

Do Small Local Governments Fare Well? A Survey of Villages in New York

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Abstract

Public administration studies have not adequately discussed governance challenges for small local governments. Given that more than 10% of villages have, unprecedentedly, voted on dissolution in New York over the past 10 years, this article exclusively and comprehensively investigates how well villages are faring in New York. Using a representative survey of village governments, coupled with a rich secondary data set, it finds institutional and political tensions between villages and their underlying town(s). It also suggests intergovernmental fiscal factors have threatened the organizational and fiscal health of some village governments. In addition, villages have extensively established service-sharing mechanisms with town(s) to mitigate fiscal stress. The majority of village officials remain skeptical about dissolution as an effective approach to cost savings.

Keywords

village government, fiscal stress, organizational decline, village dissolution, shared services, consolidation

Introduction

Local general-purpose governments have encountered a variety of governance challenges, and this condition has drawn wide attention from scholars and practitioners in the United States. Osborne and Hutchinson (2004), for example, argue that many localities will live with a “permanent fiscal crisis,” and Afonso (2013) finds that 12.3% of county governments have not been able to provide services at a responsible level since the Great Recession, based on a survey of local governments in California and Georgia.

The existing studies, however, primarily concentrate either on counties or on large central cities.¹ Although there are case studies examining the plight of small towns or small legacy cities (Hollingsworth & Goebel, 2017; Mattson, 1990, 2014, 2017; Reed, 1988; Wolensky & Enright, 1991), scholars rarely focus on villages. Compared with other layers of local governments, villages are possibly subject to a complicated intergovernmental relationship, more direct public scrutiny, and more fiscal constraints due to a relatively smaller revenue base.

In addition, the literature rarely discusses the organizational vulnerability of village government, with the exception of some pioneering legal studies by Anderson (2012a, 2012b, 2015). Incorporated villages exist in more than one third of states,² and village governments typically embody the spirit of local autonomy as they are small enough to enable people to conveniently exercise democracy by participating in elections and public meetings. A common perception is that villages, like other local general-purpose

governments, are stable or immortal, which is distinguished from the dramatic decrease of school districts (Brasington, 2004; Duncombe & Yinger, 2007; Duncombe, Yinger, & Zhang, 2016; Gordon & Knight, 2008, 2009) and the rapid growth of special districts in the United States (Bunch, 1991; Burns, 1994; Foster, 1997; Zhang, 2018). This common perception is being challenged by the emerging and cautionary trend that many localities have been experiencing decline or death. In New York, a recent survey of local governments shows 10% and 32% of villages subjectively rank their fiscal stress as “significant” and “moderate,” respectively (Aldag, Warner, & Kim, 2017).³ Furthermore, since 2008, more than 50 villages, which is approximately 10% of all villages in total in New York, have voted to explore dissolving their governments through the referendum process. Consequently, 22 of them have, as of now, succeeded (see Table 1). New York is not alone. In Nebraska, more than 40 townships have disincorporated since 2000, and more than 10 municipal disincorporation cases have occurred in Missouri and Oklahoma during the same period, based on the Boundary and Annexation Survey (BAS) by the Census Bureau. Nationwide, at least 373 municipal governments have dissolved between

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Table 1. Village Dissolution Votes in New York Since 2008.

Voted-to-dissolve village in New York	Referendum date	Voted-down villages in New York	Referendum date
Andes Village, Delaware County ^a	June 3, 2002 ^a	Macedon, Wayne County	March 18, 2008
Pike, Wyoming County	March 18, 2008	Speculator, Hamilton County	March 18, 2008
Limestone, Cattaraugus County	October 13, 2009	Johnson City, Broome County	March 11, 2009
East Randolph, Cattaraugus County	March 16, 2010	Port Henry, Essex County	March 16, 2010
Perrysburg, Cattaraugus County	March 16, 2010	Brockport, Monroe County	June 15, 2010
Randolph, Cattaraugus County	March 16, 2010	Sloan, Erie County	August 17, 2010
Seneca Falls, Seneca County	March 16, 2010	Williamsville, Erie County	August 17, 2010
Altmar, Oswego County	November 10, 2010	Lakewood, Chautauqua County	August 25, 2010
Edwards, St. Lawrence County	March 15, 2011	Cuba, Allegany County	September 28, 2010
Lyons, Wayne County	November 6, 2012	Farnham, Erie County	September 28, 2010
Keeseville, Clinton and Essex Counties	January 22, 2013	Macedon, Wayne County	October 12, 2010
Bridgewater, Oneida County	March 18, 2014	Odessa, Schuyler County	December 7, 2010
Salem, Washington County	August 5, 2014	Whitesboro, Oneida County	January 4, 2011
Macedon, Wayne County	June 10, 2015	Schuylerville, Saratoga County	March 15, 2011
Prospect, Oneida County	July 21, 2015	Candor, Tioga County	March 15, 2011
Hermon, St. Lawrence County	October 27, 2015	Potsdam, St. Lawrence County	November 8, 2011
Port Henry, Essex County	October 27, 2015	Camillus, Onondaga County	November 8, 2011
Forestville, Chautauqua County	November 3, 2015	Leicester, Livingston County	December 20, 2011
Herrings, Jefferson County	November 3, 2015	Corinth, Saratoga County	January 17, 2012
Mastic Beach, Suffolk County	November 16, 2016	Chaumont, Jefferson County	November 6, 2012
Cherry Creek, Chautauqua County	February 2, 2017	Malone, Franklin County	November 6, 2012
Barneveld, Oneida County	June 6, 2017	Painted Post, Steuben County	January 24, 2013
Van Etten, Chemung County	December 11, 2017	Middleburgh, Schoharie County	February 19, 2013
		Victory, Saratoga County	March 19, 2013
		Champlain, Clinton County	March 19, 2013
		Mannsville, Jefferson County	March 19, 2013
		Greenwich, Washington County	June 24, 2013
		Richfield Springs, Otsego County	October 15, 2013
		Wilson, Niagara County	August 26, 2014
		Bloomington, Sullivan County	September 9, 2014
		Medina, Orleans County	January 20, 2015
		Brockport, Monroe County	May 24, 2016
		Sherman, Chautauqua County	December 20, 2016
		Depew, Erie County	January 17, 2017
		Rushville, Yates and Ontario Counties	June 27, 2017

Source. New York State Department of State.

^aAndes village is the only one successfully dissolved during 2000 to 2008 in New York State. To make it comprehensive, the authors added it to the list above.

1995 and 2012, which is more than the number dissolved in the hundred years before that (Anderson, 2012b).

So, what is happening to small local governments, especially villages in New York? To be specific, what is the crux of the critical political, institutional, and fiscal problems that villages face? What are the main strategies that villages have adopted? And, what are village leaders' subjective attitudes toward using government elimination as an approach to reducing costs?

To fill this research gap in the field of public administration, this article synthesizes relevant literature on local governance studies and draws upon a 2017 survey of village governments in New York accordingly. The survey, though

not the first such survey on fiscal stress of village governments, is the first one which has been designed exclusively for village government officials. By combining the primary data from the survey and secondary data published by the Office of the New York State Comptroller, this article finds institutional and political tensions between villages and their underlying town(s). These tensions, compounded by a series of intergovernmental fiscal factors such as unfunded state mandates, state-imposed property tax caps, and unstable state aid, have threatened the organizational and fiscal health of a subset of village governments. As a response, villages have extensively established service-sharing mechanisms⁴ with town and neighboring governments, as well as collecting

additional revenues from user fees. And more than 40% of villages reported overriding property tax caps to increase property tax revenues. We also found approximately one fourth of village governments had considered dissolving their governments, although the majority of respondents are skeptical about dissolution as an effective way to achieve cost savings.

This article is organized as follows: It first reviews the relevant literature and then describes the research design, namely, a survey tool. After investigating the representativeness of the survey sample, this article discusses analytical results in detail. It concludes with policy implications and a research agenda for future correlational and causal studies.

Literature Review

There is a considerable literature on local governance in the context of the United States. But different types of local governments behave differently, and the research findings on county or central city governments cannot be naively or broadly applied to village governments. Given that villages are usually of small size, and that community size is a key factor in determining governance inputs and outputs, village governments probably share similar fiscal, organizational, and political challenges with other small municipalities or townships. Thus, the rest of this section primarily reviews literature on the fiscal, organizational, and political issues of small local governments, following the definition of village and an introduction of village dissolution reform in New York.

A village is a general municipal corporation formed by the residents of an area to provide municipal services. Usually, the incorporation of a village should satisfy statutory population and area requirements at the time of incorporation. According to the *Village Law* in New York, a territory containing a population of at least 500 persons, but not containing more than 5 square miles, may be incorporated as a village. Village government is the only form of government that New York residents can incorporate and dissolve directly, by vote of the people. An incorporated village is politically important, as it is the place where residents' voices on the policy agenda are heard loud and clear, and therefore it could be held accountable and the services it provides could be the most directly beneficial use of tax dollars. Once dissolved, a village government ceases to exist, and underlying town government(s) assumes service responsibilities in the former village areas.

Village governments have unprecedentedly been dissolved in a massive manner in New York over the past 10 years. More than 50 village governments had voted on dissolution from 2008 to the end of 2017, and 22 of them passed such a referendum. This number is expected to be larger at the encouragement of Governor Andrew Cuomo, who claims that the redundancy of multiple layers of local governments accounts for the heavy property tax burden in the Empire

State and that dissolving such governments could significantly help achieve cost savings.⁵ Although the overlapping local government system is arguably connected with public service costs (Berry, 2009), it is rare to see a state government explicitly blame the decentralized government system as a primary source of fiscal distress⁶ and therefore institutionally facilitate local government dissolutions as actively as does New York. To advance the restructuring of local governments, New York passed the "New N.Y. Government Reorganization and Citizen Empowerment Act" which eased the dissolution process by permitting a vote without the completion of a dissolution study when a dissolution is initiated by citizens.

The existing literature on local government studies emphasizes that the size and the location of a local jurisdiction can significantly affect the source of governance challenges and the way localities address those challenges. Politically, Lingeman (1980) and Mattson (1994, 2014) argue that the political culture of small towns is often dominated by informal rules of consensus building or a strong desire to seek unanimity in civic affairs, and therefore the governance of small towns is parsimonious and fearful of arousing controversy.

Administratively, the cautious and conservative structure makes it difficult to adopt drastic retrenchment policies like service cuts to deal with governance challenges. Instead, to handle pressures, small rural towns are more likely to take measures that often incur much less opposition. In addition, privatization is found to be less desirable than inter-municipal cooperation in rural areas, owing to equity and accountability concerns and the lack of competitive service providers (Warner & Hefetz, 2002).

Fiscally, the literature investigates why many small and midsize local governments have been confronted with fiscal stress in recent history. The most frequently discussed causes of fiscal stress include both financial mismanagement behaviors and some factors which are beyond the control of small localities, such as economic shifts from a manufacturing-based economy, an aging population, general population loss, the shrinking of the middle class, and uncertain intergovernmental fiscal relations (Downes, 1987; Hollingsworth & Goebel, 2017; Wolensky & Enright, 1991). To cope with fiscal pressure, localities may adopt revenue enhancement strategies (e.g., raising tax, increasing user fees) and/or some expenditure-side retrenchment strategies, including cutbacks (e.g., wage freeze, benefit freeze, or shift), productivity management (e.g., deferred maintenance, department consolidation, furlough), outsourcing (e.g., privatization, inter-municipal cooperation), co-production, and service/load shedding (Mattson, 2017). But, a smaller tax base usually means that small towns have little room for fiscal policy choice or flexibility in dealing with fiscal pressures, as subsequently discussed in the context of New York.

What is not adequately documented in the literature are the governance issues exclusive to village governments, the

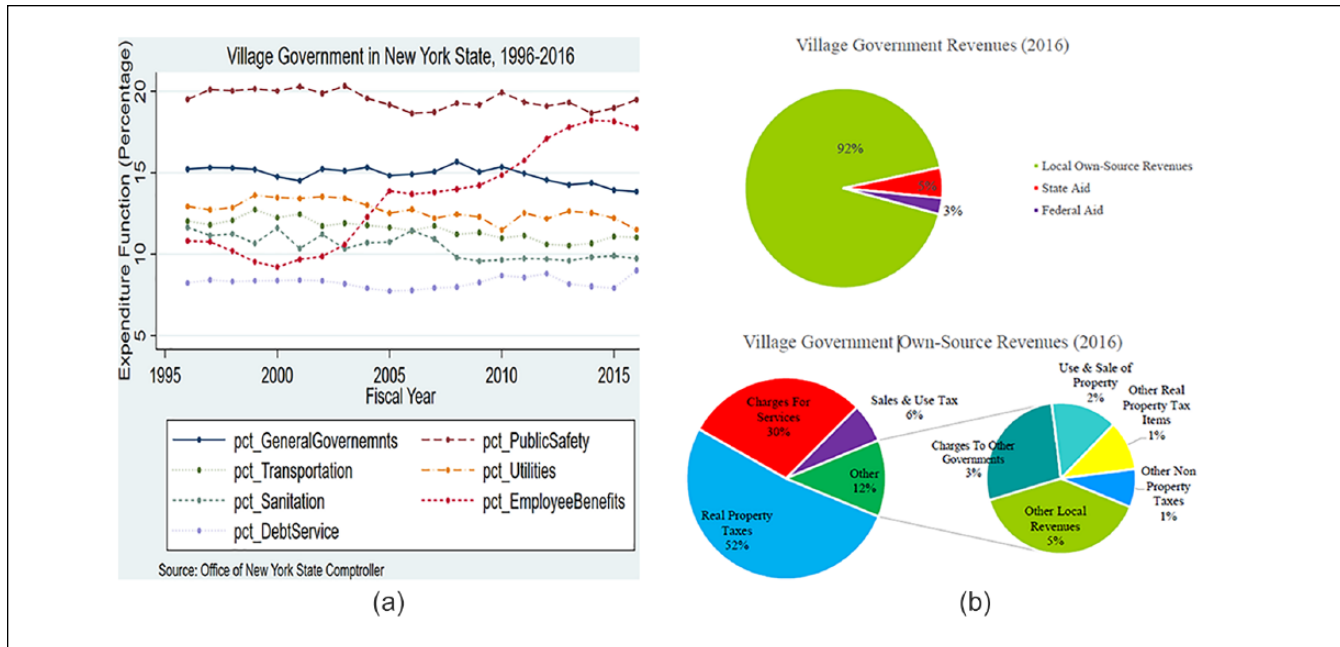


Figure 1. The service functions and revenue composition of village governments in New York State: (a) the historical trend of village functions in New York and (b) village government revenue sources in New York.

dynamics between a village and underlying town governments, the governance tools employed by villages, and the adoption of dissolution. Those questions will be examined in this article. To provide a panoramic view of the environment where village governments are managed, we conducted a survey of all village mayors in New York and analyzed the survey sample in combination with secondary data from the New York State Comptroller's Office.

Research Design

A theory-based survey was designed and then distributed to all village mayors in the state of New York. Village financial managers or clerks were contacted when village mayors did not respond. The survey was administered using the Qualtrics program in the fall of 2017. The first survey request was sent to village mayors/financial managers on October 11, a follow-up electronic survey was sent to request participation 1 week later, and then the third wave of survey requests was released so as to increase the response rate at the end of the October. Ultimately, 232 out of 542 village governments responded, an approximate 42% response rate. Although the response rate is not low, it still raises a fundamental concern that the survey sample could be just a subset of the total population and, in turn, may lead to weak external validity.

To help readers better understand the sample representativeness, we will first describe the fundamental characteristics of village governments in New York. As shown in Panel A of Figure 1, the primary function of village governments is to provide public safety services, mainly police, fire

protection, and emergency response. Village governments also sometimes assume responsibilities for utilities and transportation services. Relative to other stable trends in Figure 1, the most striking expenditure change has occurred for employee benefits, the share of which increased from about 10% to 18% of total expenditures. On the revenue side, Panel B of Figure 1 suggests local own-source revenue plays a dominant role, as it contributes 92% of total revenues. And the three most important own-source revenues include property taxes, user charges, and sales & use taxes, which account for 52%, 30%, and 6% of own-source revenues, respectively.

With the basic features of village governments in mind, we checked the sample representativeness of our survey data by examining whether there is any significant difference between responded villages and non-responded villages. Our tests considered six fiscal, demographic, and geographic measures: (a) local fiscal autonomy, which is measured by the ratio of village own-source revenues to total revenues; (b) property tax reliance, which is calculated as the property tax revenues divided by the total village own-source revenues; (c) expenditure pattern, which is measured as the public safety expenditure share of total expenditures; (d) the amount of outstanding debt per capita; (e) village population size; and (f) village population density. Statistically, we do not find significant differences for any of those six measures between the two categories of villages, even at the 10% α -level (see Table 2). This indicates that the villages which responded to our survey are very likely to be representative of all other villages which

Table 2. Sample Representativeness of the Survey Data.

	Not-responded villages (M)	Responded villages (M)	M difference	SE	p value
Population	3,257.88	3,805.32	-547.44	458.6	.23
Population density	2,332.66	2,172.16	160.51	245.72	.51
Local fiscal autonomy	0.907	0.904	0.003	0.0097	.77
Property tax reliance	0.41	0.39	0.02	0.018	.36
Expenditure pattern	0.168	0.151	0.0176	0.012	.14
Debt outstanding (per capita)	1,294.8	3,121.2	-1,826.3	1,268.9	.15

Note. Local fiscal autonomy is measured by the ratio of village own-source revenues to total revenues. Property tax reliance is calculated as the property tax revenues divided by the total village own-source revenues. And the expenditure pattern is measured as the public safety expenditure share of total expenditures.

did not respond to our survey. And, therefore, it is plausible to generalize the analytical findings of our survey data to all villages in the state of New York.

The 45-question survey is composed of six sections: government structure, demographic and economic changes, sources of and responses to fiscal pressure, property tax cap, village dissolution, and information about respondents. Regarding the background of respondents, the survey shows that more than 96% of respondents classified their race as White. About 38% think of themselves as Republicans, 20% believe they are Democrats, and 30% think they are Independents. About 58% of respondents have at least a bachelor's degree and, on average, a respondent has served in his or her current position for approximately 10 years.

Analytical Results

To summarize the survey results, this section categorizes all relevant questions into four clusters: institutional friction and political challenges, causes of fiscal pressure, strategies to mitigate fiscal pressure, and village government dissolution.

Institutional Friction and Political Challenges

Most of the villages were established prior to 1920 in New York, and the municipal designation—whether a locality is designated as a village, a town, or a city—seems to have little to do with current realities. For example, there were more than 70 villages below 500 in population as of the 2000 Census. Many changes have also taken place in the social-cultural environment, transportation, demographics, and economy, further weakening the legitimacy of municipal designation criteria. As a result, a previous report by the Comptroller's Office (2006) argues that the municipal structure and designation system are outdated.⁷ Although we do not have an objective benchmark against which we can evaluate the validity of village status in New York, we did ask village leaders for their subjective opinions on whether the municipal designation system is outdated. Interestingly, about 16% of them (36 out of 231) answered “Yes,” whereas

the majority answered “No.” Obviously, on one hand, the majority are still confident about the general government structure; on the other hand, 16% is not negligible. We cannot ignore the case that one sixth of village leaders think the system in which they work every day is outdated and not adaptable. Considering that more than 20 villages had been dissolved over the past several years, and thus they could not respond to our survey, the real number of village leaders who have lower confidence in the village system could reasonably be larger.

In general, a village exists within the scope of a single underlying town in New York (about 88% were so designated as of 2000). This means that when a village is incorporated, its area remains a part of the town where it is located, and its residents continue to be residents and taxpayers of that underlying town(s). Furthermore, in principle, villages provide types and levels of services not being provided (or not being provided on a town-wide basis) by the underlying town(s). So, it is natural to ask whether an overlapping government system such as the one in New York makes institutional sense and financial “cents.” Essentially, this question is closely associated with a perennial debate between the advocacy of regional versus multiple centers of local governments: What is the optimal size of local governments? (Blom-Hansen, Houlberg, Serritzlew, & Treisman, 2016; Foster, 1997; Hindricks & Myles, 2013; Hooghe & Marks, 2009; Jimenez & Hendrick, 2010; Oates, 1972, 1993; Ostrom, Parks, & Whitaker, 1978; Treisman, 2007). Although it would be intellectually naïve to respond to the debate by using a simple survey, it makes sense to ask how village mayors subjectively feel about the current overlapping system and whether there is institutional friction between villages and towns in their daily work (i.e., frictional service assignment). When asked to respond to the question, “Is there any service duplication between your village government and underlying town government(s)?” almost 29% of villages answered “Yes.” Furthermore, we asked village leaders, “Do you think village residents bear a higher tax burden than the residents who live outside of a village located within the town's boundaries?” and it turned out that 60% of

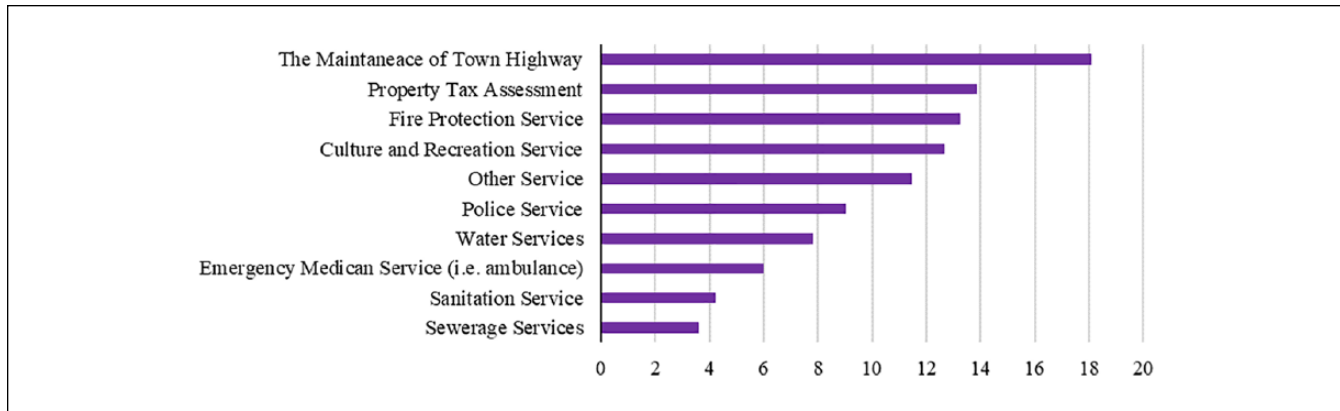


Figure 2. Service duplication (%).

Note. The sample here only includes those villages which reported the existence of service duplication, namely, 29% of all villages.

respondents selected “Yes.” When residents are taxed for town services they do not receive or when they do not want to pay the village governments for local services, the legitimacy of the overlapping government structure could be open to question.

To zoom into the frictional service assignment, we also investigated the specific service areas of redundancy (Figure 2). It turns out that, among those 29% of villages with service duplication, 18% of them (i.e., a little more than 1/6 of the 29%) listed “the maintenance of town highway” as a primary example of service duplication. The possible reason is that, in some towns, village residents are required by town boards to bear the costs of town highway equipment and snow removal on town roads, although the State Highway Law exempts them from paying the cost of repair and improvement of town highways. A second example of service duplication is property tax assessment (14%). According to the New York State Department of Taxation and Finance, there are 1,116 property tax assessing units in New York, including two counties, 61 cities, 920 towns, and 133 villages. It is possible that village residents receive two different assessments for taxes levied by different units of government (Yinger, 2012). Some other examples of service duplication include fire protection services, culture and recreation services, and courts. This information illustrates that there are real institutional tensions between a village and its underlying town government.

After asking village leaders about their confidence in the institutional friction, we investigated their confidence in civic engagement. Because a village government is the government closest to the people, and residents can directly communicate with their representatives, a priori is that the political dynamics between citizens and village governments are good. Because a village government is the government closest to the people, and village residents can directly communicate with their representatives, a hypothesis is that the political dynamics between citizens and village governments

are good. So, village leaders were asked the following question:

Citizens are often asked on opinion surveys how much trust they have in their government. Now we would like to ask you, as a village official, about trust you have in your citizens. In terms of their engagement in your village’s policymaking and/or operations, how much of the time do you think you can trust the citizens in your village to be responsible participants?

Interestingly, only 5.7% of village respondents chose “always,” 38.9% chose “most of the time,” and the majority, 55%, choose “about half the time,” “sometimes,” or “never” (see Table 3). Based on the survey, it seems the majority of village mayors do not highly trust citizens who are engaged in local governance.

Causes of Fiscal Stress at the Village Level

A recent survey of local governments conducted by Cornell University shows 42% of villages subjectively rank their fiscal stress as either “significant” or “moderate” (Aldag et al., 2017). To comprehensively highlight village fiscal stress, this survey targets structural (or underlying), intergovernmental, and managerial factors, with each of them being derived from an existing theory, as follows.⁸

First, the tax base erosion and population migration theory suggest economic shifts and population migrations could be important external contributors to municipal fiscal stress. Important examples of the economy and population shifts include the interregional shifts from the snowbelt to the sunbelt caused by structural changes in the whole economy (Sternlieb & Hughes, 1975).⁹ Although the shift from an industrial economy to a service economy occurred before the 1980s, its aftermath and the new wave of globalization still warrant this perspective.

Second, one of the most dramatic changes in the fiscal federalism landscape during the postwar period has been the

Table 3. Institutional Background and Political Challenges (%).

	Yes	No	I do not know		
Outdated municipal designation system.	15.58	67.97	16.45		
Service duplication between village and town.	28.57	65.80	5.63		
Village residents bear higher tax burden than the residents who live outside of a village located within the town's boundaries.	60.47	30.7	8.84		
	Always	Most of the time	About half the time	Sometimes	Never
Trust the citizens in your village to be responsible participants.	5.68	38.86	16.16	34.93	4.37

Table 4. Village Leaders' Perceived Causes of Fiscal Stress (%).

	Strongly agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Strongly disagree
Government mismanagement	1.8	9.2	12	18.9	58.1
Population loss	7.4	24.4	29.5	12.4	26.3
Economics stagnancy	20.2	46.8	12.4	12.4	8.3
Government employee's salaries and fringe benefits	20.7	33.6	24.4	15.7	5.5
Aging infrastructure	39.6	35.9	10.1	7.4	6.9
State-imposed property tax cap in New York State	57.3	24.3	9.2	6.4	2.8
State mandates without sufficient funding	70.2	17	9.6	1.4	1.8

rise of the state, namely, a rapid growth in state budgets (Baicker, Clemens, & Singhal, 2012). The increasing fiscal power at the state level, moderated by a modern tax revolt and economic boom–bust cycles, is fated to ripple over local governments and change intergovernmental relations in terms of intergovernmental fiscal transfers (e.g., state aid to local government) and expenditure assignments (e.g., state mandates imposed on local governments).

Third, assuming bureaucrats and elected officials are self-interested, and politicians are sufficiently free of citizen control to realize personal benefits, the public choice school proposes that municipal fiscal stress partially stems from excessive bureaucratic growth and governmental spending (Croswell, 1975; Niskanen, 1971; Ostrom et al., 1961; Peacock & Wiseman, 1979). The theory implies that village government employee's salary and fringe benefits, as a measure of administrative overhead cost, could be an important explanatory factor. In addition, as suggested in public administration studies, fiscal stress could be caused by bad management, poor budgeting practices, inaccurate forecasting procedures, and inappropriate accounting methods.

Clearly, from village officials' points of view, the first and foremost factors to blame are the state government of New York and the set of intergovernmental fiscal relations dominated by the state government. As shown in Table 4, a super majority of village leaders "strongly agree" or "somewhat agree" that state mandates and the state-imposed property tax cap contribute to their current fiscal pressures, and the portion is 87.2% and 81.6%, respectively. Another possible important cause of fiscal stress is aging infrastructure, as 75.5% of village officials strongly agree or

somewhat agree on the association between aging infrastructure and fiscal stress.

If selecting "strongly agree" or "somewhat agree" that state mandates without sufficient funding contribute to fiscal stress, respondents would then be invited to answer an open-ended question: "Please list at least one state mandate which exemplifies severe imbalance between administrative responsibilities and sufficient funds, if any." Based on the information provided, municipal separate storm sewer system funding (MS4), prevailing minimum wage requirements, state policy on retirement benefits, and a firefight cancer bill were most frequently mentioned. Village respondents made telling comments, such as the following:

- "The retirement system is scary. When the projections are not met, village must absorb the (potentially substantial) difference."
- "Annual storm water report, for example. Very time-consuming and expensive."
- "State House and Senate passed the bill forcing local governments to foot the bill for certain types of cancer coverage for volunteer firefighters . . . When the bill was written, it specified that the fiscal impact was 'unknown.' How can the state pass legislation that has unknown fiscal impact on local governments with zero impact to the state? It is yet another way for state government to impose mandates that they hope will cause small municipalities to become extinct."

Beyond a state-imposed property tax cap and state mandates without sufficient funding, a reduction of state aid to

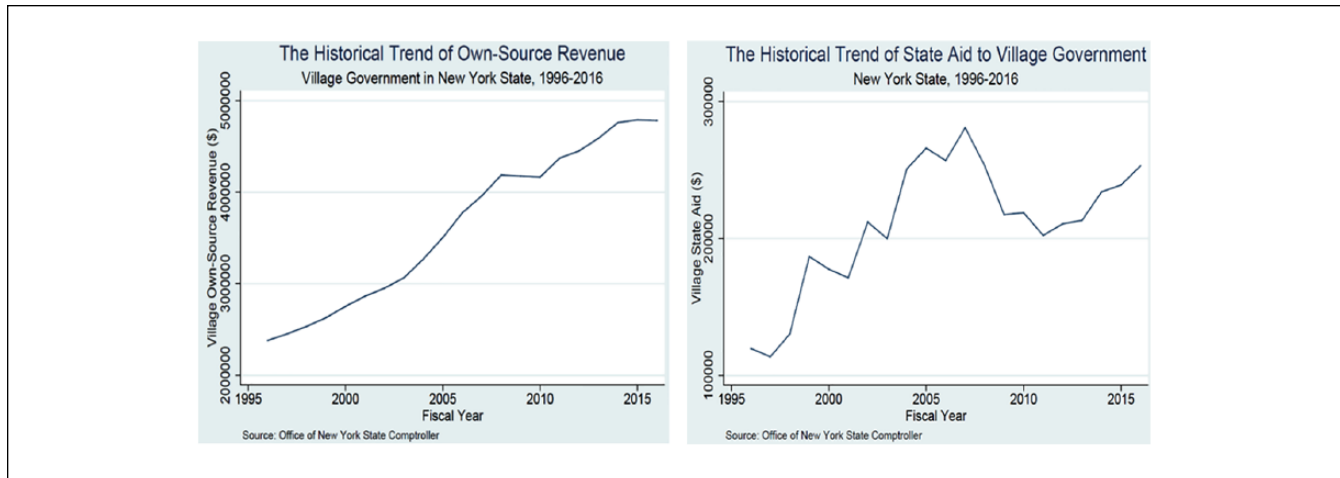


Figure 3. Historical trends of local own-source revenues and state aid.

local governments may also contribute to fiscal stress. The combination of Panel B of Figure 1, above, and Figure 3, below, shows that, although state aid made up just 5% of total village revenue in 2016, a drastic decline of state aid, compounded by a short-term stagnancy of local own-source revenue, probably afforded a hard time to village governments during the post-recession period.

In reviewing the past budget classics, Rubin (2014) suggested that scholars reexamine a key underlying assumption: “states are responsible for the finances of their local governments and will help them avoid fiscal stress and ameliorate the stress that occurs” (p. 32). As a response to Rubin’s suggestion, our findings indicate New York has not effectively helped villages, and the changing state–village relationship possibly exhibits a new intergovernmental pattern. Of course, more comparative evidence is needed to confirm whether this new pattern has emerged as a new normal and whether there are additional ramifications of this pattern.

Table 4 also suggests that village mayors and financial managers do not think managerial factors (e.g., mismanagement) or typical structural factors (e.g., population loss and economic stagnancy) should be primarily responsible for their fiscal stress. Of note, on average, village governments significantly increased spending on employees’ salaries and fringe benefits by about 9%, as illustrated in Figure 1. Because this is the only functional category that exhibits a striking growth trend over the past 20 years, we presume that most village leaders would recognize this fact in the survey. But, interestingly enough, only 20.7% of villages “strongly agree” and 33.6% of villages “somewhat agree” that this factor contributes to fiscal stress. The sort of inconsistency between our hypothesis on the basis of statistical evidence and the survey results on the basis of respondents’ subjective perceptions may suggest that a cross-sectional survey is not good at capturing dynamic fiscal trends over time, on one hand; but, on the other hand,

it may also reflect a subjective bias in the survey, namely, that village governments are more inclined to blame external factors. Future cognitive and behavioral studies on financial management may help identify the second explanation and thus provide clarity.

In summary, the subjective survey cannot help detect whether or not structural and managerial factors are really insignificant in explaining village fiscal stress, but it does point out that, from village leaders’ perspectives, intergovernmental fiscal relations have caused harm to current local fiscal health, and the negative effects unfold in two ways: First, the state government has reduced revenue support by cutting state aid and imposing a property tax cap on local governments; and second, the state government shifted expenditure responsibilities to lower levels of government but without sufficient support. In addition to fiscal constraints, village leaders believe, politically, they do not have a decent seat at the intergovernmental relations table. Actually, more than 29% of them strongly disagree that “state decision-makers value input from village government officials,” while only 2% of respondents strongly agree with this statement (Panel A of Table 5).

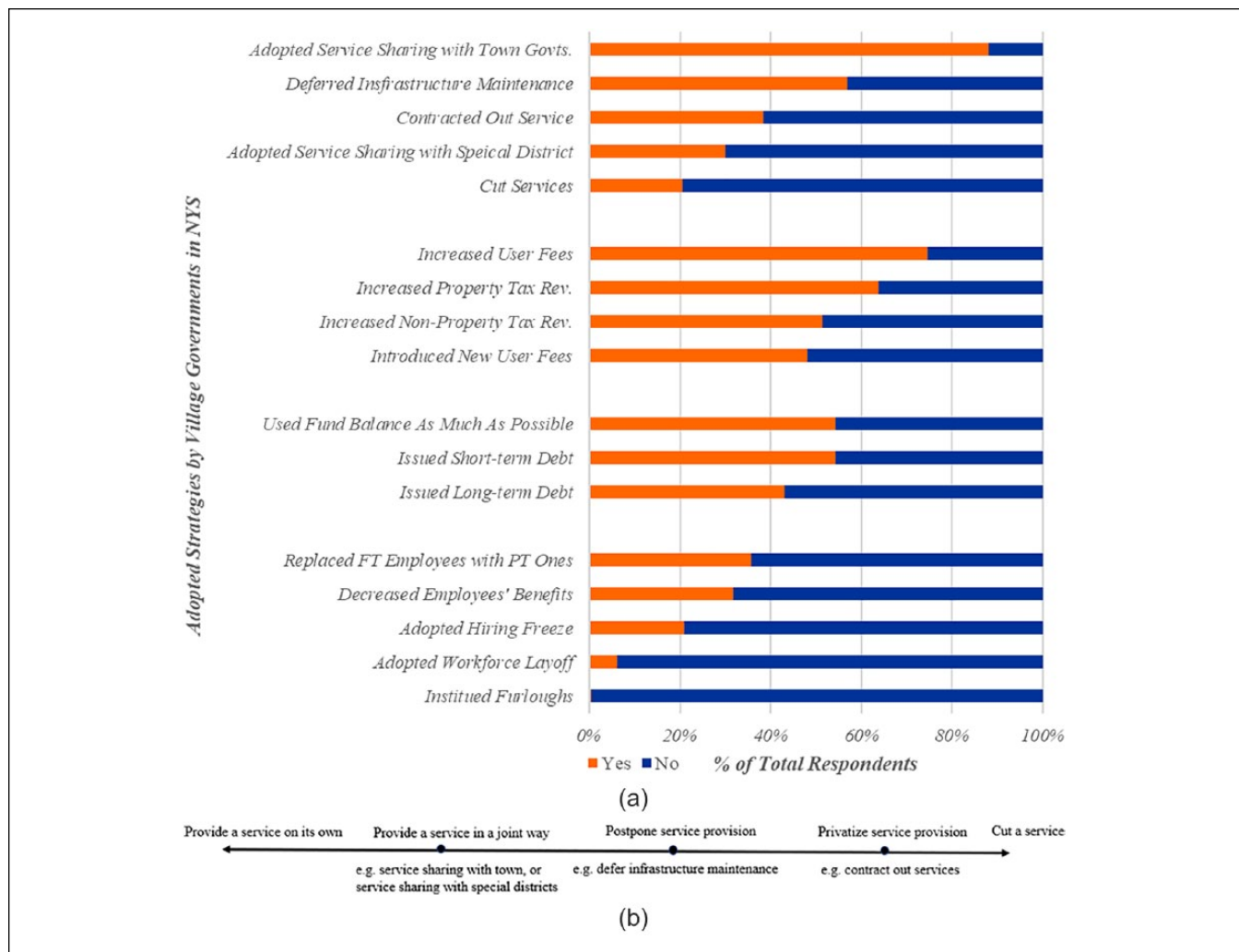
Village Response to Fiscal Stress

When facing fiscal stress, a village government can change service delivery mechanisms, make extra revenue-collection efforts, cut personnel costs or some other expenditures, and/or change the balance between the pay-as-you-go and pay-as-you-use approaches. Based on these four rationales, we asked village respondents to select all strategies that they adopted to address current fiscal pressures, and the results are shown in Figure 4.

Regarding the first rationale, a village government can adjust service delivery mechanisms in many different ways. Based on the extent to which it can independently complete

Table 5. Further Investigation Into Intergovernmental Relations.

Panel A: The perceived role of villages in New York State decision-making process (%)					
	Strongly agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Strongly disagree
State decision-makers value input from village government officials.	2.19	20.18	14.47	33.33	29.82
Panel B: State partnership in developing service-sharing agreements (%)					
	Definitely yes	Probably yes	Might or might not	Probably not	Definitely not
Has your village government received _____ from the state government in developing service-sharing agreements?					
Sufficient financial support	1.87	5.61	23.83	26.17	42.52
Sufficient administrative support	1.88	8.92	24.41	25.35	39.44

**Figure 4.** Understanding fiscal strategies at the village level in New York: (a) village government responses to fiscal stress in New York and (b) a spectrum of service provision approaches by village governments in New York.

Note. More than 90% respondents in our sample (i.e., 210 villages) answered this set of questions. The “Yes” share and “No” share for each strategy add up to 100%.

Table 6. Property Tax Cap and Its Impact in Village Leaders' Perception (%).

	Yes	No	I do not know
Has the property tax cap reduced the property tax burden on residents in your village since 2012?	21.9	70.2	7.9
Has the property tax cap forced your village government to collect more user fees to balance the budget?	43.4	52.4	4.2
Has the property tax cap stimulated your village government to explore more efficient ways to provide services?	58.1	36.3	5.6
Has the property tax cap been overridden in your village since 2012?	43.5	52.3	4.2

service provision, we first developed a simple continuum, with “provide a service on its own” on one end, and with “cut a service” on the other end, as shown in Panel B of Figure 4. We correspondingly asked whether village leaders used some of them. Clearly, the most widely adopted strategy is to adjust service delivery patterns through cooperation with underlying town government(s). To be specific, approximately 88% of villages have shared equipment with town(s) or cooperated with the underlying town(s) to provide some public services, such as those covered by departments (or offices) of public works, highway maintenance, code enforcement, and snow plowing. Deferring infrastructure maintenance service has also been widely taken as a step to reduce fiscal pressures (56.4%). Other than that, some village governments have responded to fiscal pressures by contracting-out (37.85%),¹⁰ service sharing with special districts (30%), and service cuts (20.5%). As service cuts will hollow out the core value of a village government, we also asked an open-ended question on the specific services that had been cut if a village has done so. It turned out that trash pickup service might be the most vulnerable service category when a village decided to adopt this unusual approach. This is consistent with the argument that small-size governments may cut some nonessential service if they have to do load-shedding (Mattson, 1990).

Village governments have also made additional revenue-collection efforts to absorb fiscal pressures, even though New York implemented a property tax cap in 2012. In particular, 74.5% of villages increased user fees and charges, and 63.8% of them increased property tax revenues. Generally, compared with taxation, user charges and fees can establish a more direct link between individual payments and benefits from the provision of public services, and therefore they could provide useful market information about the desirable level of public services (Advisory Commission on Intergovernmental Relations [ACIR], 1987; Bird, 2001). The growth of user fees has been documented as a major way to circumvent the constraints caused by tax and expenditure limitations (TEs) in the context of the modern tax revolt (Jung & Bae, 2011; Mullins & Joyce, 1996; Preston & Ichniowski, 1991; Shadbegian, 1999; Skidmore, 1999; Sun, 2014). As the property tax cap is the most recent TEL policy in the United States, it provides an opportunity to directly investigate this possibility by asking village leaders, from a

subjective standpoint, whether they agreed to this statement. The second question in Table 6 (i.e., “Has the property tax cap forced your village government to collect more user fees to balance the budget?”) provides supportive evidence to some extent, as 43.4% respondents answered “Yes.” Of course, a user fee is only one of the circumvention options, and some other tools might also be utilized. Actually, in a broader sense, 58.1% of village leaders agree that the property tax cap stimulated them to explore alternative efficient ways to provide public services.

Interestingly, village governments still choose to increase property tax revenues, even if they are confronted with a property tax cap. Furthermore, owing to the override policy in the law, more than 43% of villages have overridden their cap over the past 5 years, and based on our survey, on average, a typical village has overridden the cap 2.7 times over the past 5 years. As a result, 70.2% of villages believe that the property tax cap failed to reduce the property tax burden in New York, as shown in Table 6. It seems the binding effect of the property tax cap had been largely moderated by the override policy, which is consistent with our expectations.

From a financial management perspective, village governments which are confronted with stress can borrow short-term debt to increase cash availability and tap into their fund balance as much as possible. Figure 4 does confirm that village governments widely adopted these two approaches. Some other approaches which were in place include increasing non-property tax revenues, introducing new user fees and charges, and issuing long-term debt.

And last, it is worth noting that village governments were less inclined or less able to pursue strategies to reduce personnel costs. For example, almost no villages instituted furloughs or adopted layoffs, and a relatively small portion of villages adopted a hiring freeze or decreased employee benefits. Approximately 35% of villages reported replacing full-time employees with part-time employees to reduce operating costs. Taken together, consistent with the literature that small governments may have fewer employees and services to jettison (Mattson, 2014, 2017), cutting personnel cost and services have not been widely adopted by village governments in New York. Instead, most of them prefer to collaborate with town governments and/or make extra revenue-collection efforts to mitigate fiscal distress.

Table 7. Understanding Village Dissolution in New York.

Panel A: Village dissolution history (%)					
	Yes	No	I do not know		
Has your village government ever seriously considered the possibility of village dissolution (e.g., studied the feasibility of village dissolution, applied for a grant to study dissolution, and had a referendum on dissolution)?	23.81	72.86	3.33		
Panel B: Perceived consequences of village dissolution in NYS (%)					
	Strongly likely	Somewhat likely	Neither likely nor unlikely	Somewhat unlikely	Strongly unlikely
Village dissolution will decrease public service costs for village residents after dissolution.	18.27	13.46	9.62	15.87	42.79
Village dissolution will increase public service quality in former village areas after dissolution.	6.22	4.78	9.09	12.92	66.99
Panel C: Subjective perception about the fairness of village dissolution to town residents					
	Yes	No	I do not know		
Do you think village dissolution is fair to residents who live in the town outside village areas?	22.01	55.5	22.49		

Village Government Dissolution

Property taxes in New York have been among the highest in the country for many years. Interestingly, the high property tax burden has been explicitly and repetitively connected by Governor Cuomo with the overlapping local government system in New York. To reduce the tax burden, he proposed to cut redundant and inefficient municipalities, and one of his policy tools is to eliminate some village governments through dissolution. To facilitate village dissolution, New York State signed the “New N.Y. Government Reorganization and Citizen Empowerment Act” into law in 2009, which became effective on March 2010. A striking change is the new law permits a vote without the completion of a dissolution study, and it requires only 10% of electors to sign a petition to dissolve a village, without a time limit for the gathering of signatures.¹¹

The first question is whether dissolution is a “relevant” event. Or, does it just occasionally happen? Table 1 shows that residents, through a direct democracy approach, have voted to pursue the dissolution of their governments in 57 villages in the past 10 years, which is about 10% of total villages in New York. The total number of villages which have seriously considered dissolution could be larger than that of 10%, as some villages might study the feasibility or may even have applied for some grant but had not decided to put it on the ballot. Because we are interested in the overall possibility of organizational decline in the form of dissolution, we asked village leaders, “Has your village government ever considered the possibility of village dissolution (e.g., studied the feasibility of village dissolution, applied for a grant to study dissolution, and had a referendum on dissolution)?” It turned out almost one fourth of

respondents (24%) answered “Yes,” whereas 73% of them answered “No,” as shown in Panel A of Table 7. We have to be very careful in interpreting the results here. Considering the nature and possible influences of government dissolution on local residents’ lives, 24% favoring dissolution is not a small case in New York. On the contrary, the majority of villages had not considered it in the past. Would some of them consider dissolution in the future? When asked this question, approximately 88% answered “extremely unlikely” or “somewhat unlikely.” It is fair to say most of those (73%) villages are still very confident in the legitimacy and resilience of their governments.

A primary argument for village dissolution is related to economies of scale. As proposed by Governor Cuomo, reducing a layer of local government could achieve cost savings. Do village leaders agree with this logic? Panel B of Table 7 shows that 32% of village leaders thought dissolution was “strongly likely” or “somewhat likely” to decrease public service costs, whereas the majority of them (58%) doubted this possibility. It seems village leaders were divided about the potential benefits of dissolution, with more of them being skeptical about it. The skepticism is consistent with the most recent findings in the literature (see Blom-Hansen, Houlberg, & Serritzlew, 2014; Blom-Hansen, Houlberg, Serritzlew, & Treisman, 2016).

Institutionally, once a village is dissolved, the underlying town government will fully assume service responsibilities. In practice, after dissolution, a town government often establishes special districts to provide services to former village areas. Will town government increase the service quality in former village areas as before? Table 7 shows that 80% of village leaders have little confidence in this possibility (12.92% and 66.99% for “somewhat unlikely” and “strongly

unlikely”). One of the respondents expressed his or her concerns on this issue as follows:

- I believe that villages have the right approach to governing because generally, all parcels in a village participate in sharing costs for all services; whereas in towns, they tax people with an ala carte menu approach because they have so many special districts which people may or may not belong to. This means that the two entities have fundamental differences in the way they provide services. Towns believe that if service is wanted or warranted, a smaller subsection should organize and fund them. I don’t believe that town representatives would necessarily “care” about the interest of a smaller and more urban special district. And furthermore, if a village is dissolved, doesn’t it just go from being a one-manager-for-all service provider to a multi-managed collection of special districts?

In addition to affecting cost and service quality in former village areas, a dissolution may have spillover effect on town residents who live in towns outside village areas, because town(s) have to draw on some resources to serve villages in terms of specific services, and also because village residents do not subsidize town operations any more. The legal dissolution process, however, does not require the consent of the town(s) in which the village is located in New York. Put it differently, town residents have to take the village dissolution as given and they cannot directly express their voice as to dissolution, even if they are unavoidably affected. This interesting institutional design warrants a research question: Do they consider dissolution fair to town residents? Panel C of Table 7 shows that more than 55% of respondents, regardless of their dissolution history, considered that the dissolution process was not fair to residents who lived in the town outside village areas. Put together, our survey reveals that the current tax system may not be fair to village residents, but the dissolution approach is not fair to involved towns, either. Many respondents argue that dissolution is pushed by the New York state government, and villages, as the smallest unit of governments, should not be to blame for an excessive property tax burden. Some of them even think that what should be done is to have villages take over the town rather than dissolve a village to the town, as villages are the heart of communities in many places.

Conclusion

Public administration literature pays little attention to the governance challenges confronting village governments. This article attempts to fill that research gap by analyzing a survey recently sent to village leaders in New York, and in combination with secondary local government statistics provided by the New York State Office of Comptroller.

In contrast to the findings that service providers of overlapping jurisdictions usually collaborate to reduce

service redundancy in metropolitan areas (Ostrom et al., 1978), our survey finds evidence for service duplication or at least more than 28% of village leaders subjectively think so. Our survey also finds that tax burdens are not equally distributed between village residents and residents who live outside village areas within towns. In addition, village government officials believe that it is intergovernmental fiscal relations, rather than local managerial skills or structural factors, that are primarily responsible for current local fiscal pressures. Put differently, the New York state government could be a better partner by stabilizing state aid and reducing unfunded mandates.

Village officials are eager to get help from the state government in developing service-sharing agreements. For example, when asked about whether villages have received sufficient financial support and administrative support from the state government in developing service-sharing agreements, the absolute majority answered “No,” as shown in Panel B of Table 5. Of note, consistent with studies on small-size local governments, when facing fiscal pressures, villages do not frequently adopt drastic methods, such as cutting services and reducing personnel to cope with fiscal pressures (Mattson, 2017). Rather, most villages prefer to absorb it by building up service-sharing mechanisms with town governments and implementing additional revenue-collection efforts. They also turn to fund balance and borrowing approaches for help.

One fourth of village governments are reported to ever have considered dissolution in New York. But dissolution may not be a panacea for the fiscal stress that local governments are experiencing. Each dissolution case has to be evaluated on its unique merits and issues, and we still have no empirical answer as to whether or not a village dissolution makes fiscal and governance sense. Comprehensively answering this question is beyond our present scope, and more empirical research is needed on village dissolution.

Authors’ Note

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Notes

1. For example, studies on the fiscal health of central cities could be found in Cloward and Piven (1974), Shefter (1977), Rogers (1979), Levin et al. (1981), Ladd and Yinger (1989), Pammer (1990), Honadle (2003), Hendrick (2004), Hildreth and Zorn (2005), Coe (2007), Hoene and Pagano (2010), Mallach and Brachman (2013), and Weikart (2013).
2. By examining *2012 Census of Government: Individual State Descriptions*, we found that 19 states explicitly allow the existence of incorporated village, and they are Delaware, Florida, Illinois, Louisiana, Maryland, Michigan, Mississippi, Missouri, Nebraska, New Jersey, New Mexico, New York, North Carolina, Ohio, Oregon, Texas, Vermont, West Virginia, and Wisconsin.
3. For comparison purpose, 31% of cities and 29% of counties report the level of fiscal stress as significant, respectively, whereas 6% of town governments believe they have significant fiscal stress in the same survey.
4. More information on service-sharing studies could be found in Holzer and Fry (2011) and Warner (2014).
5. For example, Governor Andrew Cuomo signed a proposal of his 2016 agenda, *Municipal Consolidation and Efficiency Competition*, which was designed to reward local governments that take real steps to make living and working in New York State more affordable. He said, "This competition will help local governments find innovative ways to reduce costs and lowers taxes for their constituents—which will make it cheaper to live, work and thrive in their communities. This is about building a stronger and more prosperous New York over the long haul, and I am eager to help out local partners across the state move forward" (<https://www.governor.ny.gov/news/9th-proposal-governor-cuomo-s-2016-agenda-municipal-consolidation-competition-continue-making>, and <http://www.gothamgazette.com/state/6677-calling-for-efficiency-cuomo-pushes-latest-municipal-consolidation-contest>).
6. Of note, the most recent empirical studies on the connection between jurisdiction size and public service cost failed to find any clear and systematic cost savings of government amalgamation (see Blom-Hansen et al., 2016), though evaluating the potential impact of dissolution is beyond the scope of this article.
7. More discussions on the outdated municipal class system in New York State can be found in *Outdated Municipal Structures: Cities, Towns and Villages—18th Century Designations for 21st Century Communities*, Alan G. Hevesi, Office of the New York State Comptroller (<https://www.osc.state.ny.us/localgov/pubs/research/munistructures.pdf>).
8. Discussions on the distinction between structural factors and managerial factors could be found in Bradbury (1982, 1983, 1984) and Ladd and Yinger (1989).
9. The theory could also be referred to migrations of the Blacks and Hispanics to the Northeast, Midwest, and far West (Joassart-Marcelli, Musso, & Wolch, 2005), or the exodus of people and jobs from the central city to suburbs (Bahl et al., 1975; Hirsch et al., 1971).
10. Contracting-out does not always save money. More discussions on the research on privatization could be found in Fernandez and Fabricant (2000).

11. More details on the dissolution process under the new provisions could be found in *Guide to Local Government Dissolution and Consolidation Under General Municipal Law Article 17-A* by NYS Conference of Mayors, and *A Summary of the Process for Consolidation and Dissolution* by the Division of Local Government Services of the New York Department of State.

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