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THE GOVERNOR IN GOVERNANCE: KEEPING THE PACE

by **Mark Tranel,** Director, Public Policy Research Center at the University of Missouri-St. Louis

Does local government structure impact the size of the local economy? Does it impact the growth of the local economy?

Structurally local government in U.S. metropolitan areas can be categorized into four groups:

1. **Multijurisdictional –** these metropolitan areas have a core county or counties that incorporate separate municipal/county government structures and an above-average number of municipal governments in the inner-suburban area.
2. **Merged –** these metropolitan areas have consolidated the local government functions of the core city and the core county.
3. **Metropolitan Governance –** these metropolitan areas have established a regional governance structure that has both legislative authority and service delivery responsibility.
4. **Minimal –** these metropolitan areas have a core city and core county without multiple local governments; this structure is the original founding structure and not the result of merger.

This analysis aims to answer the two questions posed at the beginning of this paper by examining the relationship between local government structure and local economic activity. The analysis does not include all U.S. metropolitan areas; it is a purposeful sample to compare metropolitan economies similar to that of St. Louis. Table 1 provides details about the local government structure of the urban areas we examined.

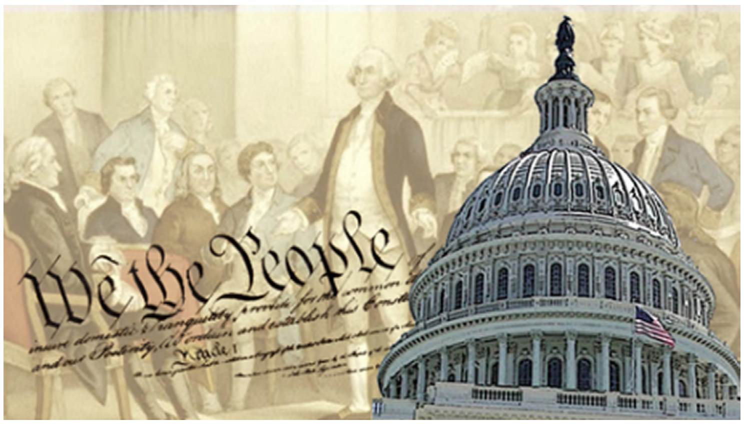

Table 1
US Metropolitan Governmental Structures

MSA	Included County	Population/percent of MSA population	Total Local Governments	Municipal Governments	Township Governments	Special Districts
Multijurisdictional						
St. Louis	St. Louis County	998,954/35.7%	204	89	-	114
	City of St. Louis	319,294/11.4%	39	1	-	38
Cleveland	Cuyahoga	1,280,122/62.9%	120	57	2	60
Pittsburgh	Allegheny	1,223,348/51.8%	260	86	42	131
Merged						
Indianapolis	Marion	903,393/46.2%	47	15	9	23
Louisville	Jefferson	741,096/58.7%	109	84	-	25
Metropolitan Governance						
Minneapolis-St. Paul	Hennepin	1,152,425/33.3%	101	42	-	58
Portland	Multnomah	735,334/31.8%	45	6	-	38
Minimal						
Baltimore	Baltimore County	805,029/29.0%	2	-	-	1
	Baltimore City	620,961/22.4%	4	1	-	3
Denver	Denver County	600,158/22.2%	57	1	-	56

Source: U.S. Department of Commerce, Population Census and Census of Governments.

Multijurisdictional

The metropolitan areas of Cleveland and Pittsburgh are most similar to the local government structure in the core city of St. Louis and St. Louis County. They also are similar as rust-belt, formerly industrial economies.

Merged

In 1970 the Indiana legislature merged local government functions of the core city of Indianapolis and the core county of Marion. The result was the Consolidated City of Indianapolis-Marion County, operating under the nom de plume Unigov. In Kentucky, a 2003 vote approved the merger of the core City of Louisville and core county of Jefferson, forming the Louisville/ Jefferson County Metro Government. As indicated in Table 1, in both areas there are also multiple municipalities, townships and special districts that continue to provide local government services.

Metropolitan governance

Under this governance structure, a metropolitan area has multiple counties, municipalities, and special districts, but also has a regional governance structure with legislative authority and service delivery responsibility. Two examples are Minneapolis-St. Paul with its Metropolitan Council and Portland (Oregon) with its Metro.

The Minnesota Legislature established the Metropolitan Council in 1967. It serves a seven-county area and is governed by a 17-member board appointed by the governor and confirmed by the Minnesota Senate. The Metropolitan Council staff is organized in four major divisions: transportation planning; transit operations; waste water treatment and water supply and quality; and community development. The Council's role includes regional planning, urban planning for municipalities, and maintaining a regional parks and trails system. Thrive MSP 2040 is the regional plan that has the most impact on economic activity.

The regional governance structure in Portland, Oregon was established by approval of a 1978 statewide ballot measure. Metro serves a three-county area and is governed by a seven-member elected board. Metro's functions include transportation planning; land use and development; natural areas, parks, and trails; operation of visitor venues (convention and expo centers, the zoo and five centers for the arts); solid waste and recycling. Its Data Resource Center and 2040 Growth Concept are major resources for economic development.

Minimal

Under a Minimal governmental structure, government is centralized, not as a result of merger of historical local government but as an original sole structure for local government functions.

In the Baltimore economic area, there are two dominant jurisdictions. In the City of Baltimore there is no county government and no special districts and in Baltimore County, Maryland there are no municipal governments and just four special districts.

In Denver County, Colorado, the city and county governments are combined. There are 56 special districts that provide street lighting service, erect and maintain traffic and safety controls and devices, fire protection, parks or recreation, water or water and sanitation service.

Does governmental structure affect the size of the economy?

The data in Table 2 indicate that structure of government is not, in and of itself, a determinant of the scale of economic output in a metropolitan area. Using the most recent data (2014) on the gross metropolitan product of each MSA, the economies of the Multijurisdictional Pittsburgh and St. Louis both are larger than the merged Indianapolis and Louisville. The economy of the Multijurisdictional Cleveland MSA is almost identical (99 percent) to the size of the merged Indianapolis economy. The economy of the Merged Louisville MSA is approximately half as large as Cleveland, the smallest of the Multijurisdictional MSAs.

Because the economies were purposefully selected, they generally cluster around the current size of the economy of the St. Louis area. St. Louis ranks as the 21st largest U.S. economy, Denver is 18th, Baltimore is 19th, Portland is 20th, Pittsburgh is 23rd, Indianapolis 26th, and Cleveland 28th. The two outliers are Minneapolis-St. Paul being the 13th largest U.S. economy and Louisville being the 46th largest.

In addition to nominal size, there are other rankings that assess metropolitan economies. POLICOM Corporation published beginning in 1996 an annual assessment of the strength of metropolitan economies. It creates a ranking based on indicators in three groups – overall growth in size and quality (earnings), condition of the economy (construction, retail and small business sectors) and negative influences (welfare and Medicaid).

The 2015 rankings shown in Table 1 put St. Louis as the third lowest among the urban areas in this sample. The strongest U.S. economies are in the Minimal local government category with Denver and Baltimore. Generally the Minimal and Metropolitan Governance categories are ranked higher than the Multijurisdictional and Merged categories. The anomaly is Multijurisdictional Pittsburgh, which is ranked close behind Baltimore and significantly ahead of the rest of the sample.

Another criteria for ranking local economies is Area Development, which examines site selection and workforce development in metropolitan areas. Their annual ranking is based on four measures of the local economy: **prime work force, economic strength, year-over-year growth**, and "**recession-busting" attributes**. The 2015 rankings of Leading Locations in the U.S. show St. Louis to be last among the metropolitan areas in this sample. Despite this, there are mixed results across the governmental structure categories. The highest ranked category overall is Metropolitan Governance but

Table 2
Metropolitan Economic Performance

MSA	Gross Metropolitan Product (in millions)[1]		GMP nominal rank[2]	GMP growth 2001-2014	GMP projected annual growth 2013-2020[3]	Economic Strength Rank 2015[4]	Area Development Leading Locations 2015[5]
	2001	2014					
Multijurisdictional							
St. Louis	102,382	149,951	21	0.465	.024	73	191
Cleveland	87,790	124,609	28	0.419	.021	119	103
Pittsburgh	88,768	135,662	23	0.528	.023	24	99
Merged							
Indianapolis	78,008	125,864	26	0.613	.026	49	48
Louisville	43,664	67,329	46	0.542	.026	124	22
Metropolitan Governance							
Minneapolis-St. Paul	148,189	235,733	13	0.591	.029	60	35
Portland	80,731	159,328	20	0.974	.040	41	23
Minimal							
Baltimore	102,843	173,516	19	0.687	.027	22	165
Denver	110,683	187,111	18	0.691	.035	20	1

Louisville, in the Merged category, ranks just ahead of Portland in the Metropolitan Governance category. The lowest ranked category overall is Multijurisdictional, but Baltimore in the Minimal category is ranked 165th, creating the greatest disparity of any category.

While there are some trends across the data that would seem to favor the Metropolitan Governance and Minimal categories in terms of relationship between local government structure and size of the local economy, the data do document that local government is not the determinant of this economic indicator.

Does governmental structure affect the growth of the economy?

Beyond the absolute size of a local economy, advocates of various structure of local government posit that structure can influence the ability of existing businesses to expand or the area to attract new businesses.

County business pattern data, collected annually by the U.S. Census Bureau, records a number of indicators that can be used to measure change over time in a local economy. The data are reported at the MSA level and at the county level. Data relevant for this analysis include the number of employees, the total payroll of all businesses, and the number of businesses.

Table 3 records the percentage change in each of these three indicators for each of the local economies in this sample for the period 2000 to 2013.

The combined results for the City of St. Louis and St. Louis County show an approximately 8 percent decline in the number of employees, a growth in payroll of 27 percent and an expansion in the number of business of just over 2 percent. Within the Multijurisdictional category, the economic performance of the City of St. Louis and St. Louis County was notably better than Cuyahoga County but not as robust as Allegheny County. The City of St. Louis and St. Louis County outperformed Marion County in the Merged category and did better than Jefferson County in expansion of the number of new business, but not as well in the number of employees and in payroll growth.

Both Hennepin County and Multnomah County in the Metropolitan Governance category had stronger economic results compared to the City of St. Louis and St. Louis County, although expansion in the number of businesses in Hennepin County fell behind the increase in the City of St. Louis and St. Louis County. The same pattern repeats in the Minimal category with generally better economic results in Baltimore City and County and Denver County, with the exception of expansion in the number of businesses where Baltimore City and County had a decrease of 1.74 percent compared to the increase of 2.12 percent in the City of St. Louis and St. Louis County.

The data in Table 3 indicate an economic trend that is consistent regardless of the structure of local government. For all the local economies included in this sample there was better economic performance at the metropolitan level than at the level of the core county or core city/county. For example, the 14-county St. Louis metropolitan statistical area recorded a decline in the number of employees of only 1.67 percent compared to a decline of 7.92 percent in the City of St. Louis and St. Louis County. Similarly in payroll, the St. Louis MSA grew by a much greater amount (34.46 percent) compared to the core City and County (27.03 percent) and in businesses,

Table 3
Change in Economic Indicators 2000-2013

MSA	employees	payroll	businesses
	Change 2000-2013		
Multijurisdictional			
St. Louis MSA	-1.67%	34.46%	7.43%
St. Louis County	-4.46%	35.98%	2.27%
City of St. Louis	-15.21%	8.76%	1.62%
City + County	-7.92%	27.03%	2.12%
Cleveland MSA	-15.88%	18.59%	-13.27%
Cuyahoga	-14.26%	20.60%	-13.65%
Pittsburgh MSA	3.78%	48.31%	0.36%
Allegheny	0.69%	41.84%	-3.64%
Merged			
Indianapolis	2.88%	37.85%	6.77%
Marion	-9.91%	24.98%	-6.75%
Louisville	2.47%	43.42%	5.68%
Jefferson	-3.67%	37.80%	-2.83%
Metropolitan Governance			
Minneapolis-St. Paul MSA	5.62%	46.77%	9.69%
Hennepin	-0.01%	41.20%	0.24%
Portland MSA	4.84%	41.18%	13.14%
Multnomah	-3.57%	31.05%	7.59%
Minimal			
Baltimore MSA	6.38%	57.53%	5.51%
Baltimore County	-1.20%	41.75%	4.17%
Baltimore City	-4.79%	44.86%	-9.97%
City + County	-2.95%	43.38%	-1.74%
Denver MSA	6.73%	43.45%	15.24%
Denver County	-2.81%	34.26%	1.84%

U.S. Census Bureau, County Business Patterns http://www.census.gov/

the number of businesses in the St. Louis MSA grew by 7.43 percent compared to only 2.12 percent in the core City and County.

With only a couple of exceptions this pattern was consistent in all of the local economies in the sample, regardless of local government structure.

This trend is examined in more detail in Table 4. The data in this table are a comparison of the amount of each indicator in the core county or city/county to the amount in the metropolitan area in 2000 and in 2013. For example, in 2000 70.52 percent of all employees in the St. Louis metropolitan area were in the City of St. Louis and St. Louis County. By 2013 that percentage had fallen to 66.04 percent. There were similar declines in the percentage of payroll and the percentage of businesses. This trend was repeated all three indicators in each of the local economies in the sample except for Cuyahoga County and the Cleveland MSA where Cuyahoga County increased its share of both employees and payroll.

Table 4

Change in Economic Indicators in Core City/County

MSA	employees	payroll	businesses
	Dominant jurisdiction(s)/MSA		
Multijurisdictional			
St. Louis City + County/St. Louis MSA			
2013	66.04%	73.16%	56.95%
2000	70.52%	77.44%	59.52%
	-4.48%	-4.28%	-2.57%
Cuyahoga County/Cleveland MSA			
2013	72.98%	76.82%	64.24%
2000	71.60%	75.54%	64.53%
	+1.38	+1.28	-0.29
Allegheny County/Pittsburgh MSA			
2013	64.43%	68.91%	56.44%
2000	66.41%	72.05%	58.78%
	-1.98%	-3.14%	-2.34%
Merged			
Marion County/Indianapolis MSA			
	61.10%	66.52%	50.64%
	69.78%	73.37%	57.99%
	-8.68%	-6.85%	-7.35%
Jefferson County/Louisville MSA			
2013	75.21%	80.09%	67.46%
2000	80.00%	83.35%	73.37%
	-4.79%	-3.26%	-5.91%
Metropolitan Governance			
Hennepin County/Minneapolis-St. Paul MSA			
2013	50.28%	55.47%	42.31%
2000	53.1%	57.66%	46.30%
	-2.83%	-2.19%	-3.99%
Multnomah County/Portland MSA			
2013	42.99%	42.53%	39.63%
2000	46.75%	45.82%	41.67%
	-3.76%	-3.29%	-2.04%
Minimal			
Baltimore City + County/Baltimore MSA			
2013	53.52%	53.82%	48.82%
2000	58.67%	59.13%	52.42
	-5.15%	-5.31%	-3.60%
Denver County			
2013	35.62%	38.15%	29.97%
2000	39.12%	40.76%	33.91%
	-3.50%	-2.61%	-3.94%

U.S. Census Bureau, County Business Patterns http://www.census.gov/econ/cbp/

While the number of local government jurisdiction in St. Louis County may have been a 20th Century concern, the 21st Century problem is maintaining a viable economy in the core City and County. It would appear from these data that governmental reorganization is not a solution to this problem.