

Local Government Consolidation in Indiana

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Why Consolidate Government?

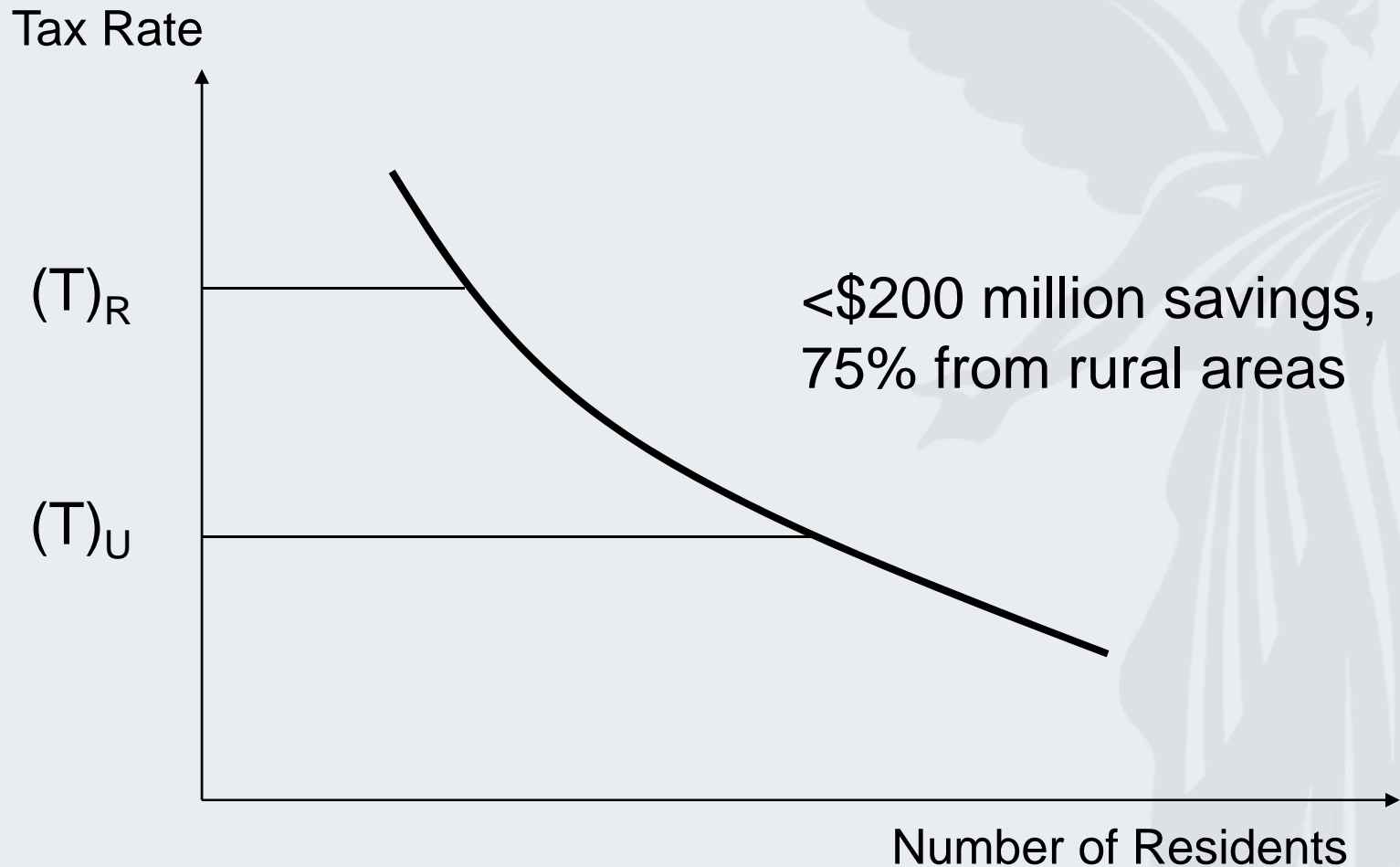
- Indiana has 3,100 of 39,000 local governments in the U.S.
- System of taxes generally does not work effectively
- Service quality is a consideration
- Redundancy and efficiency matter
- Structural vs. Functional consolidation

Impact of Consolidation

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

Scale Economies

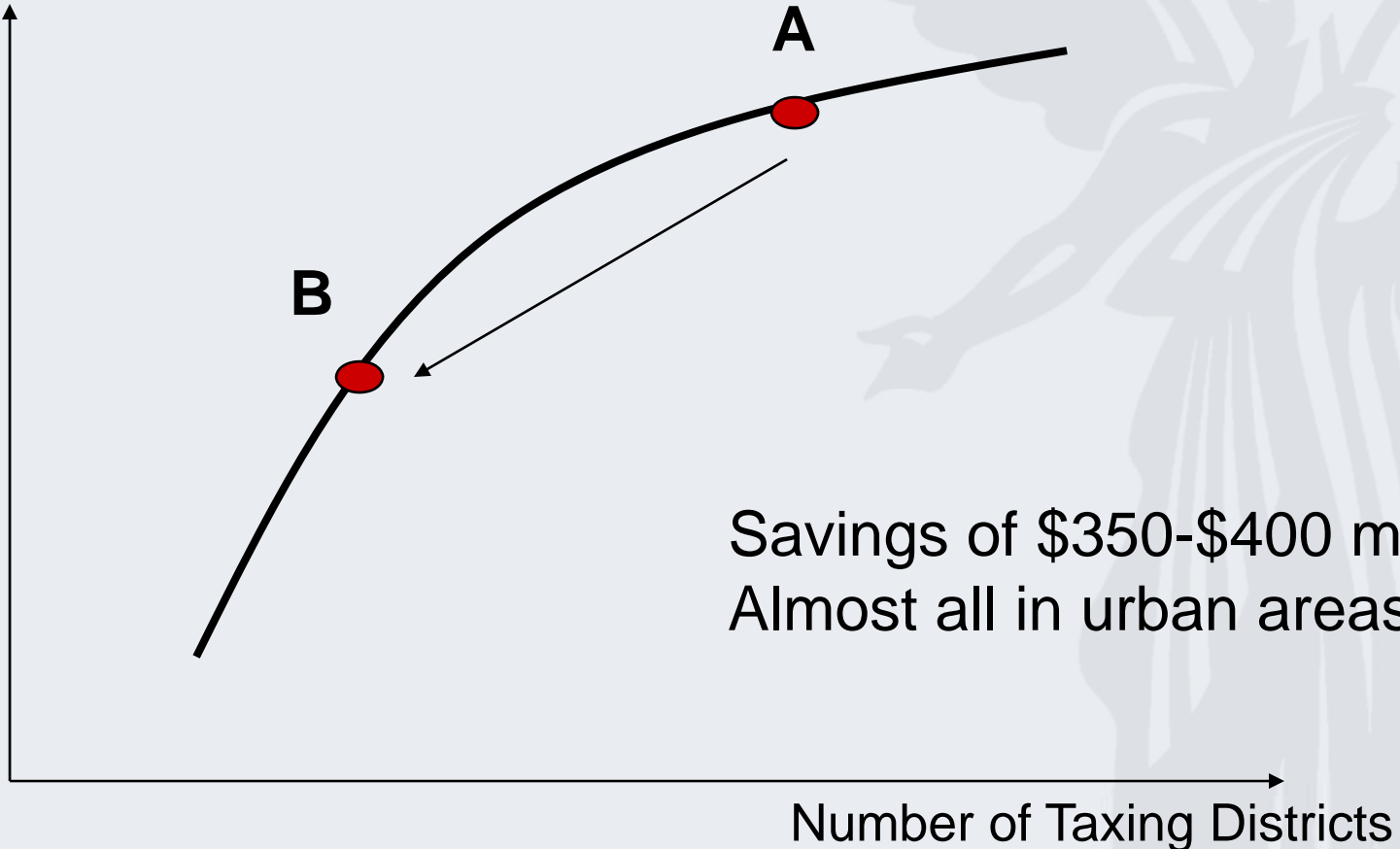
$$T_{i,t} = f(A_i, P_{i,t}, P_{i,t}^2, e_{i,t})$$



X-Inefficiency

$$T_i = f(Z_i, G_i, G_i^2, e_i)$$

Tax Rate



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 $\frac{3}{4}$ 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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