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Metropolitan Consolidation versus Metropolitan Governance in Louisville

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New Regionalism differs from past metropolitan reforms. Historically, local government reorganization was promoted as a way to enhance efficiency in metropolitan service delivery. Now metropolitan reform aims to reduce disparities between the cities and their suburbs and enhance the ability of the city-region to compete in the global economy. There are two main routes to New Regionalism and regional governance: (1) *metropolitan consolidation*, which represents a government strategy, and (2) *metropolitan governance*, which reflects a governance approach (Savitch and Vogel 2000).

Whether through reforming government or governance, the new metropolitan agenda focuses on tax sharing among localities, limiting sprawl, building affordable housing in the suburbs, revitalizing the core central city, and fostering sustainable economic growth and development. New Regionalism is advanced as a set of policies designed to reduce inequality arising from the way the metropolis developed and to improve the overall quality of life. Of course, some still advocate consolidation for traditional reform reasons (Feiock and Carr, forthcoming; Swanson 2000).

Leaders in Louisville and Jefferson County, Kentucky, have pursued a strategy of metropolitan consolidation over the last half-century without success. City-county consolidation was rejected in a referendum in 1982 and again in 1983. After the city attempted to annex all of the remaining unincorporated area in 1985, the city and county governments agreed on a compact that included tax sharing, resorting services, and a moratorium on annexation and new municipal incorporations. The compact is a hallmark of the governance approach and has been widely praised in the community and scholarly circles (Vogel 1994; Savitch and Vogel 1996a; Nunn and Rosentraub 1997).

Nevertheless, political and civic leaders have now called for city-county consolidation and have successfully lobbied the state legislature to place a merger referendum on the ballot in the November 2000 general elections. An alternative federative model that would have built on the existing governance strategy was rejected. Thus, Louisville–Jefferson County provides an opportunity to compare the government and governance strategies and consider which approach may better advance a New Regionalist agenda.

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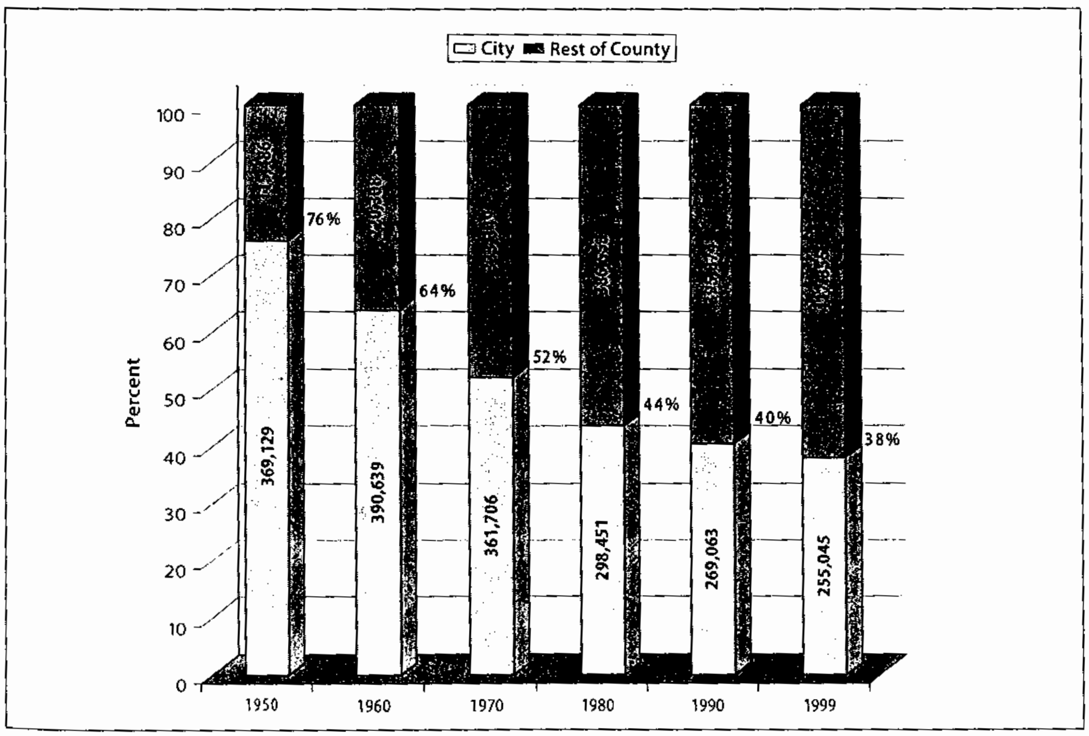
The Case of Louisville and Jefferson County

The Louisville metropolis has a population of about 1 million spread over eight counties in Kentucky and southern Indiana.[1] Figure 1 shows the population trend for the city over the last half-century compared to the remainder of the county. The city's share of the county population declined from 76 percent in 1950 to 38 percent in 1999, whereas the population of the remainder of the county increased every decade. Most African Americans still reside within the city boundaries. In 1990 there were 79,783 African Americans in Louisville, or about 30 percent of the city population. African Americans account for only about 8.5 percent of the population in the rest of Jefferson County (not including Louisville).

There are 116 local governments in Jefferson County. Aside from the City of Louisville and Jefferson County government, there are 85 small cities and 29 special districts. The county provides traditional county services such as health, criminal justice administration, and human services; polices the unincorporated area and small cities; and regulates zoning for all but the larger cities. For the most part, county government does not act as a municipal service provider to residents in the unincorporated area, who make up 40 percent of the population. The special districts include the Jefferson County public school system (countywide), one small independent school district in an affluent small city, a sewer district (countywide), a transit district (countywide), and 22 volunteer fire districts (most of Jefferson County, excluding Louisville and one other city).

About 22 percent of the county residents reside in the 85 small cities, most of which are located in the growing eastern suburbs of

Figure 1: Population of Louisville as Share of Jefferson County, 1950–1999



Source: U.S. Bureau of the Census.

Notes: Numbers for 1999 are census estimates. The city population reported in the chart for 1999 is actually the 1998 estimate.

the county. Ten of these cities are general-purpose municipalities offering a comprehensive mix of services, including police. However, the remaining 75 are akin to neighborhood governments, matching subdivision boundaries. Few offer services beyond garbage collection and, in some cases, supplemental police road patrol through small police departments or by contract with county government.[2]

Past Efforts at Metropolitan Consolidation

Efforts to expand the city's boundary to capture growing suburbs date back to at least the 1950s. In 1956 the Plan for Improvement, or Mallon Plan as it was known locally, was presented to voters. The plan would have extended the city's boundaries to cover the urbanized area of Jefferson County, a 46-square-mile addition with 68,000 residents. The Mallon Plan was essentially a large-scale annexation that would have extended urban services to suburban residents. Although a majority of the county population voted in favor of the plan, the measure failed because of a dual majority requirement. The suburban voters rejected the plan by a 2:1 margin (Vogel 1994).

In 1970–80, like other former industrial cities, Louisville was suffering the consequences of economic restructuring and suburbanization trends. Population loss (–17 percent) and labor force decline (–15 percent) raised fears about the city's continuing viability. In 1982 the mayor, county judge, and Project 2000 (an organization of top business leaders) lobbied the state legislature to authorize creation of a charter commission to study and propose city-county consolidation. The legislature agreed after exempting the 80-plus small cities from any merger. The resulting merger plan called for three tax-and-service districts (urban, suburban, and rural) and the preservation of all small cities, fire districts, and special districts. A 19-member legislative council would be elected by district, with staggered four-year terms. The plan was defeated by 1,450 votes.

Merger advocates successfully pushed to have city-county consolidation placed on the ballot again in 1983, with a revised plan more palatable to voters. This time, only two service districts were set up (full = former city, basic = everywhere else). Other changes included prohibiting annexation of any part of the former City of Louisville, enlarging the council to 27 members, and limiting the mayor to three terms. The 1983 merger was defeated by 5,600 votes.

The 1982 and 1983 merger plans were defeated by an alliance of African Americans in the west end of Louisville and white blue-collar workers in the south end of the city and southwest Jefferson County (i.e., the unincorporated area). African Americans were primarily concerned about minority dilution. Other coalition members included the police lodges, NAACP, 18 state representatives, and 5 members of the Louisville Board of Aldermen. Explanations for the mergers' defeat suggest that voters suspected a conspiracy among the "downtown" and "east end" establishment. Ironically, just a few years after divisive battles over busing, the prospect of a merger stimulated working-class whites and the black community to forge an alliance to defeat the community power structure's agenda (Schulman 1987; Stewart 1983).

Metropolitan Governance: The Louisville–Jefferson County Compact

In 1985 the Louisville Board of Alderman sought to annex all of the remaining unincorporated area of Jefferson County. This annexation effort seriously threatened county revenues. The city and the county derive more than half of their revenues from the occupational tax, which has two parts: a tax on business net profits and a proportional income tax paid by workers according to place of work (i.e., commuter tax). Under the occupational tax, Louisville would gain all of the occupational tax collected in annexed areas

The early to mid-1980s was thus characterized by high levels of interlocal government conflict between the city and county over economic development and annexation.

By 1980 a number of services had been functionally consolidated and provided countywide by more than a dozen independent boards and commissions. In some instances, these agencies had their own dedicated revenue base (e.g., transit and sewers). In others, the city and county appropriated money in their annual budgets to the agencies. Thus, pragmatically and incrementally, the city and county had "patchworked" a set of arrangements for providing a number of public services in an otherwise fragmented and divided metropolis.

The system of metropolitan governance that evolved depended on the city and the county cooperating with each other and with the independent boards and commissions that directed the agencies. Deindustrialization (i.e., plant closings and relocation) cost Louisville thousands of jobs. A middle-class exodus cost the city more than 100,000 persons from 1960 to 1980. Interlocal government competition for economic development, annexation wars, and independent agency politics pitting the city and county against each other in annual budget processes threatened the community's economic health and vitality.

The difficulty facing the community was how to create an effective system of metropolitan governance. Cooperation in providing pubic services is not sufficient; the city and county needed to be able to strategically plan for economic development and more coherently provide public services. Metropolitan consolidation was not possible, because voters had already rejected city-county consolidation twice in the early 1980s. The only option was to devise a better system of metropolitan governance that reduced city-county rivalry and ensured greater strategic planning capacity.

An innovative solution, the Louisville–Jefferson County compact, was proposed to satisfy the city's need for revenue, reduce tensions over competition for economic development and annexation, and improve the management of a dozen joint city-county agencies that had evolved over the years to provide services countywide. The compact was a comprehensive interlocal government service agreement adopted by the city and county and the state legislature.

Under the terms of the compact, the city and county agreed to share occupational tax collections according to a formula based on a 1985 base year, wherein the city collected about 59 percent of the occupational taxes; the county, about 41 percent. Table 1 shows the effect of the compact on revenue distributions to the city and county. The compact has led to annual redistributions from the county to the city averaging more than $5 million a year over the last five years. A related provision imposes a moratorium on annexations or incorporations of new cities. The 1985 annexation bills were not repealed, and if the compact ends, the city can revive them. Some in the county have expressed unhappiness about the size of the tax redistributions, and small cities have complained about annexation prohibitions. However, these aspects of the compact have ensured the city a share of the revenues from suburban growth and have eliminated unhealthy competition for business attraction and annexation wars.

The city and the county also agreed to divide up a number of previously independent joint city-county agencies. The city gained full operational control and financial responsibility for the human relations commission, zoo, museum of science, and emergency services. The county was assigned air pollution, health, crime commission, and planning. Services continued to be provided countywide. The library, transit authority, metropolitan sewer district, and parks remained joint agencies, with the mayor and county judge-executive appointing the directors and the city and county jointly financing their operations. A new joint office of economic development

Table 1: Effect of Compact on Occupational Tax Distribution

Year	City Collections without Compact (dollars)	County Collections without Compact (dollars)	Total City-County Collections (percent)	City (percent)	County (percent)	Redistribution to City under Compact (dollars)
1985	49,584,561	34,835,330	84,419,891	58.7	41.3	Base Year
1986[a]	51,654,584	36,634,200	88,288,784	58.5	41.5	—
1987	64,564,584	47,766,831	112,331,044	57.5	42.5	151,072
1988	60,100,514	44,757,838	104,858,352	57.3	42.7	997,694
1989	63,350,736	48,020,267	111,371,003	56.9	43.1	1,260,341
1990	69,262,987	48,968,415	118,231,402	58.6	41.4	1,789,344
1991	69,647,000	50,081,501	119,728,501	58.2	41.8	139,599
1992	73,309,860	53,082,944	126,392,804	58.0	42.0	639,000
1993	73,406,467	59,161,610	132,568,077	55.4	44.6	845,701
1994	76,022,007	63,605,225	139,627,232	54.4	45.6	4,008,466
1995	84,198,900	68,381,017	152,579,917	55.2	44.8	5,359,214
1996	88,489,453	70,064,829	158,554,282	55.8	44.2	4,736,920
1997	90,837,478	73,747,720	164,585,198	55.2	44.8	4,043,453
1998	94,651,335	80,397,289	175,048,624	54.1	45.9	5,083,879
1999	99,336,860	87,609,836	186,946,696	53.1	46.9	7,085,099
% Increase	118.64	125.45	121.45			
Total						36,139,782

Source: Louisville–Jefferson County Revenue Commission.

Notes: There are actually three formulas for calculating the distribution of occupational taxes under the compact, which have resulted in a redistribution in the city's favor since adoption. The first formula allocates each government the amount it received in the 1985 base year (city = 58.735 percent; county = 41.265 percent). The second formula adjusts the base year amount for inflation and then distributes 59.7 percent to the city and 40.3 percent to the county. The third formula allocates the real growth in the occupational tax collections to each government, with a small bonus of 10 percent to the government that received the growth (10 percent city growth + 51.48 percent total growth; 10 percent county growth + 38.52 percent total growth). After the three calculations, the revenue is distributed to the city or county. The calendar year collections rather than the fiscal year is the basis for the redistribution.

[a] First year the compact took effect.

was set up under this agreement. In resorting the services, the county agreed to accept an additional $1 million in costs as a payment to the city for giving up annexation and to reflect that the city no longer constituted half the population, although it was still contributing 50 percent of the budget of some joint agencies (e.g., library).

Although the city and county governments occasionally differ with regard to priorities, and the county periodically objects to the compact redistributions, the compact has greatly facilitated cooperative relations. On the whole, the arrangement has worked well and led to more than a decade of relative stability and growth. Following the compact's adoption, the Greater Louisville Economic Development Partnership (a public-private partnership) was established to engage in regional economic development strategy and to attract business (Savitch and Vogel 1996a; Vogel 1990). An early success was city and county cooperation to expand the airport to attract a UPS hub facility. This has become a focal point of economic development efforts and led to thousands of new jobs.

Another Effort at Metropolitan Consolidation

In the 1990s government restructuring returned to the local agenda. The Jefferson County Governance Project was established in 1994 to study local governance. A citizens task force was appointed, and a regional economic development strategy was financed by the Partnership for Greater Louisville and managed by the chamber of commerce. In 1996 the citizens task force recommended rejecting city-county consolidation, instead proposing the transfer of many services and revenues from the city to the county and reorganization of county government. Fiscal court, comprising three commissioners and a judge-executive, was to be eliminated in favor of an enlarged county council and elected county mayor. An analysis of the proposed reorganization found that the reforms would not ensure the city's viability and questioned many of the underlying assumptions leading to the proposed reorganization (Savitch and Vogel 1996b). The state legislature failed to act on the recommendations of the citizens task force.

Initially set for 12 years in 1986, the compact was renewed in 1998 for another 10 years, with minimal changes. Most important, the tax-sharing formulas and moratorium on new annexations and incorporations stayed in place. The most significant change was elimination of the joint city-county office of economic development. Most economic development functions were consolidated into the public-private partnership (now called Greater Louisville, Inc.), which also had merged with the chamber of commerce. A new city-county office of business services was set up for those functions that were not transferred.

Prior to negotiations, the crime commission (a joint city-county agency) was assigned to study the feasibility and desirability of consolidating police functions. The final report was not conclusive, indicating that police consolidation could lead to \$30–\$50 million in additional costs for a combined communications system alone. Police consolidation was deferred until after the compact's renewal and was to be determined by the new mayor and judge after the 1998 general elections. The police consolidation was subordinated to broader discussion of city-county consolidation in the mayoral and judge-executive races.

The state legislative delegation established the Task Force on Local Government, comprising the local state legislative delegation, mayor, judge-executive, board of alderman, fiscal court, and some representatives from small cities. In September 1999 the mayor and judge-executive proposed consolidation of the city and county governments. The task force voted to recommend the proposal in January 2000, and the General Assembly passed a merger bill in the Spring 2000 session, setting a referendum to merge the City of Louisville and Jefferson County on the ballot in November 2000.

If consolidation passes, a mayor-council form of government will be set up, with a 26-member council elected in single-member districts. The new council will decide which agencies to consolidate and whether to expand municipal services to the unincorporated area. Other small cities and special districts in Jefferson County will remain in place. Merging the city and county would purportedly achieve greater efficiency and effectiveness in service provision by eliminating duplication of services, realizing economies of scale, and allowing the community to speak with one voice (Armstrong and Jackson 1999, 4). The compact is said to have "outlasted its original purpose—a temporary solution to how our governments interact" (1999, 5). Advocates of the merger also expect it to enhance economic development and growth and to improve citizen representation (1999, 24). Louisville would become the 23d largest city if it consolidates with Jefferson County. Failure to merge may result in consolidated Lexington-Fayette becoming the largest city in Kentucky after the 2000 census.

Metropolitan Consolidation as a New Regionalist Strategy

The merger proposal in Louisville and Jefferson County rests on (1) earlier metropolitan reform agenda assumptions that a merger will result in improved efficiency and effectiveness, and (2) the more recent ideas advanced by Rusk (1995) concerning the obsolescence of existing central city boundaries and how they hinder growth. Traditional reform assumptions about increased efficiency and effectiveness of public services provided by consolidated governments have been seriously challenged—

> The preponderance of the evidence indicates that small local governments (and thus metropolitan areas characterized by fragmentation) are more efficient for labor-intensive services, whereas larger units are more efficient for capital-intensive services (because of economies of scale) and for certain overhead functions....There is general agreement that consolidation has not reduced costs (as predicted by some reform advocates) and, in fact, may have even increased total local expenditures. (Altshuler et al. 1999, 106)

These findings are confirmed in a recent study that examined the evidence for economies of scale in providing services in Miami–Dade County: "The findings for Miami–Dade County do not support the position of the advocates of consolidation when total expenditures are considered for all municipal-level services (i.e., aggregate spending for all services)" (Becker and Dluhy 1998, 84). The study did suggest that services such as fire, library, and planning would yield economies of scale if provided at the metropolitan level. In the case of Louisville and Jefferson County, library and planning services are already consolidated at the county level; fire services are specifically excluded in the merger plan and cannot be altered by the new city-county council. Although no detailed tax or budget analysis was undertaken in preparing the merger proposal, an initial financial impact analysis of the proposed merger found "no major additional costs or cost savings from the proposed reorganization" (Anticipated Financial Impacts 1999, 1)—partly because functional consolidations have already occurred through joint agency arrangements for providing capital-intensive services and the adoption of the compact.

The other major rationale for consolidation is based on New Regionalism. Rusk (1995, 88) argues that *inelasticity*—the inability of cities to extend their boundaries through annexation or consolidation to capture new growth in the suburbs—leads to social and economic decline for older central cities. Indeed, the urban crisis implies the need for comprehensive local government reorganization. This leads us to ask, is Louisville dying and is a merger the cure?

Louisville's Viability—Distress and Prosperity

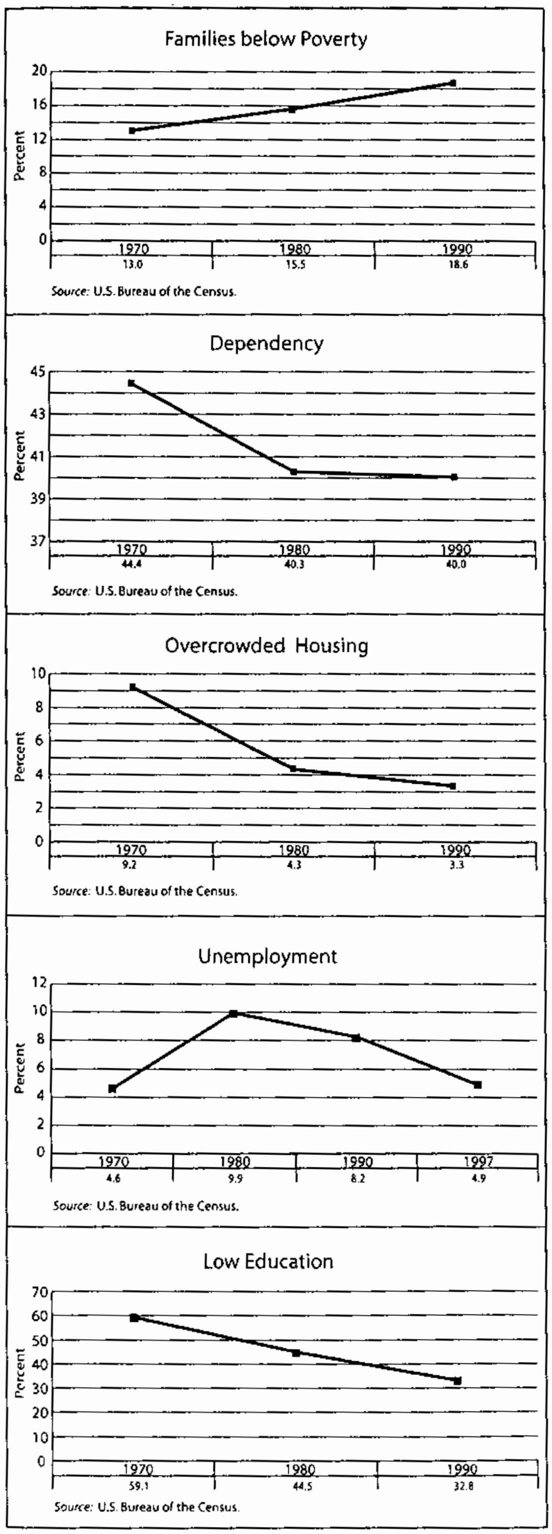
To put Louisville's condition in a national and metropolitan perspective, we (1) consider its viability by examining indicators of urban distress and prosperity, (2) compare Louisville with other American cities and to the remainder of Jefferson County, and (3) identify Louisville's strengths and weaknesses. We then consider whether metropolitan consolidation would advance a New Regionalist agenda of reducing disparities, reurbanizing the core city, and promoting sustainable development.

Viability consists of two opposing but complementary factors: distress and prosperity. Distress is essentially a series of negative attributes that highlight social and economic hardship. Following the work of Nathan and Adams (1976), we isolate five such "hardships," including families below poverty, unemployment, dependency, low education, and overcrowded housing.[3] Prosperity consists of positive attributes; it enhances capital accumulation or ability to consume, encompassing business profits, business payroll, effective buying income, assessed property values, and revenue.[4]

Urban Distress

Figure 2 reveals that four out of five distress factors have fallen since 1970. Poverty persisted within the city, climbing from 13 percent in 1970 to more than 18 percent by 1990. Progress on other fronts countered this trend. After peaking to nearly 10 percent in 1980, unemployment fell to 8 percent by 1990 and

Figure 2: Distress Indicators for Louisville: 1970–90



to less than 5 percent for 1997. Dependency plummeted and leveled off by 1990. Low educational levels consistently fell over the last three decades, from 59 percent of the adult population without a high school education in 1970 to 32 percent by 1990.

To compare these statistics to comparable areas, the five distress factors were combined into a single index of distress. Louisville's performance on the index was then compared with that of other major cities over the last three decades, ranked according to severity. Cities at the bottom of the rank order have the lowest levels of distress (see Table 2).[5] The cities are divided into six descending categories, with the most stressed cities in the first grouping and those with the least distress located in the last grouping.

Over the years, Louisville's position has continued to improve. In 1970 Louisville could be found among the most distressed cities in the country, ranking 48th out of 58 in severity of urban distress. By 1980 the city was ranked among the next class of cities (43rd out of 58). By 1990 Louisville's position continued to improve (38th out of 58). Given its age and former industrial character, Louisville has done reasonably well, especially compared with similar cities.

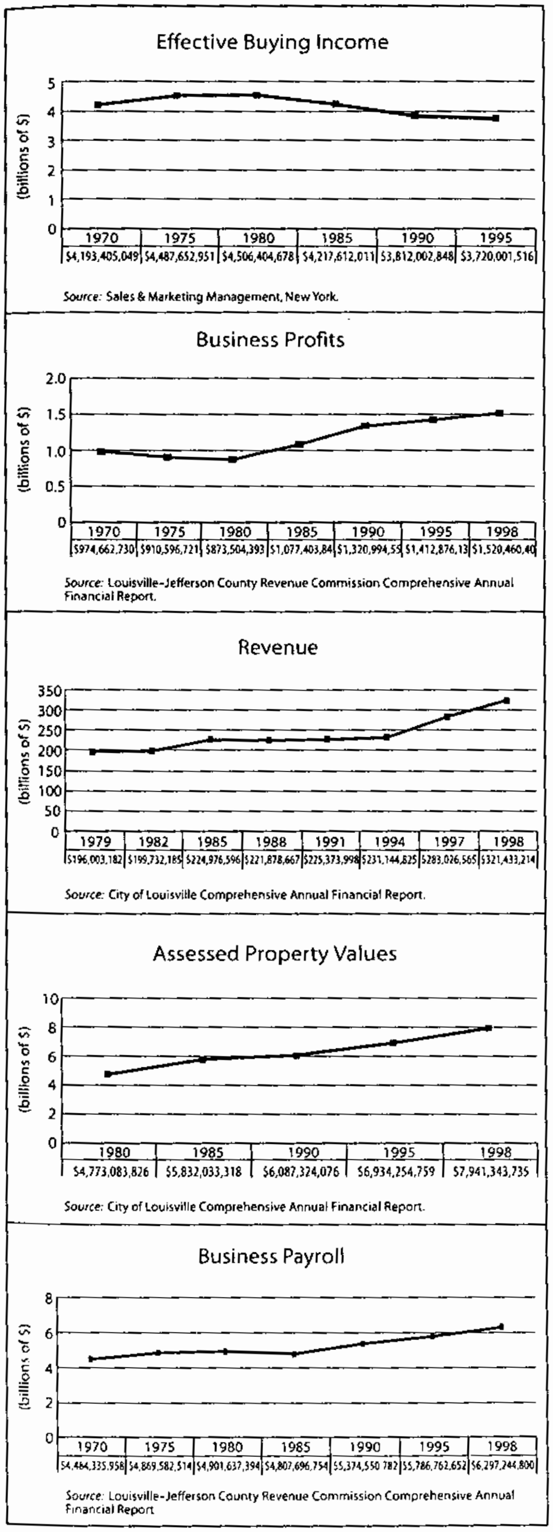
Prosperity

Most of the prosperity factors have improved since 1970 (adjusted for inflation; see Figure 3). Business profits initially declined but then increased overall by 55 percent in the 28 years examined. Payrolls grew by about 40 percent. The assessed value for real property rose over 66 percent.[6] Prosperity has been reflected in substantially increased municipal revenue. Revenue increased by 64 percent.[7] On one prosperity measure, effective buying income, there was a decline of about 11 percent (–$473 million) between 1970 and 1995. Overall, seen from the perspective of 1970, we can surmise that Louisville has recovered from the collapse of its rust-belt underpinning.

Table 2: Most to Least Distressed Cities: 1970, 1980, 1990

City, 1970	Index	Rank	City, 1980	Index	Rank	City, 1990	Index	Rank
Newark	80.4	58	Newark	83.5	58	Miami	78.6	58
New Orleans	75.8	57	Detroit	65.6	57	Detroit	71.5	57
St. Louis	75.0	56	Gary	65.3	56	Gary	67.1	56
Gary	67.4	55	St. Louis	62.6	55	Newark	65.9	55
Birmingham	64.4	54	Miami	62.4	54	Youngstown	61.5	54
Miami	60.8	53	Jersey City	58.9	53	Cleveland	59.2	53
Detroit	58.5	52	Hartford	56.7	52	New Orleans	57.9	52
Baltimore	58.2	51	Baltimore	55.0	51	Hartford	54.8	51
Cleveland	56.8	50	Cleveland	53.6	50	St. Louis	52.3	50
Youngstown	56.3	49	Youngstown	53.3	49	Chicago	46.1	49
Louisville	**54.7**	**48**	New Orleans	51.5	48	Buffalo	45.5	48
Cincinnati	53.2	47	Buffalo	50.9	47	Los Angeles	45.0	47
Buffalo	52.4	46	Chicago	50.8	46	Dayton	44.2	46
Jersey City	50.4	45	Dayton	48.3	45	Birmingham	43.6	45
Hartford	49.5	44	Atlanta	47.5	44	Jersey City	43.0	44
Atlanta	49.2	43	**Louisville**	**47.0**	**43**	Baltimore	42.6	43
Grand Rapids	47.5	42	Sacramento	46.8	42	Atlanta	41.6	42
Tampa	46.8	41	Birmingham	46.3	41	Philadelphia	41.4	41
Chicago	46.5	40	Cincinnati	44.0	40	Springfield	41.3	40
Philadelphia	46.4	39	New York City	43.9	39	New York City	40.5	39
Sacramento	46.4	38	Philadelphia	43.8	38	**Louisville**	**40.4**	**38**
Providence	45.5	37	Providence	43.1	37	Rochester	39.7	37
Dayton	45.5	36	Rochester	42.4	36	Milwaukee	39.6	36
Pittsburgh	44.2	35	Springfield	39.8	35	Cincinnati	39.6	35
Springfield	44.1	34	Toledo	39.8	34	Providence	37.6	34
Rochester	42.4	33	Tampa	38.0	33	Houston	36.7	33
Ft. Worth	41.5	32	Akron	36.9	32	Toledo	35.2	32
New York City	41.2	31	Pittsburgh	36.8	31	Akron	34.3	31
Richmond	41.1	30	Los Angeles	34.8	30	Ft. Worth	33.4	30
Jacksonville	41.0	29	Syracuse	33.6	29	Pittsburgh	32.9	29
Akron	40.4	28	Richmond	33.3	28	Syracuse	32.8	28
Milwaukee	38.4	27	Grand Rapids	33.0	27	Tampa	32.3	27
Toledo	38.2	26	Milwaukee	32.3	26	Sacramento	32.0	26
Los Angeles	38.1	25	Norfolk	30.9	25	Richmond	30.6	25
Houston	37.7	24	Ft. Worth	30.6	24	Dallas	30.1	24
Norfolk	37.5	23	Jacksonville	29.8	23	Grand Rapids	29.7	23
San Jose	37.4	22	Indianapolis	27.5	22	Ft. Lauderdale	28.8	22
Indianapolis	37.2	21	Allentown	26.5	21	Norfolk	27.5	21
Phoenix	36.2	20	Boston	25.9	20	Allentown	26.7	20
Kansas City	35.7	19	Kansas City	25.4	19	Oklahoma City	25.1	19
Syracuse	34.3	18	Ft. Lauderdale	23.8	18	Phoenix	23.8	18
Nashville	34.1	17	Phoenix	22.7	17	Kansas City	23.7	17
Salt Lake City	33.9	16	Dallas	22.5	16	Salt Lake City	23.0	16
Portland	33.9	15	Salt Lake City	21.9	15	Boston	22.3	15
Dallas	33.3	14	Nashville	21.6	14	Denver	22.1	14
Oklahoma City	31.8	13	Omaha	21.5	13	San Jose	21.3	13
Omaha	30.4	12	Houston	21.3	12	Jacksonville	20.7	12
Columbus	30.0	11	Columbus	20.1	11	Indianapolis	19.7	11
San Diego	29.8	10	Oklahoma City	19.0	10	San Diego	18.1	10
Ft. Lauderdale	28.9	9	San Jose	18.4	9	Minneapolis	17.5	9
Boston	28.0	8	Greensboro	18.0	8	Portland	16.9	8
Denver	27.6	7	Portland	17.8	7	San Francisco	16.7	7
Seattle	26.7	6	San Francisco	16.4	6	Omaha	16.7	6
San Francisco	26.6	5	San Diego	14.8	5	Nashville	16.0	5
Lexington	25.1	4	Denver	14.8	4	Columbus	15.1	4
Greensboro	24.2	3	Lexington	13.6	3	Lexington	9.6	3
Minneapolis	24.1	2	Minneapolis	12.3	2	Greensboro	9.6	2
Allentown	22.9	1	Seattle	5.7	1	Seattle	4.8	1

Figure 3: Prosperity Indicators for Louisville: 1970–1998 (adjusted for inflation in 1998)



Louisville and the Rest of Jefferson County

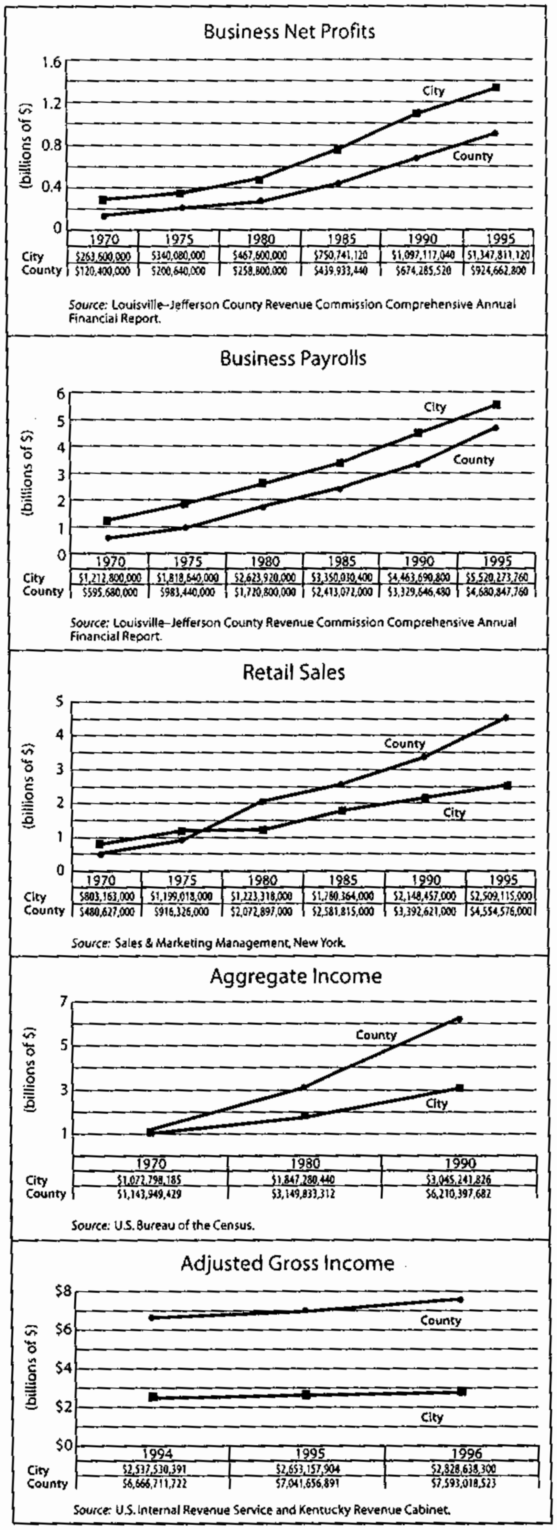
Judged on its own terms, Louisville is sound. When viewed against its suburbs, however, the city's profile changes. The often-cited national indicator on city-suburban disparity is the difference in income. Just 26 years ago, central city residents earned 96 percent of their suburban counterparts' income. By 1989 that figure had fallen to just 84 percent. Louisville was somewhat below the national average in 1989, with its central city residents earning 80 percent of suburban income (Ledebur and Bames 1992). Figure 4 shows indicators for Louisville, which are matched against the rest of the county.[8] Louisville's business profits and payroll continue to exceed those of the rest of the county, but its lead has narrowed.

In terms of income and retail sales, however, there is disparity. In 1991, 40 percent of the county's population resided in Louisville and accounted for 29.6 percent of its adjusted gross income; by 1996, the figures were 39 percent and 27 percent, respectively. Retail sales within the city in 1995 were just 55 percent of retail sales within the rest of the county.

Metropolitan Consolidation and Disparities

From a New Regionalist perspective, the question is, will metropolitan consolidation likely reduce disparities between the cities and the suburbs and blacks and whites? "The evidence that does exist...suggests that these efforts have had no significant impact on redistributing income or on addressing the problems of the poor or racial minorities" (Altshuler et al. 1999, 106–7). Although metropolitan governments should be in a position to use their powers to advance a New Regionalist agenda, social issues (including affordable housing and racial issues) are neglected by metropolitan governments, which emphasize infrastucture placement (Altshuler et al. 1999, 107). In examining regional governments, Self (1982) found that metropolitan consolida-

Figure 4: Comparing Prosperity in Louisville and Jefferson County: 1970–1995



tion was of limited utility in addressing social disparities, because the enlargement of city boundaries reduced the power of the core city residents in favor of the larger suburban majority. Suburbanites were able to block policies threatening suburban privilege.

Although Rusk (1995) has pointed to fewer disparities in merged versus unmerged cities, the apparent relationship between consolidation and lower poverty rates, for example, is spurious. The relationship is a statistical artifact arrived at by averaging an area with a high poverty rate (found in the central city) with an area with a low poverty rate (found in the rest of the county). Combining these numbers gives the appearance of having a lower urban poverty rate and higher urban incomes, but the reality is unchanged (Blair, Staley, and Zhang 1996).

For example, in the ranking of cities on distress factors (Table 2), merged city-counties such as Jacksonville, Nashville, Lexington, and Indianapolis scored significantly higher than did Louisville, which seemingly would lend great support to the push to consolidate Louisville and Jefferson County. However, the reason why these cities have better scores is probably because the extent of their problems is diluted when central city conditions are averaged with the more affluent suburbs. A consolidated Louisville–Jefferson County would have ranked 34th in 1970, 25th in 1980, and 17th in 1990. Thus, Louisville would be "magically" transformed from being a city with an urban distress problem into one that is affluent and prosperous.

Metropolitan consolidation does not seem warranted, based on a reform agenda. It is also of questionable value as a New Regionalist strategy in Louisville. The preceding analysis of distress and prosperity suggests that the diagnosis of Louisville as a city with a terminal illness is incorrect. In the case of Louisville, consolidation is a radical solution to a more mild illness—especially considering other consequences of metropolitan consolidation, such as minority dilution and loss of local autonomy. Here, the cure may be more harmful than the disease. Of course, one reason for the community's current economic health is the existing compact, which embraces many of the remedies advocated by New Regionalists, including tax sharing and strategic planning for economic development. A merger would have little or no impact on the community's current economic development strategy or administration. Moreover, Carr and Feiock (1999) find no evidence that consolidated city-counties have greater economic growth than unconsolidated ones.

Metropolitan Governance—an Incomplete Model?

The Critique

One reason why the metropolitan governance approach is criticized by state and local civic and political leaders is that local leaders may lack a broader context for evaluating their local decision-making processes. From the inside, all policy making seems fragmented and hyperpluralistic (Vogel 1992). Local elites may not appreciate the uniqueness of the compact as a metropolitan governance model that other communities would like to emulate. Moreover, recommendations by national urban policy makers may fail to account for particular local circumstances. Although central cities generally do suffer from their inability to capture growth in the suburbs, Louisville benefits from being one of the few cities that has a commuter tax and from the compact arrangements for tax sharing and more comprehensive linked functions that are not reflected in "indices of elasticity" (Rusk 1995).

Conflict over administration of joint agencies still does occur: the county objects to the amount transferred to the city every year under the tax-sharing arrangement, small cities complain about the moratorium on annexation, and some citizens would like to create new small cities to provide municipal services currently not available in the unincorporated area. The mayor and judge occasionally differ over community development and legislative agenda priorities. The most recent example cited by merger advocates was, the judge was unwilling to commit to a stadium package to recruit a sports team, which the mayor favored.

Together, these examples point to a major weakness in the compact, which is its failure to provide an "umbrella body" to develop and act on behalf of metropolitan interests (Barlow 1991). This is probably what merger advocates have in mind when they talk about the need to "speak with one voice" and to have the city and county work more in harmony. Of course, consolidation would create such a body (at least for the county boundary). Can intergovernmental relations be refined to enhance metropolitan governance, even in the absence of formal comprehensive metropolitan government?

Building Stronger Governance: The Metropolitan City of Louisville

In January 2000 a proposal to create a Metropolitan City of Louisville was presented to the local task force considering the consolidation proposal.[9] The plan called for the General Assembly to pass legislation creating a federated City of Louisville to fuse the existing city, county, and small city governments together under a single overarching umbrella. The 23-member metropolitan council would have included 9 members from the city (including the mayor and 8 members of the Board of Aldermen); 9 members from the county (including the judge-executive, 3 county commissioners, and 5 representatives elected from the unincorporated area); and 5 members from the small cities. The mayor and county judge would have rotated the position of metro mayor every two years. The council would have had an appointed director, 3 professional staff (including a planner and economic development specialist), and 5 support staff. The council would have been funded from a 5 percent dedicated share of the occupational taxes collected by the city and county, generating about $6.7 million a year at the current rate of collections.

Under this plan, functions of the metropolitan council would be to promote economic development, environmental protection, regional growth management, and regional service delivery. Existing local governments that citizens value would continue, but intergovernmental relations would be better structured to achieve a New Regionalist agenda. The metropolitan city would coordinate and integrate metropolitanwide policies and strategically set land-use and growth management plans. The model developed in Louisville and Jefferson County then would be expanded to the rest of the metropolis as other area governments recognized the value of joining. Although more limited than a strong, centralized metro government, the new government would be flexible and able to accept responsibility for some metropolitanwide services currently in place—if, after careful study and debate, a consensus could be reached.

The proposal was not given a full hearing and failed to satisfy the merger proponents, who had the votes to move ahead. The plan suffered an additional setback when the U.S. Bureau of the Census indicated that the metropolitan city would not be treated as a city under census reporting, and thus Louisville population would not be boosted into the top 25. This is, of course, an untested model, so we cannot demonstrate that it would be more effective than metropolitan consolidation in practice. However, the plan is very appealing for pursuit of a New Regionalist agenda and less threatening than a merger, which has not been feasible in most communities. The plan also reflects an emerging consensus that a two-tiered system is more practical and desirable for modern metropolitan governance (Altshuler et al. 1999; Becker and Dluhy 1998).

Conclusion

We have analyzed two routes to New Regionalism in Louisville. One strategy, metropolitan governance, adopted in a linked-functions compact, has contributed greatly to a strong development-oriented urban regime, tying the city and county government and business leaders together in a strong public-private partnership. The compact greatly reduced city-county competition for economic development, annexation, and revenue, which otherwise precluded cooperation on development strategy. One measure of the regime's accomplishments in the last decade is Louisville's transition from an industrial-based city to the new service-based economy centered around airport expansion and the attraction of a United Parcel Services hub facility.

Now, public officials and civic leaders question whether the compact is adequate for the next century. Disparaging comparisons are made between Louisville and merged cities such as Nashville, Jacksonville, and Indianapolis. The compact is said to be outdated and overrated, and appeals are made to act before it is too late. The community image portrayed in the "unity" campaign for a merger is one of lost opportunity and a dying city —a diagnosis that is incorrect. Not only has metropolitan governance worked in Louisville, but new proposals could lead to an even more innovative and exciting model of metropolitan governance for Louisville that may have wider application.

The evidence to date suggests that consolidation would neither narrow the city-suburban gap nor deal with the problems at hand. Leaders frequently suggest that a merger will be a boon to population growth and economic development, but this is not likely. On paper, Louisville would record a higher population count and appear more affluent. However, its metropolitan population would remain unaffected: those living in poverty in the inner city would be just as poor after consolidation as before. People may feel good about having a "larger city," but urban realities would remain the same.

Dissembling the central city or turning it into a suburb is not the solution. Louisville's compact creates a flexible, metropolitan governance framework that lends itself to incremental building. A truly "regional" agenda would be to tie other cities in Jefferson County and other neighboring counties in the metropolis to the tax-sharing arrangements. Newly urbanizing counties in the metropolis could share benefits of economic growth in exchange for extension of joint agency services, such as waste treatment and libraries. The proposed Metropolitan City of Louisville would be a logical next step. Regionalism that builds on the basis of trust and respects the integrity of existing municipalities may yield greater benefits than ill-conceived and unlikely merger proposals that increase distrust and divisions in the county.*

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*The voters approved the merger of Louisville and Jefferson County in a referendum on November 7, 2000. *Ed.*

Notes

1. The official MSA definition of the Louisville metropolis is Jefferson, Oldham, and Bullitt Counties in Kentucky and Clark, Floyd, Harrison, and Scott Counties in southern Indiana. We continue to treat Shelby County as part of the MSA, even though it was removed following the 1990 census.
2. There are six classes of cities in Kentucky, based on population size. Each class of city is accorded different responsibilities. The only first-class city in the state is Louisville. There is one second-class city in Jefferson County, one third-class city, and eight fourth-class cities. The remaining 78 small cities are of the fifth and sixth class, which more closely resemble neighborhood governments and have few powers.
3. Measures for distress variables are as follows. *Poverty*: family income below a threshold of sustenance for a family of four (defined in 1989 as less than $12,675). *Unemployment*: the percentage of the civilian labor force seeking work. *Dependency*: a measure of nonworking populations under 16 and over 64 years of age. *Low education*: the proportion of population 25 years of age or more with less than 12 years of schooling. *Overcrowded housing*: more than 1.01 persons per room. Nathan and Adams (1976) also included an additional variable, *income*, treated here as a prosperity measure.
4. Measures for prosperity are as follows. *Business profits*: a 1.25 percent tax on net profits to which all businesses within Jefferson County are subject; the taxed net profits are one of two components of the occupational tax. *Business payroll*: a 1.25 percent tax on wages to which all employees working in Jefferson County are subject; the taxed wages are one of two components of the occupational tax. *Effective buying income*: personal income less personal tax and nontax payments; often comparable to disposable income. *Assessed property values*: a tax against real estate levied by local governments; the two assessment values are assessed value and estimated actual value; assessed value of real property is equal to the estimated actual value less real property that is exempted from taxation under law; estimated actual value has been used to calculate the value of real property. *Revenue*: consists of revenue from all sources.
5. To the list of 55 cities included in a study by Nathan and Adams (1976), we added Nashville, Jackson-

ville, and Lexington to determine how consolidation may affect distress. Following the method used by Nathan and Adams, the index is calculated as follows. Value of 100 assigned to the highest figure in the column, and value of 0 assigned to the lowest figure in the column. The indices between these two are assigned values ranging from 0 to 100, using the following formula: $X = (Y - Y_{min}) * 100 / (Y_{max} - Y_{min})$, where X = standardized index, Y = figures for each city, Y_{max} = maximum value of Y, and Y_{min} = minimum value of Y. The indices for each city are summed, and the total is divided by 5 to derive the distress index.

6. These figures are partially inflated by full assessment valuations initiated during the 1990s. It should be noted, however, that the escalation occurred before this change and remains substantial.
7. There is overlap in the revenue indicator and business profits in that business profits are part of the occupational tax collection. However, it was important to look at the overall revenue picture for the city to determine if the city's finances were in good health and growing.
8. It was not necessary to adjust for inflation in Figure 4, because the city and the county would experience the same inflation rate. The purpose of the figure is to compare the performance over time for the two governments, which would not be affected by inflation.
9. The authors worked on this federated metropolitan government proposal (the Metropolitan City of Louisville), which was presented as an alternative to the merger proposal.

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