Local Government Consolidation in Indiana

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Why Consolidate Government?

- Indiana has 3,100 of 39,000 local governments in the U.S.
- System of taxes generally does not work effectively
- Service quality is a consideration
- Redundancy and efficiency matter
- Structural vs. Functional consolidation
Impact of Consolidation

- What we have estimated
  - Scale Economies
  - X-efficiency
- What others have found
- Remaining issues
Scale Economies

\[ T_{i,t} = f(A_i, P_{i,t}, P_{i,t}^2, e_{i,t}) \]

<$200 million savings, 75\% from rural areas
X-Inefficiency

\[ T_i = f (Z_i, G_i, G_i^2, e_i) \]

Savings of $350-$400 million, Almost all in urban areas
What Others Have Found

- Focuses on larger mergers (*city/county*, *not township/county*)

- Motivations for Consolidation
  - Quality of services
  - Cost of services

- Mixed Findings
Remaining Issues

- Perhaps ¾ of Hoosiers live in communities with impending budget problems
- Limited options for funding budget shortfalls: LOIT, Consolidation, and Cost Reductions
- This is a non-partisan dilemma
- Movement towards a Tax/Service quality balance will “self correct” some budget concerns
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