aid/total expenditure	NS	-	NS
<b>Local government context</b>				
	County (dummy, 1=yes)	NS	-	NS
	Central city (dummy, 1=yes)	NS	NS	+
	<b>Citizen engagement (dummy, 1=yes)</b>	+	+	+
	Council-manager (dummy, 1=yes)	+	+	NS
	<b>Unionization</b>	+	+	+
<b>Local fiscal context</b>				
	<b>Fiscal stress perception</b>	+	+	+
	Debt per capita/per capita income	NS	NS	+
	<b>Property tax/own source revenue</b>	-	-	-

## Pragmatic Municipalism (balanced response)

## NOT Austerity Urbanism (more stress, more cuts)

### 1) County Governments

- Counties do fewer supplement responses to fiscal stress.
- Do legal differences between cities and counties explain counties' more limited revenue raising power?

### 2) Municipal / City Governments

- City governments do more deferrals. **Are there infrastructure investment rules that allow this?**
- Unionized places do more cuts, deferrals and supplements. **Is this social unionism or rigidity?**

### 3) State Aid to Local Governments

- State aid dependence leads to fewer supplement responses to fiscal stress.
- What strings are tied to state aid?

Thank you!

Mildred E. Warner, Professor, Cornell University, [mwarner@cornell.edu](mailto:mwarner@cornell.edu)

Austin M. Aldag, Doctoral Student, Cornell University, [ama296@cornell.edu](mailto:ama296@cornell.edu)

Yunji Kim, Assistant Professor, Seoul National University, [yunjik@snu.ac.kr](mailto:yunjik@snu.ac.kr)

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