PRAGMATIC MUNICIPALISM: US LOCAL GOVERNMENTS' RESPONSES TO FISCAL STRESS

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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 21st 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.
ICMA Alternative Service Delivery Survey (2017)

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


Structural Equation Model (SEM)
What is the level of fiscal stress faced by your government?

<table>
<thead>
<tr>
<th>Level</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>10%</td>
</tr>
<tr>
<td>Low</td>
<td>34%</td>
</tr>
<tr>
<td>Medium</td>
<td>42%</td>
</tr>
<tr>
<td>High</td>
<td>14%</td>
</tr>
</tbody>
</table>

N = 2,204. Source: ASD (2017)
Model: Perception of Stress

**Demography**
- College Ed.
- Poverty
- Dependent Pop.
- Minority

**Economy**
- Manufacturing Emp.
- Unemployment
- Age of Infrastructure
- Home Value
- Per Capita Income

**State Policy**
- State Aid

**Local Government Context**
- Rural
- Central City
- County
- Citizen Engagement
- Council Manager
- Unionization

**Local Fiscal Context**
- Debt
- Expenditure
- Prop Tax Dependence

**Fiscal Stress Perception**
Model: Responses to Stress

Local Responses

Demography
State Policy

Economy

Local Government Context

Fiscal Stress Perception

Local Fiscal Context

Cut
Supplement
Defer

#ICMA2019
<table>
<thead>
<tr>
<th>Cut (α = 0.59)</th>
<th>Supplement (α = 0.67)</th>
<th>Defer (α = 0.68)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce Staff</td>
<td>Increase existing user fees</td>
<td>Defer capital projects</td>
</tr>
<tr>
<td>46%</td>
<td>55%</td>
<td>59%</td>
</tr>
<tr>
<td>Reduce personnel benefits</td>
<td>Increase taxes</td>
<td>Defer maintenance expenditures</td>
</tr>
<tr>
<td>31%</td>
<td>43%</td>
<td>44%</td>
</tr>
<tr>
<td>Reduce Services</td>
<td>Adopt new fees</td>
<td>Reduce fund balance</td>
</tr>
<tr>
<td>23%</td>
<td>36%</td>
<td>40%</td>
</tr>
<tr>
<td>Eliminate Services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cut Index (0-4)</th>
<th>Supplement Index (0-3)</th>
<th>Defer Index (0-3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean = 0.87</td>
<td>M = 1.05</td>
<td>M = 1.11</td>
</tr>
<tr>
<td>SD = 1.1</td>
<td>SD = 1.1</td>
<td>SD = 1.1</td>
</tr>
</tbody>
</table>

N = 2,341. Source: ASD (2017)
Drivers of Fiscal Stress

Fiscal Stress Perception (1-4)

Demography
- College edu. (-)

Economy
- Age of Infra. (+)
- Unemploy. (+)
- Manu. Emp. (-)

State Policy
- Aid pc (+)

Local Government Context
- County (+)
- Rural (-)

Local Fiscal Context
- Debt (+)
- Prop. Tax Depend (-)
Drivers of Responses to Stress

**Results:**

- **Economy**
  - Age of infrastructure (+) Cuts
  - Unemployment (+) Cuts
  - Age of infrastructure (-) Defer
  - Unemployment (-) Supplement

- **Demography**
  - College Edu (+) Supplement

- **State Policy**
  - State Aid (-) Supplement

- **Local Government Context**
  - County (-) Supplement
  - City (+) Defer
  - Council Manager (+) Cut & Supplement
  - Cit. Engage. (+) All
  - Union (+) All

- **Local Fiscal Context**
  - Debt (+) (Defer)
  - Ptax depend. (-) All

- **Fiscal Stress Perception**
  - (+) All
## Results: Responses to Stress

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


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