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Trends in the Contracting out of Local Government Services

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Trends in the Contracting out of Local Government Services:

A View from the Sunshine State

by

Cristiane Carvalho Keetch

A thesis submitted in partial fulfillment
of the requirements for the degree of
Master of Arts in Political Science
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DEDICATION

I dedicate this thesis to my loved ones for their ongoing support. I am certain that without them I could not have completed this process.

To my amazing husband, Brian Joseph Keetch, for his unconditional love, friendship, counsel, encouragement, strength, and humor.

To my mother, Maria de Lourdes Nunes, Ph.D., who taught me through example about personal sacrifice, hard work, and selflessness. Without her support, I have no doubt that I would not have been able to overcome some of the challenges I faced along this journey. I am proud to have followed in her footsteps with her drive and determination to achieve what at times appeared to be impossible.

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TABLE OF CONTENTS

List of Tables	viii
List of Figures	ix
Abstract	x
Chapter One: Trends in the Contracting Out of Local Government Services: A View From the Sunshine State	
Research Purpose	1
Paper Organization.....	3
Chapter Two: Contracting Out Defined.....	
Utilizing the Terms Privatization and Contracting Out Interchangeably	8
Contracting Out as a Popular Form of Privatization.....	9
Contracting Out Examples With For-Profit and Not-for-Profit Vendors	11
Contracting Out Through Inter-Jurisdictional, Inter-Governmental or Inter- Local Agreements	12
Contracting Out Examples Between Local Governments	13
Chapter Three: Factors Influencing Decisions to contract out	15
Cost Savings	18
Economies of scale	18
Institutional Factors: Politics and Unionization.....	20
Political pressures	22
Unionization.....	22
Local Government Structure and Managerial Abilities	23
Fiscal Mandates	25
Social Efficiency	27
Chapter Four: Overview of Local Government Services Provided	28
The Impact of Federal-State Relations to Local Governments.....	31
Types of Services Traditionally Provided by Municipalities	32
Types of Services Traditionally Provided by County Governments	35
Chapter Five: A Brief History of Contracting Out	36
Popularity of Contracting Out in the 1980s and 1990s.....	39
The Advancement of Contract City Models	39
Growth Subsidies Following the Height of the 1990s	41
	42

Types of Services Most Commonly Contracted Out	44
Chapter Six: A Closer Look at the State of Florida	48
Florida Trends From 2005 to 2009	49
2009 Fiscal Budget Survey in Florida by Benton, Aikins, and Miller	51
Property Tax as Critical Source of Revenues	53
Loss of Revenues from Declining Population Growth	56
Chapter Seven: Data and Methods	58
Fiscal Stress	58
Population Growth Rate Calculation	59
Property Tax Calculation	60
Survey Methodology	63
Survey Content	64
Survey Follow Through	65
Survey Response Rates	67
Sample Representation of County and City Survey Respondents	68
County Response Rates	69
County Population Size	69
County Regional Representation	69
City Response Rates	70
City Population Size	70
City Regional Representation	70
Sample Representation of County and City Respondents Who Contracted Out	70
Response Rates for Counties Contracting Out	71
Population Size for Counties Contracting Out	71
Regional Representation for Counties Contracting Out	71
Response Rates for Cities Contracting Out	72
Population Size for Cities Contracting Out	72
Regional Representation for Cities Contracting Out	72
Chapter Eight: Findings	74
Findings for County Survey Respondents	74
County Population Growth Rate Change	74
County Property Tax Measure	77
Findings for Municipal Survey Respondents	81
Municipal Population Growth Rate Measure	81
Municipal Property Tax Measure	82
Types of Services Contracted Out By Counties	84
Chapter Nine: Conclusion	89
Survey Limitations and Lessons Learned	90
Future Areas of Study	91
References	94

Appendix A: First Email Notice of E-Survey.....	103
Appendix B: Survey Questions.....	104
Appendix C: List of County Survey Respondents.....	110
Appendix D: Population Size Representations for Survey Respondents.....	111
Appendix E: Regional Representations For Survey Respondents.....	115
Appendix F: List of Municipality Survey Respondents	121
Appendix G: Population Statistics	125
Appendix H: About Florida Department of Revenue (Dor) Calculations	127
Appendix I: Municipal Respondent's Percentage Change of Taxes Levied.....	128

LIST OF TABLES

Table 1. Calculation of Population Growth Rate Measure	60
Table 2. Calculation of Property Tax Measure	61
Table 3. Percentage Change of Property Taxes Collected by Counties	77
Table 4. Percentage Change of Taxable Property Values from 2008 to 2010 for County Survey Respondents.....	78
Table 5. Percentage Change of Taxable Property Values from 2008 to 2010 for Counties Contracting Out.....	80
Table 6. Types of Services Contracted Out by City Survey Respondents.....	87
Table 7. Types of Services Contracted Out by Municipality Respondents	88

LIST OF FIGURES

Figure 1. County respondent's percentage of population change from 2008 to 2010	76
Figure 2. Percentage population change from 2008 to 2010 for county survey respondents contracting out	77
Figure 3. Percentage change of taxable property values from 2008 to 2010 for counties contracting out	80
Figure 5. Percentage population change from 2009 to 2010 for city survey respondents that contracted out, 2010	82
Figure 6. Percentage change of taxes levied from 2009 to 2010 for city survey respondents	83
Figure 7. Percentage change of taxes levied from 2009 to 2010 for city survey respondents that are contracting out	84
Figure A.D.1. County survey respondents by population size	111
Figure A.D.2. Municipality survey respondent's by population size	112
Figure A.D.3. Counties that contracted out services by population size	113
Figure A.D.4. Municipalities that contracted out services by population size	114
Figure A.E.1. Florida Enterprise Regions Map	116
Figure A.E.2. Florida regions represented by county respondents	117
Figure A.E.3. Florida regions represented by municipality respondents	118
Figure A.E.4. Counties that contracted out services by regions	119
Figure A.E.5. Municipalities that contracted out services by regions	120

ABSTRACT

Challenging economic conditions have led local governments to explore alternative methods to deliver public services to residents. This thesis explores historical contracting out trends and offers new research about contracting out activity by local jurisdictions in the state of Florida following the 2007 – 2009 recession.

Through an e-survey, this research measures the extent to which local government jurisdictions in Florida privatized or contracted out services as a result of deteriorating fiscal conditions as well as pressures from declining population growth. These types of activities include contracting out with for-profit vendors, non-profit organizations, and local government agencies from other jurisdictions to continue the delivery of public goods and services

The survey results were mixed based on jurisdiction types. It was expected that cities and counties that faced increased fiscal pressure would contract out. This fiscal stress would be measured through property tax income and changes in population growth.

In terms of property taxes, it was expected that city and county respondents contracting out would be facing a comparatively higher decrease in revenues from property tax related revenues. The findings do show that the majority of city respondents contracting out *did* face increased fiscal pressure represented by a decrease in revenues from property taxes levied. However, for counties, this measure was contrary than

expected revealing that six of the seven counties contracting out *did not* experience a comparatively higher decrease in revenues from property tax valuations.

In terms of population growth rates, it was expected that jurisdictions with a declining population growth rate would be more likely to contract out. The findings do show that cities contracting out *did* face a comparatively higher decline in population growth. However, the findings show that counties contracting out *did not* face a comparatively higher decline in population growth

The response rates calculated by the percentage of surveys returned was approximately 41% for counties (N=28/67) and approximately 29% for cities (N=121/412). Among the 31 municipal survey respondents and the 7 county respondents, a number of similarities exist concerning the types of services most commonly contracted out to either a private vendor, a non-profit, or another local government. Municipal respondents were most likely to indicate the contracting out of police and/or fire services—most often to another locality. Another likely candidate for privatization was services associated with parks and recreation. These services were most likely to be contracted to a non-profit vendor or private company.

This research did not reveal high levels of contracting out activity overall, however, it did provide new data providing insight related to the contracting out actions taken by Florida's jurisdictional leaders. Through survey responses as well as written commentary, the data reveals an attitude of caution regarding the value of contracting out by Florida's local government officials. While Florida's local governments have been forced to consider alternative revenue sources to deal with budgetary shortfalls due to economic conditions during the most recent recession from 2007 to 2009, this study

reveals that cities facing higher levels of fiscal stress contracted out as expected. However, counties facing higher levels of fiscal stress did not.

CHAPTER ONE

TRENDS IN THE CONTRACTING OUT OF LOCAL GOVERNMENT SERVICES: A VIEW FROM THE SUNSHINE STATE

In 2007, the city of Pembroke Pines was considered one of the nation's fastest-growing cities, with a population that grew from 65,500 in 1990 to 147,000 in 2007. However, by June 2009, this Florida city's population growth was declining, driven by a decrease in migration. The City was also in the midst of a broken housing market, facing steep decreases in permit fees, and trying to balance a \$39 million budget deficit (Rab, 2009).

In a controversial decision, Pembroke Pines City Commissioners chose to explore creative measures to respond to and prepare for changing economic conditions. The commissioners approved a 5-year contract with Fort Lauderdale-based private company, Calvin, Giordano & Associates (CGA) to administrate the city's building and zoning department in July 2009 (Gilroy, 2009a).

Pembroke Pines was one of many local governments in Florida having to make difficult decisions. In Broward County alone, other neighboring cities were also faced with declining traditional revenue sources in the middle of an unprecedented financial crisis.¹ As would become obvious in later years, these circumstances would become the

¹ For various examples of other cities in Broward County, Florida considering similar options, see Privatization Gaining Steam Among Broward Cities by Leonard Gilroy published on May 18, 2009. <http://reason.org/blog/show/privatization-gaining-steam-am>

new norm for local government officials. In addition, the retirement population that Florida had come to count on was stalling (Holt & Colburn, 2011).²

The circumstances faced by the leaders and residents of Florida were not distinctive, but rather indicative of the same challenging financial conditions transpiring throughout the country. Nationwide, local jurisdictions were forced to address revenue decreases and identify alternative ways to close the gaps. These financial conditions forced city and county governments to accelerate their efforts to be even more resourceful in their efforts in delivering staple services to their residents. Such as solid waste services, maintenance of parks and recreation services, and zoning services.

As the Reason Foundation pointed out, local governments have for decades faced the increasing need to balance the growing service expectations of their residents against limited and often shrinking resources (Gilroy, 2010). Local governments simultaneously, have been coping with declining economies and revenues, and limited financial support from higher levels of government (in the form of aid or revenue sharing). According to research released by the National League of Cities (NLC) in 2011, general city revenues in the United States have declined for 5 straight years (Gilroy, 2010; Hoene & Pagano, 2011).³

² The Reubin O'D Askew Institute on Politics and Society partnered with the Bureau of Economic and Business Research to develop a series of Florida Focus papers that highlight how various regions in Florida are positioning themselves to move forward after the Great Recession. See "Florida and Orlando: Choosing the Future after the Recession," by Dr. Lynne Holt and David Colburn for a summary of the demographical changes through 2010 and for additional information at <http://www.bebr.ufl.edu/content/florida-and-orlando-choosing-future-after-recession>

³ See the NLC's 26th Annual City Fiscal Conditions Report. Also see related reports for previous years at <http://www.nlc.org/find-city-solutions/center-for-research-and-innovation/finance>

Research Purpose

This research seeks to understand how local governments have responded in recent years to the destabilization and unpredictability of revenue sources and economic conditions during the most recent recession from 2007 to 2009. It explores the implementation of innovative service delivery initiatives, particularly contracting out in its various forms. These types of activities include contracting out with for-profit vendors, non-profit organizations, and local government agencies from other jurisdictions to continue the delivery of public goods and services.

In addition, the analysis closely examines how local governments in the state of Florida responded to economic pressures and the demands for public services. An examination of contracting out activity following the 2007-2009 recession is conducted of Florida's cities and counties. Through survey data, this research reveals new data related to the contracting out actions taken by Florida's jurisdictional leaders as a result of the economic hardship at the local level from 2008 to 2010.

Paper Organization

The discussion of contracting out in Florida will be framed within the context of the historical stages of this governmental option including the fluctuations in the popularity of this approach over times. Following an explanation of the purpose of the research, the manuscript will be divided into eight additional chapters, nine in total.

Chapter 2 explains how contracting out is defined in the literature, including the identification of key assumptions adopted for purposes of this research. This chapter reviews the privatization versus contracting out debate, the decision to use these terms

interchangeably for this research, and introduces the multiple perspectives in the literature.

In Chapter 3, the discussion turns to the primary explanatory factor assumed in the research. The primary assumption is the increased fiscal stress presented by jurisdiction. In addition to financial necessity and changes in population growth, prominent motivations influencing decisions to contract out are also discussed in this Chapter. The expansive literature review presents a range of variables contributing to a local government's decision to contract out. A comprehensive review of the most common factors discussed in the literature is necessary to understand current trends in contracting out.

Chapter 4 features an overview of local governments, including the expectations held by the public. This chapter elaborates on the types of services provided by local governments, especially those delivered by municipalities and counties. Chapter 5 will review the stages and historical trends related to the contracting out of services spanning from roughly the early 1970s through present times.

Chapter 6 explores the 2007-2009 recession (the "Great Recession") in greater detail including its impact on Florida. The research builds upon a study conducted by Benton, Aikins, and Miller in 2009 titled, "Coping with Dwindling Property Tax Revenues: The Tale of Municipalities and Counties in Florida." The thesis builds upon the authors' findings that contracting out as an alternative option for the delivery of services is an increasingly popular option adopted by local leaders.⁴

⁴Benton has authored and co-authored several publications related to the delivery of services by local governments. Earlier publications, which should be reviewed, include: Benton, J. E., & Daly, J. L. (1993). Providing services in an era of declining fiscal fortunes: The dilemma confronting local governments

Chapter seven covers the data collected to measure fiscal stress as well as the responses from an e-survey conducted. An examination of the representation of Florida's regions and population sizes is conducted as well as sample representations. This chapter discusses how this research operationalizes fiscal pressures through property taxes and decline in population growth.

The research introduces the notion that as local government jurisdictions experience financial or fiscal stress, they are more likely to contract out the delivery of public services. Specifically, the chapter discusses the expectations from the data survey; that the survey data will show that local governments in Florida facing the greatest fiscal pressures were more likely to consider the option of contracting out following the 2007-2009 recession. This is measured through property taxes and population growth. How these are calculated and measured as well as why they were appropriate measures is covered in this section.

. Florida is a state that has historically depended on migration and population growth. Since the recession and housing crisis has hit Florida jurisdictions hard, it is expected that cities and counties facing declining property tax income and population growth will be more likely to consider the option of contracting out.

Chapter 8 provides the findings from the survey. The analysis offers new empirical research and provides insight not found in any other research regarding contracting out decisions made by Florida's city and county officials related to the 2007-2009 financial recession and after. The combination of the literature review and analysis

during the 1990s. *The Political Chronicle*, 5(1); Benton, J. E., & Menzel, D. C., (1992), Contracting and franchising county services in Florida, *Urban Affairs Quarterly*, 27, 436-456; Benton, J. E. (2002). County service delivery: Does structure matter? *Public Administration Review*, 62, 423-443.

of the new data gathered for this paper offer an alternative perspective on whether Florida's cities and counties are contracting out in an effort to solve budgetary shortfalls. The results in this chapter show that the majority of the cities contracting out did face increased fiscal pressure. This is represented by a decrease in revenues from property taxes levied and as measured by a comparatively higher decline in population growth. In terms of counties, the results show that counties contracting out did not experience increased fiscal pressure. As measured through property taxes, counties did not face a comparatively higher decrease in revenues from property tax valuations. As measured through population growth rate changes, counties contracting out did not face a comparatively higher decline in population growth.

In terms of overall contracting out, the data revealed a small number of jurisdictions that have contracted out at $N = 7$ for counties and $N = 31$ for cities. As a reminder, the survey received standard response rates with a 29% response rate for cities at $N = 121$ for cities and a 41% response rate for counties at $N = 28$.⁵

Chapter 9 concludes with an assessment of why the contracting out of services has not been considered as a primary option based on the findings. It examines what local governments could be choosing as alternative methods in their strategic

⁵As discussed in section 7.3.b. titled About Response Rates, of this paper, "establishing definitions, formulas and standards of response rates has been discussed often in the literature with controversy and mixed reviews" (Biemer & Lyberg, 2003; Johnson & Owens, 2003; Lessler & Kalsbeck, 1992). This section also discusses how the American Association for Public Opinion Research (AAPOR) has acknowledged in research that high response rates does not necessarily ensure survey accuracy (AAPOR, 2011a). However, as a benchmark, the response rates for some ICMA surveys were pulled. For the 1997 alternative delivery survey dataset, the total response rate for counties and municipalities was 32%. (of the 4,952 cities and counties it was sent to, 1,586 responded. For the 2002 County Form of Government survey, the county response rate was 32.6% (of the 3,046 counties it was sent to, 992 responded). For the 2007 County Form of Government survey, the county response rate was 36.3% (of the 3,039 counties it was sent to, 1,102 responded. For the ICMA 2010 Sustainability Survey, the response rate was 25.4% (of the 8,569 local governments it was sent to, 2,176 responded). Given these survey response rates, this research assumes the 29% response rate for cities and 41% response rate is in line with standards (and perhaps above for the county responses).

planning decisions for long-term budget solutions. Included in this chapter is also a reflection of what could have been done differently regarding the survey design and implementation of the research. Building on the limitations of this research and the survey conducted and the chapter also offers possibilities for future research.

CHAPTER TWO

CONTRACTING OUT DEFINED

The local government literature uses a number of terms interchangeably when referencing the external provision of services as contracted with and substituting the “in-house” system of service delivery (Fernandez & Smith, 2006). Given the varied usage in the literature, it is important to define contracting out and to establish how it will be used for purposes of this paper. The terms used by the scholarly literature include “privatization,” “outsourcing,” “contracting out,” “franchising,” “public-private partnerships, and/or “intergovernmental or interlocal agreements and cooperation agreements.” Undoubtedly, there is great value in distinguishing between these terms and a large volume of literature has been dedicated to dissecting the specific aspects of these differences. This chapter will review the variations in perspectives held by scholars and establish the definitions assumed for this research.

According to Bradbury and Waechter (2009), the terms outsourcing, contracting out, and privatization include purchasing of services by a government entity from another governmental unit, a non-profit organization or a private firm. However, the authors differed in defining privatization because it implies that a function previously produced directly by the government is now delivered by a private sector or non-profit organization (Bradbury & Waechter, 2009; Fernandez & Smith, 2006). The authors argued that outsourcing and contracting out are more accurate terms than privatization when looking

at models such as “contract cities,” which provide new services that have never been performed in-house. Also known as “ideal cities,” numerous newly incorporated cities have been established in the past few years. A key characteristic of these ideal cities is that most functions and services have been outsourced to private firms.

Again, while there is value in distinguishing between specifics in defining privatization, this research will take the position that the term “privatization” has expanded to include a range of alternative methods for providing public services. This definition includes voucher systems, franchises, subsidies, contracting out, and reliance on volunteers. Given the range of forms privatization can take, these methods may also be generally referred to as public-private partnerships (Leroux , 2007).

Utilizing the Terms Privatization and Contracting Out Interchangeably

In *Privatization and Public-Private Partnerships*, Savas (2000) examined numerous definitions of privatization within the context of simplifying the ongoing debate regarding terminology. One of the positions offered is that in the United States, the term privatization is commonly applied to the act of contracting for public services.

Bland (2010) laid out a typology for third party agreements. He distinguished between contracting out, outsourcing, mixed delivery, partnership, and privatization. In regards to privatization, he echoed the sentiment that it is a term that has taken on numerous meanings. He supported the definition held by Cooper (2003) that characterized “real privatization” as occurring when government is completely removed from the production and delivery of a service.

In a piece highlighted by the International City/ County Management Association (ICMA) in 2010, Bland discussed the term mixed delivery, introduced by Warner and

Hefetz (2008). Bland adopted a narrower definition than Warner and Hefetz by characterizing mixed delivery as when the local government itself is the primary beneficiary from the collaboration but the financial risk (or return) is shared with a third party.

The ongoing debate about the differences and commonalties between the terms privatization and contracting out has also been discussed by Benson (2007) on Cato Unbound. Cato Unbound, www.cato-unbound.org, is an online forum where participants share their perspectives on policy issues.⁶ Benson argued that despite policy makers and academics referring to the two terms as identical, the two are not the same. Specifically, contracting out refers to a particular type of some part of the bureaucratic decision-making hierarchy being replaced by a decision-making hierarchy. The key distinction between the two hierarchies is that each operates under a different set of incentives than those faced within the bureaucracy (Benson, 2007).

On one side of the debate, some authors characterize privatization as the outright sale of a government-owned asset to the private sector, releasing the public sector from any responsibility for delivery the service (Feigenbaum & Henig, 1994; Leroux, 2007). Reflecting another perspective, Feigenbaum and Henig (1994) took a broader definition of privatization as “the shifting of a function either in whole or in part, from the public sector to the private sector” (p. 185). The authors recognized that this definition will be disputed by some scholars, but argued that overemphasizing the

⁶ The Cato Institute is a public policy research organization--a think tank--dedicated to the principles of individual liberty, limited government, free markets and peace. Its scholars and analysts conduct independent, nonpartisan research on a wide range of policy issues.

distinctions between specific technological tools for privatization obscures the political dynamics that are much more worthy of discussion.

Contracting Out as a Popular Form of Privatization

This paper will assume positions similar to that of Fernandez and Smith's (2006) reference to contracting out as a form of privatization. The authors shared a view held by a number of scholars by stating: "in the United States, the most pervasive form of privatization is contracting out, which occurs when governments enter into a binding agreement with a private for-profit or not-for-profit organization to deliver a service and perform for the government" (pp. 356-357). This research will also include agreements with government jurisdictions.

In "Local Government Privatization 101", published by the Reason Foundation, Gilroy (2010) provided an opinion regarding privatization. He acknowledged that it is sometimes referred to as contracting out, outsourcing, competitive sourcing or public-private partnerships. He also stated that privatization is an umbrella term referring to a range of policy choices involving some shift in responsibility from the government to the private sector, or some form of partnership to accomplish certain goals or provide certain services. He also offers a broader interpretation of privatization by stating that the process covers actions from simple contracting out to asset sales and joint ventures.

In Jang's (2006) research of local governments' contracting out activity with the non-profit sector, he argued that "although local governments use many types of provision of services and goods, contracting out is the most popular privatization mode in purchasing public services from either other government units or private and nonprofit organizations" (p. 11).

Contracting Out Examples With For-Profit and Not-for-Profit Vendors

Contracting out as defined by Fernandez and Smith (2006) can be observed through a variety of arrangements. Some are common examples replicated throughout local governments in the United States, while others are new and demonstrate innovative ways of applying contracting out models. For example, in some instances, local governments commonly provide solid waste services to residents through arrangements involving private vendors. Such is the case in Snohomish County in Washington state. This county contracts with a private hauler, Waste Management, to collect garbage from curbs of residents and take it to a county owned and operated transfer station. The private company is then hired to transport containers by train to a privately owned landfill in Klickitat County (Snohomish County, 2011).

Another example of contracting out in recent years is found within the city of Chicago. In December 2008, Chicago chose to explore creative measures to respond to and prepare for decreasing and ever changing economic conditions. Its local leaders decided to contract out for the operation of one of its largest assets, metered street parking, with a lease lasting 75 years. While the deal closed amidst political controversy, the city realized \$1.15 billion in up-front revenues while reducing long-term costs and liabilities. Important benefits to the city included removing itself from managing an asset not in its core competency, retaining key decision-making authority, and ensuring it continued to provide an important service to its citizens (Waguespack, Piwinski, & Sajovec, 2008).

Contracting out related decisions can also be observed through a series of ICMA surveys regarding the alternative service delivery by local governments. The ICMA survey is conducted every 5 years and measures service delivery for 67 local services across more than 1,000 municipalities nationwide (ICMA, 1992a; ICMA, 1992b; ICMA, 1997). Gilroy (2010) examined the results of the 2007 survey, which indicated that public delivery is the most common form of service delivery at 52% of all service delivery across all local governments on average. The most common alternatives to public service delivery are for-profit privatization at 17% and intergovernmental contracting at 16%. non-profit privatization represents at 5% (Gilroy, 2010; Warner & Hefetz, 2009). As a reminder, for this research, contracting out/privatization activity refers to agreements involving for profits, not-for-profits, and intergovernmental jurisdictions. The next section will highlight the literature on inter-jurisdictional arrangements separately. This is only for the literature review, however, the survey employed for this thesis includes contracting out activities of all three types including for profit, intergovernmental and not-for-profit.

Contracting Out Through Inter-Jurisdictional, Inter-Governmental or Inter-Local Agreements

Contracting with neighboring jurisdictions to establish agreements or collaborations is an alternative to contracting out with private or non-profit vendors. This type of contracting can occur in a variety of forms including exchange for services at an agreed upon price or the lending of services without any monetary exchange. As outlined by Bradbury and Waechter (2009), scholars of local government have identified a subcategory of contracting out called *interjurisdictional, intergovernmental or interlocal*

agreements (ILAs). Warner and Hebdon (2001) have studied the differences in the benefits of contracting out with private organizations (for-profit or non-profit vendors) and other governmental units. They argued that studies that fail to distinguish between the two are flawed.⁷

Agreements between jurisdictions refer to collaborations that take place between cities, counties, a city and a county, between cities, school districts, and other special purpose districts. These agreements can occur in many combinations. Some cases of inter-local service contracts between two or more units of government involve one jurisdiction paying the other for the delivery of the service to the residents of the jurisdiction of the paying government (Agranoff & McGuire, 2004). The relationship can also be established as a service-sharing agreement, involving the pooling of resources by two or more local governments to solve a set of problems that neither jurisdiction could solve individually.

Such cases could be to contract for or to share solid waste disposal, police, fire or paramedic services. Returning to the example of solid waste service management, it is common for municipalities to coordinate solid waste plans and services with larger counties. There are many examples of such arrangements in Florida and throughout the country. A recent study in Florida found examples where three smaller counties, Baker County, Bradford County, and Union County, not large enough to fund their own solid waste disposal program, joined efforts to create the New River Solid Waste Association.

⁷ The language used by the authors to represent when governments remain responsible in the production process with contracts that are given to another local government or governmental authority is inter-municipal cooperation. For purposes of this paper, this will be referenced as intergovernmental cooperation or agreements.

The association owns and operates the solid waste landfill, which services all of the county residents. In addition, it contracts with other nearby counties to receive solid waste.

Contracting Out Examples Between Local Governments

An example of law enforcement services provided by one jurisdiction to another outside of Florida is in Erie County, New York. The Erie County Sheriff's Department helps nearby jurisdictions that are unable to provide law enforcement services to its residents. The County provides police services to county residents who live in areas or towns without police departments such as the towns of Clarence, Newfane, and Wilson.⁸ In Pinellas County, Florida, a number of small cities depend on the Pinellas County Sheriff's Department for police protection services (Pinellas County, 2011).

Another example includes mutual aid agreements for emergency services, which exist among multiple jurisdictions at various levels of local government and include private vendors such as in Pinellas County, Florida. Emergency Medical Services (EMS) are funded by a special countywide taxing district. The EMS Authority contracts with 19 fire service agencies, and one private ambulance provider. Advanced life support (ALS) response is available to over 1 million residents countywide, in the 24 municipalities and the unincorporated areas within the county (Pinellas County, 2011).⁹

⁸ The debate in Erie county was regarding the consolidation of Sheriff Services and police services. The proposal includes establishing consolidated police districts in which only users of the service pay for the cost of Sheriff's services as has been previously implemented in Nassau County and Suffolk County.

⁹ Pinellas officials hired Gunderson's Integral Performance Systems in 2009 to study the \$72.2 million EMS system because of spiraling costs. Study recommendations focused on changes to the way the county pays fire districts to provide EMS first-response service.

In a study by Chen and Thurmaier (2009), the authors defined ILA's as a range of relationships from simple dyadic relationships, such as law enforcement contracts between cities, to complex networks of multiple local governments with private and non-profit actors. Complex intergovernmental networks that have increased over the last few years include mental health services, watershed partnerships, regional partnerships and economic development policies and programs (Feiock, Clinger, Shrestha, & Dasse, 2007). Throughout the country there are many examples of complex intergovernmental relationships that require city and county officials to manage their economic development duties in a network situation. These structural arrangements have received increased attention over the last decade. In a study conducted in 2005, Ashbacher discussed the management of formal intergovernmental economic development agreements in Iowa. In local economic development, city governments build networks with a variety of public and private agencies to strategize, plan, and implement custom-designed policies to increase the economic well-being of the community. In Iowa, this structural agreement allows the small communities, which have been struggling to maintain their service and retail capacity, to work with larger communities in the state, to pool resources and work more efficiently to serve regional areas.¹⁰

These are just a few of the many examples of contracting out occurring throughout the country and in Florida involving different levels of government and/or private companies and/or not-for-profit organizations. As demonstrated, they vary

¹⁰ The focus of Ashbacher's study is to determine the effectiveness of intergovernmental economic development agreements in Iowa. The author offered substantive research on the management skills and processes that will lead to effective agreements. See "A28E Management Report on Managing Effective Interlocal Economic Development Networks" for more information. For purposes of this paper, we focus only on an introduction into the different types and levels of intergovernmental agreements that exist.

greatly in scope and the types of entities involved. For purposes of this paper, “privatization,” “outsourcing,” “contracting out,” and “franchising” will be used interchangeably to describe the alternative delivery service strategies by local governments.

More specifically, the terms privatization and contracting out will be used interchangeably throughout this paper when referring to arrangements involving for-profit, not-for-profit and intergovernmental vendors. The dominant term used will be “contracting out,” focusing on scenarios where government maintains responsibility for arranging and financing public services, but selects external agents to provide them. Intergovernmental agreements will be identified separately in the literature review discussions; though analysis of the findings will be of all types of arrangements.

CHAPTER THREE

FACTORS INFLUENCING DECISIONS TO CONTRACT OUT

There are many reasons why governments decide to contract out and numerous studies have been conducted to identify, examine and determine the primary factors influencing the decision of local governments to change their form of service delivery (Bland, 2010; Bradbury & Waechter, 2009; Brown & Potoski, 2003; Brown et al., 2008; Fernandez & Smith, 1996; Ferris & Graddy, 1986; Gilroy, 2010; Greene, 2002; Halstead et al., 2010; Hefetz & Warner, 2004; Hirsch, 1991; Hodge, 2000; Jang, 2006; Marando, 1968; Morgan & Kickham, 1999; Segal 2005; Thompson & Elling, 2000; Warner & Hefetz, 2009).

This decision is a complex process, which requires balancing efficiency goals with public values while considering the competitiveness of both public and private markets for government service (Warner & Hebdon, 2001).

Cost Savings

The lowering of costs is one of the most often cited factors contributing to the decision to contract out (Hirsch, 1995; Segal, 2005). There are numerous reasons why a local government may try to reduce its operating costs or find ways to spend taxpayers' money more effectively.

Many studies have concluded that contracting out produces cost savings when compared to in-house service delivery (Segal 2005). A study conducted by Hodge (2000)

found that contracting out yielded between 6% to 12% of savings to local governments.¹¹ In his research, Segal (2005) argued that there is a vast array of studies by the federal government, academic researchers, and others, suggesting that outsourcing on a competitive basis results in “cost savings in the range of 5 to 50%, depending on the scope and type of service” (p. 4).¹² However, even some scholars who found evidence of efficiency gains in contracting out cautioned that true levels of efficiency and savings achieved were difficult to measure. For example, Greene (2002) concluded that while benefits were realized, true costs savings may often be less than reported and greater efficiency may be driven by other variables and not from the private service delivery.

In terms of intergovernmental contracting, in a study of Detroit municipalities, Marando (1968) found that for a number of services greater economic efficiency was achieved than providing specific services in-house. He found that through cooperation, the municipalities studied were able to more economically provide the services and functions of water, sewers, libraries, jails, and police and fire communication. On the other hand, a number of authors have found that the argument that contracting out brings about cost-savings or greater efficiency is not supported by the data available and is inconclusive (Brudeney et al., 2005; Hodge, 2000; Sclar, 2000).

As Benton and Menzel (1992) discussed, the availability of vendors that can provide the service will heavily influence the ability to achieve cost reductions. They

¹¹ Though the study from Hodge did not distinguish between the vendor contracted being a private, not-for-profit or another government entity.

¹² Segal mentions several studies that can be referred to for additional background on studies regarding cost savings from privatization such as work by John Hilke, *Cost Savings from Privatization: A Compilation of Study Findings*, Reason Foundation How-to Guide No. 6 (Los Angeles: Reason Foundation, 1993), <http://www.rppi.org/htg06.pdf>.

argued that if there were a greater number of private firms available to compete for contracts, this would result in increased competition, and ultimately would bring greater cost savings. This resembles Ferris' conclusions in the 1980s in which he argued that there is much empirical research available supporting the stance that introduction of competition into the production of services leads to cost savings.

Economies of scale. Improved economic efficiency can be attained when economies of scale are realized by the contracted company which would not be possible to attain if the local government were to continue to provide the service. As Ferris (1986) discussed, during the 1980s, a number of empirical studies were conducted to assess whether costs savings are truly produced. These studies continued through the 1990s and into the current decade.

Overall, the findings from Ferris and other studies within the same timeframe reveal that alternative suppliers introduced through contracting out provided an incentive for the chosen producer to keep costs down. That is because while the government still pays for the service, the production of the service goes to the outside agents. This separation of the producing unit from the providing unit allows for the producing unit to be chosen based on economies of scale. As Benton and Menzel (1992) explained, decreased average costs result when the private sector producer expands its input levels. While a city or county may provide a service such as garbage collection and disposal, due to the small market size of its jurisdiction no matter how much it adjusts the size of its garbage truck fleet and disposal plant to attain minimum average cost production, it cannot realize economies of scale by itself. In a study by Halstead et al. (2010), the

smallest municipalities do appear to have the most benefit from scale, scope, and flexibility offered by external contracts.

Achieving economies of scale has also been commonly cited as a primary benefit and reason why governments enter into intergovernmental or interlocal contracts. For example, Sonenblum, Kirlin, and Ries (1977) found that California officials entered into interlocal contracts for scale economies when large start-up capital costs were involved. In the Marando (1968) study, economic advantages were made possible as economies of scale were realized, but only in some cases. In others, intergovernmental agreements were the only means available to provide specific services to some of the smaller cities. To them, the cost to provide the services themselves would be prohibitive. To experience the full benefits of economies of scale, a sufficient number of organizations willing to supply the service must also be available (Ferris, 1986).

As observed, there are scholars that downplay the value of economic efficiency, including cost reductions and economies of scale realized through contracting arrangements. While mixed results exist, there is an abundant amount of support for the benefits attained when the appropriate circumstances are in place. However, in some instances, there simply may not be a right situation in which contracting a service would be as advantageous or result in economic benefits. Economies-of-scale generally only function with large capital outlays and/or when cost for each additional unit of service increases by insignificant amounts.

There are a number of other influencing factors that some scholars are more important than anticipated savings. In the study conducted by Ferris (1986) where he assessed why local governments decide to contract out, in addition to lower costs, he also

emphasize the importance of political opposition and the overall political climate. The next section, examines the institutional factors including political influences and the impact of unionization in the decisions to contract out.

Institutional Factors: Politics and Unionization

The role of political influences and the impact of unionization can be controversial. The data differ greatly on the role of political motives and the influence of public forces in contracting out decisions. The data are about whether privatization actually realizes some of the fears held by public employees in terms of layoffs, lower wages and benefits, and negative implications to minorities. The fact remains, however, that public sector unions possess a widespread belief that they occur as a result of privatization. Therefore, any decision to consider options to contract out must consider these implications. Public sector unions have and can take a number of actions to block privatization initiatives. This has occurred in the form of legal challenges, public relations campaigns to influence public opinion, and opposing candidates in election campaigns that support privatization initiatives.

Political pressures. Authors such as Fernandez and Smith (2006) have conducted extensive research concerning the politicization of contracting out. The authors have found that the decision to contract out for political reasons is not as significant as previously thought. They argued that new empirical studies provide evidence that privatization has become less politically controversial and more acceptable as a service delivery approach. Instead, Fernandez and Smith maintained that managerial factors, such as the ability to plan for and monitor contracting initiatives have become more relevant than political influences.

Other scholars such as Savas (2000) and Van Slyke (2003) strongly believe otherwise. Such as in the case of social services, their research findings indicated that contracting relationships are based more on political motives than economic considerations (Savas, 2000; Van Slyke, 2003). They believe that leaders strongly consider the role of diverse groups within their community, their participation level, the political consequences of implementing decisions that go against their interests, and the perception that the public will have of the contracting decisions made. According to Benton and Menzel (1992), privatizing is more likely to occur in areas where those groups that have “vested interests in government services (e.g. African-Americans, senior citizens, and local government employees) have relatively less influence on service-delivery options” (p. 441).

In general, the research shows that members of minority groups, individuals with lower income, and the elderly typically favor higher levels of public spending, and view privatization as a threat to public programs (Fernandez & Smith, 2006; Ferris, 1986; Ferris & Graddy, 1986; Morgan, Hirlinger, & England, 1988; Thompson & Elling, 2000).¹³

Unionization. Unionization is often perceived as a significant barrier to privatization efforts because of the widespread belief that it poses a threat to public employment. The fear of layoffs, lower wages and benefits, and the desire to preserve their power and influence have made public employees and public sector unions ardent opponents of privatization. This is confirmed by a number of studies analyzing data

¹³ Fernandez and Smith found statistically significant correlations between age and race, and support for privatization, confirming that minorities and the elderly view privatization as a threat to spending on public programs.

nationwide. For example, Fernandez and Smith (2006) found that public employees in Georgia tend to express more opposition to privatization than individuals not employed in governmental organizations. As confirmed by research conducted by Fernandez and Smith, much of the literature provides indications that union opposition can, in fact, present a real obstacle to the adoption of privatization (Changler & Feuille 1991; Ferris & Graddy, 1986; Warner & Hebdon, 2001). For example, studies of United States cities with populations greater than 10,000 found that unionized cities experienced higher levels of opposition to contracting out and were less likely to consider contracting out of sanitation services than nonunionized cities (Changler & Feuille, 1991; Fernandez & Smith, 2006; Ferris & Graddy, 1986). In a study conducted of New York, Warner and Hebdon (2001) also found that unionization was a barrier when only simple private and public provision options were considered.¹⁴ Conversely, there are also ample research studies that found that labor opposition is not as influential in the decision to privatize as previously thought (Brudey et al., 2005; Fernandez & Smith, 2006).

The prevailing view among public employees and unions is that government workers would be displaced when government contracts with for-profit and not-for-profit vendors for delivery of services. This is another driving force behind opposition to privatization efforts. However, Fernandez and Smith (2006) found that there is limited empirical data available to support this assertion.¹⁵ In fact, the authors stated that

¹⁴ However, the authors found that when other more complex restructuring options were utilized, unionization was not a significant factor.

¹⁵ The authors cited studies by Donahue (2002), Greene (2002), and Light (1999) with similar findings for more information on these reference Donahue: Market based governance: supply side, demand side, upside and downside; Light's The true size of government and Greene's Cities and privatization: Prospects for the new century.

currently available empirical evidence actually refutes that argument because as a result of contract negotiations and agreed upon terms, private contractors are often required to offer displaced public employees the right of first refusal to new jobs created¹⁶

Despite the influence of anti-privatization pressures on local leaders, Warner and Hebdon (2001) found that local governments are more concerned with practical issues of service quality and less with ideology, politics, and unionization. The authors argued that pragmatism wins over politics as local governments give priority to market structure, service quality, and efficiency concerns¹⁷

Local Government Structure and Managerial Abilities

In general, contracting out is more likely to occur in jurisdictions where public service constituencies have relatively less influence on service delivery choices. An underlying factor, which determines the influence of such constituency groups, is the formal government structure in existence as well as the groups' size and organization (Ferris, 1986).

The formal structure of a government is an important factor in determining the impact of constituency groups on public services. The two basic forms of local government structure common in the United States are the mayor-council and the council-

¹⁶ While overall, the authors argued that there is an absence of strong data which support that detrimental effects do in fact occur, they did acknowledge some study findings that confirm that lower benefits packages are offered by contractors and that higher wages offered by private vendors are not as significant with positions requiring greater skill and education levels. See page 359 for more details.

¹⁷ In their research, Warner and Hebdon bring to light the importance of the need to consider the full range of alternatives in local governments' service restructuring beyond the decision to contract out. Their work introduces research on other forms of restructuring including reverse privatization, competitive contracting and governmental entrepreneurship. For more information on these alternatives and changes in the influence of the factors discussed, see *Local Government Restructuring: Privatization and its Alternatives*.

manager (Ferris, 1986).¹⁸ Research over the past decades suggests that council-manager governments are more likely to deliver services externally through complete or joint contracting than are other forms of government (Brown et al., 2008; Kearney & Scavo, 2001). However, the reasons justifying this claim have varied throughout the literature.

Marando (1968) conducted a study of municipalities in Detroit from the perspective of local intergovernmental agreements. He found that the council-manager municipalities were more likely to participate in joint cooperative agreements to a significantly greater degree than mayor-council municipalities. Beyond his statistical analysis, he interviewed city officials and identified two primary factors driving this trend. The first was that city managers had greater levels of communication with officials from other local governments than mayors. Marando's interview findings showed that the manager communicates frequently and on a regular basis with professional administrators from other municipalities and that those contacts provide a basis for establishing cooperation. These claims were supported by a statistically significant correlation coefficient.

The second factor which Marando (1968) examined was the degree of professionalism of the city manager and staff compared to mayor-council leaders. While his interview data supported that this was an influential factor, he did not find a significant difference between the degree of professionalism of city-manger officials and officials from mayor-council led municipalities. A later study, however, conducted by

¹⁸ For more information on types of government structure with discussions about county structure, see DeSantis, V. S. and Renner, T., Structure and policy expenditures in American counties, in D. Menzel (Ed.), *The American county: Frontiers of knowledge*. Tuscaloosa: University of Alabama Press, 1996. 80-91. And see David Morgan and Kenneth Kickham.

Fernandez, Ryu, and Brudney (2008) argued that professional managers are more likely to possess the knowledge and skills necessary to manage complex privatization initiatives. The government structures which separate administrative and political decisions provide more opportunity for public managers to be shielded from political pressures surrounding privatization. Therefore, this allows for decision about the use of contracting to be made based on more technical grounds than political considerations.

As previously mentioned, Benton and Menzel (1992) argued that the political environment and level of involvement by local groups will influence the decisions to contract services. However, the authors also argued that the amount of influence held by constituency groups will be determined by the formal structure of government in place. In addition to government structure, unionization, political influences, cost reductions, quality of services and economies of scale, fiscal mandates can also be influential.

Fiscal Mandates

Federal and state fiscal mandates, or direct orders, affect all counties and cities. They are expensive to implement and local governments often lack the resources required to enforce such orders, particularly when they are unfunded. While there are federal-to-local mandates in place, there are comparatively more state mandates. In addition, state mandate dollar costs are estimated to be higher. State legislatures can make mandates apply only to a single local government, to several local governments or to a class of local governments. The mandates may involve a transfer of power. There are instances where localities are in favor of the imposed mandates if they are at least partially funded. However, in most instances mandates create unfunded costs and can have a strong negative impact on the operations of the local jurisdiction. They can limit managerial

flexibility while disregarding local, demographic and cultural differences that vary across jurisdictions. Also, mandates can be inefficient and unable to solve the problems/issues at hand or to further the identified social goals.

Scholars who have conducted studies in this field have found that the most successful mandates occurred when states have provided funding through grants or through reimbursement of local expenditures. In addition, mandates have been more successful when local governments have had the opportunity to provide input on the mandates, including the option to approve or reject the mandate prior to it becoming legally binding.

As previously noted, local governments are subject to legal constraints from state constitutions and statutes and, therefore, have less control over their financial conditions. Local governments with restricted revenue-raising abilities are more likely to turn to the private sector for the production of services (Benton & Menzel, 1992).

Social Efficiency

Some scholars that believe there has been an excessive focus on the element of reduced costs at the expense of critical services. such as Hirsch (1995). As Hirsch (1995) observed, just because reduced costs are observed, efficiency does not necessarily increase. Efficiency is not the only factor to be considered. The responsibility to ensure that a critical service to society, such as law enforcement and national security, are adequately provided must also be considered. If there are catastrophic consequences for failure to deliver a service, then cost reductions fail to provide any benefit.

In terms of contracting services to other local governments, Marando (1968) found that the socio-economic status of a municipality is an important factor in

determining who its cooperating partners will be in providing such services. In his study of Detroit, Marando found that municipalities do not cooperate on functions where the distribution of benefits and costs to the community are of serious consequence.¹⁹ The municipalities in the Detroit area retained sole responsibility for administering those services that could greatly affect the lifestyles of their residents, and control over these services was not something they were willing to give up to another authority (Marando, 1968).

In summary, this chapter has discussed the literature identified as historical drivers of contracting out trends. As this research seeks to understand privatization decisions during recessionary periods, specifically with empirical research conducted in the State of Florida s during the most recent recession (2007 to 2009), two primary explanatory factors are considered to be critical: population growth and fiscal stress.

While this research treats population growth and fiscal pressures as the two most important predictors of a locality's decision to contract out, a thorough discussion of the factors contributing to such decisions has been provided to better inform the reader. There are examples of previous research that has focused on other influences, such as the impact of mandates, the type of government and others discussed in this chapter. However, during the period review, the most challenging circumstances for local government involved the decline in revenue and changes in population growth that reduced the tax base in many jurisdictions.

¹⁹ Marando's study distinguishes between contractual agreements and joint agreements, but also provides findings in aggregate terms through cooperative agreements. For this paper, I will focus on the total cooperative agreements, but for more details reference *Inter-Local Cooperation in a Metropolitan Area: Detroit* by Marando, Urban Affairs Review published in 1968.

For this reason, the focus of this research is to examine the extent to which local governments in Florida have contracted out as a result of (a) challenging economic conditions and (b) population changes during the most recent recession.

CHAPTER FOUR

OVERVIEW OF LOCAL GOVERNMENT SERVICES

Under the U.S. Constitution, a formal relationship exists between the two levels of government, state and national, consisting of some powers which are shared, while some specific powers are assigned to the national government and others are assigned to the states.

The U.S. federal system is designed so that local governments are work in an environment consisting of vertical and horizontal relationships upon which they are dependent to function. The unique aspect of this level of government is that it possesses only those powers formally granted to it by the state. A state government creates a local government, grants it autonomy in various administrative and policy areas, allows it to govern, and can legally abolish it. States have the power to shape the activities of local governments in a number of ways ranging from the use of state mandates to requiring local units to regulate private activities and services, or making it so they refrain from using certain types of taxes, limit tax rates, or use a particular personnel system. Municipalities and counties are established through different state and local processes. The first local governments came into existence with the granting of corporate charters by their state, whereas counties were created as administrative arms or political subdivisions of states (Benton et al, 2009).

Even though national and state courts generally view local governments as legal creatures of their states, in practice, the amount of local government discretion varies by region, type of unit, and type of function performed. In general, scholars agree that local units enjoy more discretion regarding their structure and organization than they do regarding the functions they perform or the ways they raise and spend revenues.

Courts traditionally view local governments as creatures of the states and dependent on the specific powers they are granted by their state. The relationships and interactions between local government and the national government were also very relevant.

The Impact of Federal-State Relations on Local Governments

National-state relations took a prominent role beginning in the 1930s under the federal-state programs of the New Deal created as a result of the Great Depression. The vastkt expanded intergovernmental partnership reduced the significance of the state-local relationship as local officials sought out national assistance through the programs of the Great Society to meet the challenges of unemployment, relief, housing, public works, and societal needs. However, a de-emphasis of federal-local programs took place beginning in the 1980s as the majority of national-local grants were discontinued with direct aid to local government decreasing from 30% in 1978 to less than 12% in the late 1990s. As Benton (2002) stated, in recent years, federal aid has become less and less certain and usually accounts for only a small part of local government budgets. The majority of federal grants-in-aid (around 90% of all monies), since the 1980s have been to states, with some flow-through grants to local governments. Since the federal government allocates the majority of its financial aid to states, most of the aid received by local

governments is from states. Specifically, states have granted a higher amount of funds to local governments than the federal government when dealing with functional purposes such as education and roadways.

The state-local relationship accounts for nearly \$300 billion in aid to local governments each year. Today, state aid accounts for more than 20% of all city revenues and approximately 40% of county revenues. Overall, the chief source of grant aid to local governments is state government (Benton, 2002).

Increasing aid means greater involvement and more strings attached by state government on local activities and services provided, including the use of mandates by states to influence local government activity and achieve statewide policy objectives. History demonstrates, however, that it has been extremely difficult for local governments to comply with imposed state mandates because they often create additional costs for the local unit, but do not provide funding to enforce them. In addition, they may not reflect the preferences of the local community.

In 2003, Chapman conducted a study which sought to determine whether units of local government possessed enough autonomy in order to respond to citizens' demands for services. He predicted that their level of autonomy would indicate their ability to influence or respond to external shocks ranging from unexpected environmental episodes to economic and financial changes impacting the local jurisdiction. Chapman's work focused on local governments in California. He assessed their abilities to respond to the shock of Proposition 13, a 1978 tax cut measure.²⁰

²⁰ Chapman explained Proposition 13 that it set the maximum property tax rate at 1% of assessed value and rolled back assessed value to the cash value of the property as of March 1975; limited increases in assessed value to 2% a year; and allowed the state government to a proportion the collected property tax.

Chapman (2003) found that local autonomy does, in fact, affect the ability of a local government to provide services to the community.²¹ He found that the lack of local autonomy impedes governments from being fully able to respond to environmental, political, and economic changes and constraints. In the case of California counties, their revenue sources became more dependent on state aid and as they relinquished control over less revenue-producing property taxes to the state As local autonomy declined, state mandates increased. His findings show about 75% of county revenue was, at the time, generally beyond local government control (Chapman, 2003).

Finally, Chapman's (2003) findings also indicate that counties were able to maintain stability in their budgets and revenue streams by engaging in a variety of what he calls initiative activities, including innovative financing techniques such as public-private partnerships.

As explained by Dye and McManus in *Politics in States and Communities* (2011), since local governments are extensions of the states, local governments are subjected to restrictions placed in state constitutions and mandates imposed by the states. Therefore, local governments have been limited in the types of services they could provide and were at times mandated to perform certain functions and services. Local governments are limited in their revenue raising abilities, a significant issue when trying to support the services demanded by their constituents.

Assessed value was to be determined by acquisition value. The proposition also imposed other tax restrictions.

²¹ For a detailed look at how local autonomy is defined, refer to Jeffrey Chapman's "Local Government Autonomy and Fiscal Stress: The Case of California Counties."

In Florida, local governments must cope with limited revenue-raising constraints as the State's constitution gives the state the right to all tax sources with the exception of the property tax. However, even with property taxes, the state has control by instituting a mandatory millage rate on counties, municipalities, and special districts (Benton et al., 2009).

It is also important to mention that local governments have modernized at a dramatic pace, moving away from the traditional model that limited them to serving as a legal extension of state government (Morgan & Kickham, 1999). Despite all of the restrictions in place, states can grant a broad range of discretionary authority to local governments and this can also create opportunities for them to be creative in achieving their goals. For example, some counties and cities have convinced states to grant them expanded authority to raise revenues to pay for costs of new mandates (Benton et al., 2009). Or they can consider restructuring some of their services provided and adopt alternative options, such as contracting out to make ends meet while continuing to provide critical services.

Types of Services Traditionally Provided by Municipalities

In regards to municipalities, states provide local governments the power and authority to create their own cities and towns through *municipal charters*. A municipality's charter must initially be approved by the voters, then by the legislature. There are basic requirements when applying for a charter including the boundaries of community, its form and structure of government, the powers that may be exercised,

authorized types of activities it may conduct, and responsibilities to its constituents as well as required sources of revenue for the jurisdiction to receive a charter.²²

A typical city in the United States provides about 40 distinct services, ranging from public works (street repair and garbage collection) to public safety (police and fire) to animal control and maintenance of public recreation areas. Exactly what services a city government is responsible for providing often depends on a variety of historical and institutional factors (Levin & Tadelis, 2005).

One public service that has been popular among United States municipalities is to contract with private firms for the collection and disposal of municipal solid waste (Deller, 1998). This is supported by various surveys over the past decades which find this service to be the most frequently privatized service (DiGiuseppe, 1990). Another survey with similar results includes that of Johnson and Walzer (1996). Road paving is another service commonly done by the private sector. In smaller communities, police service, emergency radio dispatch, property assessment and code enforcement may be delivered under contract with neighboring towns or regional entities (Burnett, 2009).

Types of Services Traditionally Provided by County Governments

As with cities, counties are also creatures of the state created to help provide citizens with state services. Counties were created to be administrative arms or political subdivisions of the State and were never intended to perform the same services as do cities. As explained by Dye and McManus (2011), counties function under a county charter, similar to a state constitution, laying out the structure and powers of the local government for which it is written. County charters must also be adopted by a majority

²² There are several types of structures states can use to approve local government powers. This includes Special Act, General Act, Classified System, and optional charters.

of the voters. Counties were created to serve unincorporated areas of the state and to provide services such as maintaining county jails, courthouse protection, serving subpoenas, as well as other services.

Over the past decades, however, the distinction between the services provided by cities and counties has become less apparent. This has been largely due to urbanization and population growth, forcing counties to deliver services previously performed by and unique to cities. This trend dates back to the suburbanization movement following World War II. As discussed by Benton (2002) in *Counties as Service Delivery Agents*, although the new suburban residents moved to the unincorporated areas of the county, they expected these same types and levels of services that were traditionally provided by municipalities. In more recent decades, Benton went on to explain the significant challenge county governments have been facing from the massive migration of people from the city to suburbia and from frost belt and rust belt cities of the northeast and Midwest to the unincorporated parts of counties in states such as Florida. As a result, Benton argued, counties that were once rural in nature and sparsely populated have been transformed into significant providers of municipal-type services in an effort to satisfy the escalation in service expectation.

Historically, counties were responsible for “police protection, construction and maintenance of county roads, assessment and collection of property taxes, public assistance and income maintenance, corrections, criminal prosecution, maintenance of county courts, preventative health care, supervision of elections, and recording of deeds, marriages, deaths, and other financial transactions (Benton, 2002, p. 26). The original functions and services conducted by counties have grown to include fire protection,

sidewalks, garbage and sewer collection, water service, parks and recreational facilities, museums, street lighting, building and safety codes, et cetera.

In Florida, in 1968, voters approved a new constitution granting Florida counties increased authority by allowing them to charter governments through a voter referendum. It replaced the 1885 constitution, which was perceived as imposing an inflexible set of legal restrictions on local governments (Marando & Reeves, 1991). The constitutional change in the state of Florida was reflective of what was occurring throughout the country and an ongoing trend with 37 states today permitting some form of home rule for at least some of the most populous counties (Dye & McManus, 2011).

This chapter provided a discussion of the development of cities and counties, including the legal framework of their creation as well as the services and functions each provides. The next chapter presents information regarding the history of local government contracting out.

CHAPTER FIVE

A BRIEF HISTORY OF CONTRACTING OUT

The contracting of services has existed since before the founding of the Republic. However, its use has expanded greatly over the past two decades as reform efforts have emphasized smaller and more efficient government through the use of privatization (Fernandez, Ryu, & Brudney, 2008; Halstead, Mohr, & Deller, 2010). Scholarly research on the intellectual underpinning of contracting out began during the 1970s (Hirsch, 1995). As Bland (2010) introduced in *A Typology for Third-Party Agreements*, the contracting out of services to outside vendors has been one of the most pervasive developments since the 1970s across all sectors of the American economy. This expansion has occurred in both the production and delivery of public services. Weston, Florida, for example, has come to rely on contracts with other governments, private firms, and nonprofits for the provision of *all* of their services (Prager, 2008).

Popularity of Contracting Out in the 1980s and 1990s

The literature reveals that the privatization of local public services increased in popularity in the 1980s and early 1990s. The research studies conducted over these two decades showed a substantial rise in privatization efforts. The trend to contract out during this period is explained by the rise in popularity of the conservative political movement in the United States. Also, poor economic conditions, and the need to develop efficient service delivery alternatives to relieve fiscal stress influenced its growth

(Brudney, Fernandez, Ryu, & Wright, 2005). The resurgence of privatization was energized by the popularity of fiscal federalism adopted during the Reagan years.

At the same time, grassroots property tax activism taking place brought attention to the need to change the way local public services were delivered in the United States (Deller, 1998). Any suggested proposals or alternatives that involved reducing the role of government were well received by the public. Public-private partnerships became popular during this same time, as did limits on government spending and reduced involvement in social programs. Proponents of cutbacks in government programs and services seized on the partnership concept as evidence that government programs could be reduced without causing harm, dislocation or hardship.

The academic literature during the 1980s and 1990s widely referred to the complex system of public, private and nonprofit entities working to develop and implement policy as a “new governance” era or “new public management” phase (Berry & Brower, 2005; Kettl, 2000; Osborne & Gaebler, 1992; Salamon 1981). During this time, Salamon’s (2002) and Henry’s (2002) well known bodies of work regarding third-party government and contracting out as one of the policy tools favored in the 1990s were published.

While there was ample research conducted on the growing popularity of contracting out through the 1980s and 1990s there was a gap emerging in the literature. As Berry and Brower acknowledged in their research in 2005, although scholars generally believed that contracting out had become more prevalent, much of the data utilized for research predated 1990.

Though there was research conducted by Warner and Hebdon (2001) in 1997 of county and township officials in New York, this study showed local governments used both private and public sector mechanisms to structure the market, create competition, and attain economies of scale. There was also a study released by Choi, Cho, Wright, and Brudney (2005) examining several dimensions of contracting out at the State level. Their research took responses from State Administrators' Project survey in 1998 and confirmed that contracting out was widely used. Their focus was on how *intersectoral administration* was associated with government relations and federal funding (Berry & Brower, 2005).²³

The Advancement of Contract City Models

“Contract cities” employ a minimal number of in-house employees and provide the majority of services by contracting with private sector service providers and cooperating with other local governments. An example is the city of Weston in Florida, where 60,000 residents are served with only three internal employees and the acquisition of infrastructure and capital investments were not required due to privatization and inter-jurisdictional agreements. Weston has developed a model that has been replicated throughout the country in places such as Centennial, Colorado, and in Sandy Springs, Georgia (Bradbury & Waechter, 2009).

Since the majority of the services are outsourced and a minimal number of employees are kept in-house, these cities forced local governments to take a closer look

²³ For more information about “intersectoral administration,” see work by Nick Henry, 2002, Is privatization passé? The case for competition and the emergence of intersectoral administration. *Public Administration Review* 62(3), 374-377.

at what can be contracted out. According to Bradbury and Waechter (2009), Weston, Florida has privatized a number of functional areas, the city attorney, solid waste collection, all aspects of information technology, building inspection, planning and engineering, recreation management, and a multitude of services related to general administration such as administrative, finance, community services, staffing, and public information functions. The city has also employed an intergovernmental agreement with the city of Sunrise for water and sewer services, and it contracts with Broward County for fire protection, policing, and emergency medical services.

Since these contract cities have expanded the boundaries of privatization, it is more valuable to look at what services they do not provide. In the case of Weston, Florida. These includes electricity and gas utilities and the usual array of public health and social services, that approach allows the city to avoid the financial, managerial, and political challenges associated with potentially contentious programs (Prager, 2008).

Growth Subsides Following the Height of the 1990s

While a growing interest in contracting out was observed through the 1990s, and this period was marked by the progress of contract city models, its popularity started to subside towards the end of the 1990s. The ICMA conducts a survey of alternate service delivery by local governments every 5 years. For those interested in understanding the role of privatization in local government service delivery, the ICMA surveys are an excellent barometer of local government practice across the United States (Warner & Hefetz, 2009).

According to the ICMA (1990, 1992a, 1997, 2002 & 2007), local government contracting growth trend only continued through 1997. It was then followed by a period

of stagnation. There was also a reversal by contracting back in-house (Fernandez & Smith, 2006; Hefetz & Warner, 2004). Local governments reversed previous decisions to contract out and started providing these services in-house again.

Following the 1997 survey, additional surveys were conducted in 2002 and 2007. Two separate policy briefs conducted by different authors associated with the Reason Foundation compare the trends from 2002 to 2007.²⁴ In 2009, Warner and Hefetz (Warner has released several works specializing in topics of privatization in previous years) released *Trends in Public and Contracted Government Services: 2002-2007*.²⁵ In 2010, Gilroy published *Local Government Privatization 101*. These pieces assess the 2002 and 2007 ICMA surveys of alternative service delivery by local governments and reveal that trends in levels of for-profit privatization and non-profit contracting. In summary, these works reveal that the trends remained relatively steady over the late 1990s and 2000s (Gilroy, 2010; Warner & Hefetz, 2009). Compared with 2002, the 2007 levels of for-profit privatization and non-profit contracting are flat, and intergovernmental contracting rises from 11% to 16% of service delivery. Direct public delivery fell from 59% in 2002 to 52% in 2007.²⁶ Averaged across all governments and all services, the trends in local government service delivery are relatively flat.

²⁴ The 2007 ICMA survey was sponsored by the Reason Foundation.

²⁵ Warner and Hefetz have published extensively on local government privatization in the United States and internationally. The International City County Management Association has selected them to assist with analysis of its quinquennial Alternative Service Delivery surveys.

²⁶ According to Warner and Hefetz (2009), the 2007 survey received 1,474 useable responses from counties and cities across the country.

In his work, Gilroy (2010) recognized that the 2007 survey would not capture the likely uptick in local government privatization in the wake of the recession ending in 2009 and subsequent proliferation of state and local fiscal crises. This is key to the assumptions in this research, as the local government survey of Florida jurisdictions measures the contracting out activity from 2008 to 2010. A key hypothesis of this research is that the financial pressures experienced by these local governments during this recessionary period will likely result in greater contracting out activity.

Another important element of the ICMA surveys on Alternative Service Delivery is the examination of the types of services being privatized. Review of the 2007 survey confirms the position of scholars such as Gilroy (210) and Warner & Hefetz (2009). The 2007 survey revealed that the most frequently privatized local government services were waste collection (residential and commercial), waste disposal, vehicle fleet management, hospitals, vehicle towing, electric utilities, drug programs and emergency medical services. The next section of this paper will breakdown the types of services most commonly contracted out historically as well as more recent trends. It will also distinguish jurisdiction types between services commonly contracted out by municipalities and those contracted out by county governments. The e-survey conducted for this thesis research is broken out by these jurisdiction types (county and city).

Types of Services Most Commonly Contracted Out

Reviews of the current literature and empirical research on local governments have suggested that almost every public service performed is now considered a candidate for privatization (Bradbury & Waechter, 2009; Brown, Potoski, & Van Slyke, 2008; Sclar, 2000). The most common types of services contracted out by local governments

include, but are not limited to, solid-waste collection, street construction, architectural services, engineering services, legal counsel, building repair, custodial services, ambulance services, equipment repair and maintenance, lodging and nursing care for the elderly, vehicle repair and maintenance, food services, school busing, data processing, park and recreation services, and landscaping, among others (Hirsch, 1995).

In 1997, Warner and Hebdon (2001) conducted a survey in New York state of county and municipal officials, which examined finance files from 1985 to 1990. Their findings revealed that the most commonly restructured services were public works, public safety, and administrative support.²⁷ The ability to easily measure some of the components of these services, permitted more effective monitoring and pricing. An example provided is a road quality and response time.

Areas in which privatization was high included public works, transportation, health and human services, and parks and recreation. Contracting to the private sector was most common in public works, transportation, and administrative support. Contracting out to the non-profit sector was most common in health and human services and in parks and recreation.²⁸

Officials in New York State demonstrated a preference for contracting out to the non-profit sector as it preserved some authority over service provision (Warner & Hebdon, 2001). However, Van Slyke (2003) argued that there is a clear difference

²⁷ The objective of their research was to provide an empirical test of the importance of the efficiency, institutional (political and union) information, and monitoring factors. In their analysis of restructuring alternatives, the authors consider privatization, inter-municipal cooperation, reverse privatization and governmental entrepreneurship.

²⁸ The authors distinguished between privatization that maintains control in the public sector and privatization that transfers programs or assets to private sector control.

between the success of privatization of social services and other areas such as waste removal, transportation, and data processing. He argued that the evidence is less obvious when considering the success of the privatization of social services, including foster care, child welfare, domestic violence care, substance abuse treatment, homeless and emergency shelters, job training, HIV/AIDS services, Medicaid case management, and food pantries.²⁹ These types of services are not as easily defined and measured. In addition, the users of the services are more difficult to track and not as motivated to use the services provided in some cases.

Levin and Tadelis (2005) examined the types of services United States cities were more likely to privatize and the factors influencing that decision. Their work examined survey data from the ICMA consisting of data for over a thousand cities throughout the United States, “ranging from public works and transportation to safety, health and human services, parks and recreation, cultural programs and administrative support functions” (p. 2). This included a mixture of services that were provided in-house, contracted to private sector firms or contracted to other government agencies. Overall, they found that services for which it is harder to write, monitor or adjust performance standards are more likely to be provided in-house. This was even more significant for larger and more urbanized cities, which were even more sensitive to contracting out in this case because they had greater resources and ability to manage this in-house services associated with relatively high population density are more likely to be privatized. Services characterized by high transaction costs and that also are commonly provided by United States cities, are

²⁹ For more information on the contracting of social services, look at Van Slyke’s 2003 *The Mythology of Privatization in Contracting for Social Services*. Though a New York State case study, he examines if social services contracting exist in a competitive environment and looks at the public-management capacity of country government officials to effectively contract these services.

less likely to be privatized. Cities that provide a broader range of services are more likely to engage in private sector contracting for any given service.

This chapter examined the history of contracting out among city and county services as well as those services that were most likely to be contracted out. The next section discusses the factors that have played a role in the decision making process by jurisdictional leaders to contract out. These factors are examined within the context of the survey conducted for purposes of this research. The most important factors that were likely to be most critical to the decision to contract out services for this research of Florida jurisdictions were determined. However, the literature review consists of all the factors considered most dominant in past and current research.

CHAPTER SIX

A CLOSER LOOK AT THE STATE OF FLORIDA

The state of Florida, consisting of 67 counties and 412 cities, has a broad legal framework for counties and cities to assume service provider roles.³⁰ Cities provide services in their incorporated areas, whereas counties provide services in the unincorporated areas. As previously mentioned, the 1968 constitutional amendment authorizing county home rule allows counties to be recognized as providers of urban-type services. Florida's premier statute outlining intergovernmental coordination at the local level is the Inter-local Cooperation Act of 1969 (Florida Statutes, 2012). This act authorized local government units to enter into inter-local agreements with public or private entities for the purpose of improving the efficiency and/or effectiveness of local governments (Florida Statutes, 2012).

In Florida, while the Great Recession progressed, municipalities and counties were forced to deal with fiscal mandates with considerable impact to their budgets as their property tax revenue was set back to FY2006 rates and the homestead exemption was doubled. While local leaders were forced to cope with the immediate and future financial implications of these two mandates, they faced further fiscal pressure from the ongoing deterioration of the national and Florida economies.

³⁰ Towns, villages and cities have all been consolidated. Throughout this paper, the use of "cities" and "municipalities" refers to all three combined.

Florida Trends From 2005 to 2009

According to the National Bureau of Economic Research (NBER; 2012; Izzo, 2010), the United States officially entered into a recession in December 2007.³¹ The NBER, a private group of leading economists charged with dating the start and end of economic downturns, determined that the recession that began in December 2007 ended in June 2009.³²

During 2008, the economy continued to deteriorate as large financial institutions faltered, record high unemployment rates occurred and governments faced declining tax revenues and budget deficits.

Prior to knowing the financial stresses that would be imposed by the recession in Florida, state and local officials pushed two policy changes as a response to taxpayers' request for property tax relief. A strong sentiment existed by residents that wasteful spending was occurring by local governments and they demanded unnecessary spending be identified in local government budgets through these property tax reductions. In a report through the LeRoy Collins Institute (2011), Floridians surveyed responded that they were dissatisfied with governmental output from their taxes with 37% indicating property taxes were too high.³³ In addition, when asked how much they felt they received in benefits from state and local government, only 9% reported they received

³¹ "The NBER did not give any reasons or causes of the recession. But it is widely accepted that the housing downturn, which started in 2006, is a primary cause of the broader economic malaise."

³² http://www.nber.org/cycles/recessions_faq.html

³³ Sixty percent of residents also indicated feeling that the state gasoline tax was too high.

much more than they paid or “somewhat more” than they paid. Over 55% reported they received “somewhat less” or “much less” than they paid.

From 2005 through 2009, a number of studies and research reports were conducted in anticipation of taxation changes and/or actions to address resident concerns (Denslow & Weissert, 2005; University of Florida, 2007).

A study conducted by Benton et al. (2009) examined the ramifications of these mandates and cost-cutting measures implemented by city and county officials including alternative modes of service delivery. This research advances that analysis by surveying the finance officers of local governments in the spring of 2010 about their decisions to contract out during the 2007-2009 recessionary period.

In prior years, the booming real estate market fueled sharp increases in home prices from 2001 through 2006. Florida housing permits from 1980 to 2004 reached unprecedented levels (Denslow & Weissert, 2005). According to Benton et al., (2009) “between 2001 and 2006, the median Florida home value soared 90 percent due to skyrocketing home prices, and property taxes in Florida grew from \$16 billion to \$30.5 billion within the same period” (p. 8). In June 2007, the Florida legislature, with the approval of voters, rolled back millage rates to 2006 levels. The following year (June 2008) voters approved a referendum to double the homestead exemption rate from \$25,000 to \$50,000.³⁴

³⁴ The basic idea behind portability proposals is to allow individual homeowners to carry their current SOH exemption with them when they change homes.

In addition, high home foreclosure rates contributed to declining home values and ultimately reduced the value of the jurisdiction's property base. The result was a decrease in of associated real estate and tax collection fees and revenue.

2009 Fiscal Budget Survey in Florida by Benton, Aikins, and Miller

In March 2009, Benton et al. concluded research focused on evaluating the fiscal impacts and general response to the two-pronged property tax revenue reduction faced by Florida municipalities and counties.³⁵ The work titled, "Coping with Dwindling Property Tax Revenues," consisted of a web-based survey sent to all 67 Florida counties and the 388 Florida cities that levy an ad valorem tax (Benton et al., 2009). Chief financial officers were targeted because of their in-depth knowledge of budget changes and preparations. Responses were received from late December 2008 to mid March 2009 (Benton et al., 2009). The response rate were 43% for counties and 35% for municipalities.

Ninety-eight percent of counties reported that they experienced negative fiscal impacts as a result of the actions taken by the Florida legislature and voters. Ninety-one of the municipalities indicated they experienced a negative fiscal impact. Respondents indicated that as a result of the anticipated lost property tax revenues due to the fiscal mandates imposed, they would consider a variety of options to address necessary cost cutting measures and reduced budgets. Options ranged from "drawing down on reserve funds, raising property taxes and tapping new revenue sources, seeking expanded fiscal authority from the state and greater fiscal assistance from the state and federal

³⁵ For a comprehensive overview of the millage rates rollback and homestead exemption legislation refer to Benton, Aikins, and Miller's 2009 *Coping with Dwindling Property Tax Revenues*.

government, exploring alternative service arrangements, and utilizing part-time employees and volunteers” (Benton et al., 2009, p. 2).

In response to declining property tax revenues, the survey revealed that the most popular revenue enhancement option local jurisdictions considered in FY 2009 was to request greater financial assistance from either the state or federal government, or both. In terms of exploring alternative modes of service delivery, survey results found that the greatest consideration was given to contracting out to private sector or non-profit vendors. Approved contracts with private and non-profit vendors were reported at 18% by municipalities and 10% by counties. Contracting out to another local government was reported by 11% of municipalities and 4% of counties.

Among municipalities and counties, for private sector and non-profit contracting, the most common targets were roads and streets, solid waste collection and disposal, parks and recreation, and administrative services. The types of services commonly contracted out to another local government included police for municipalities and fire services for both municipalities and counties (Benton et al., 2009).

The Benton et al. (2009) research explored ways and options considered by cities and counties to deal with a loss of revenue. The 2010 e-survey presented in this research builds upon the Benton study with a focus on the contracting out decisions made by these same jurisdictions. Specifically, the survey examines whether the combined additional financial hardships brought on by the 2007-2009 recession *in addition to* the 2007 and 2008 policy changes discussed previously resulted in increased contracting out by these jurisdictions.

Property Tax as Critical Source of Revenues

In Florida, property tax is the most relied-upon source of revenue by counties and cities. According to the LeRoy Collins Institute's report released in August 2011, *The Double Whammy Facing Florida's Counties*, Florida counties faced the largest reduction in revenues in over three decades. Among Florida's 67 counties, 55% of the average county's revenue base was composed of property taxes.³⁶ In an interview in 2012, Frank Attkisson, County Commissioner of Osceola County, Florida, confirmed that "In Florida, property taxes are one of the only revenue streams local government has, so falling property tax revenue affected (the county's) budget dramatically" (Kenny & Summers, 2012, p. 2).³⁷

In terms of cities, the National League of Cities (NLC; Hoene & Pagano, 2011) provides research and analysis on trends related to municipalities including annual data on city fiscal conditions. The NLC refers to property taxes as the most common local tax source. In a study of City Fiscal Conditions in 2011 conducted by Hoene and Pagano (2011), city finance officers' comparative assessment of their cities' fiscal conditions in 2010 compared to 2009, showed that 87% of city finance officers said their cities were less able to meet fiscal needs than in 2009. This was the highest level in the history of

³⁶ Dr. Carol Weissert was the Director and professor of Political Science at Florida State University. In an article called "The other side of property tax reductions in the Tampa Tribune dated September 3, 2001 she examined the results of the LeRoy Collin Institue's the "Double Whammy Facing Florida's Counties."

³⁷ Based on the biography available in the piece/interview by Harris Kenny, "Frank Attkisson is serving his first term with the Osceola County Commission. He currently serves as Chairman for the Small Business Regulatory Advisory Council, which reviews state agency rules and their impacts on business. He is Vice-Chairman of the American Board Certification for Teachers of Excellence, which is a national alternative teacher certification board established by Congress in 2001. He has previously served in other local elected offices such as City of Kissimmee Commissioner and Mayor. He was elected to the Florida House of Representatives in 2000 and served eight years until being termed out of office"

NLC's 25-year survey. In addition, cities reported ending fiscal year 2010 with the largest year-to-year reductions in general fund revenues and expenditures in the 26-year history of the survey.

In Florida, in addition to the general difficult economic conditions brought on by the recession, local governments were also impacted by two significant legislative policy changes. In June 2007, millage rates were rolled back to 2008 levels. In June 2008, the homestead exemption rate was doubled from \$25,000 to \$50,000. These factors contributed to the declining and negative budgets of local governments. Therefore, measuring changes in taxable property values or taxes levied was deemed an appropriate economic measure of that jurisdiction's financial state.³⁸

As Benton et al. (2009) argued, the recession exacerbated an already sensitive fiscal dilemma faced by Florida's cities and counties due to these two policy changes. While losses in property tax revenue can be partially off-set by new construction if counties and municipalities increase their millage rates after the mandated rollback, recessions usually discourage new construction or changes to current structures, therefore, reducing the potential for new property tax. While the authors (Benton et al, 2009) were predicting future impact based on information known in 2009, the effects of the well-publicized downturn in the real estate market in post 2009 are increasingly evident in more recent city property tax revenues. According to research published by the National League of Cities, by 2010, property tax revenues dropped by -2% compared

³⁸ This paper only discusses whether property taxes have increased or decreased and assumes DOR's calculations and methods. For a more elaborate and perhaps contrary perspective on the relationships between property taxes and housing values see publications by Doerner and Ihlanfeldt and Alm, Buschman, and Sjoquist (2011).

with 2009 levels, in constant dollars, the first year-to-year decline in city property tax revenues in 15 years (Hoene & Pagano, 2011).

Another important factor affecting counties and municipalities' property tax revenues is the high rate of foreclosures in Florida.

Foreclosures are likely to lead to a decrease in the value of surrounding real estate, and in time, result in a reduction in the value of a municipality's or county's property tax base. assumed, foreclosures are likely to lead to a decrease in the value of surrounding real estate, and in time, result in a reduction in the value of a municipality's or county's property tax base. (Benton, et al, p. 27)

Again, while the authors were predicting future impacts based on information known in 2009, the effects of the housing market downturn and more recent foreclosure rates are now available. As the foreclosure crisis has unfolded in Florida, it has led all states in the United States with a foreclosure rate of 13.7% and with 23.5% of loans either in foreclosure or delinquency by the end of 2011 (Holt & Colburn, 2011).

The Florida Realtors (2011) has "been gathering, analyzing and acting on data throughout the state" (p. 2). In 2011, the association released a report titled "A Brief Look at the Foreclosure Crisis in Florida." This report is "designed to help leaders understand the reality of the foreclosure crisis in Florida by giving the context necessary through hard data and analysis" (p. 2). The research reviewed an index of three primary indicators of foreclosure issued over the 3-year period beginning in March 2006 and ending in February 2009 and the most recent period of December 2009 through November of 2010 (Florida Realtors, 2011)³⁹ Their findings show that in 2010, one in

³⁹ The report examines the following three index's: Lis Pendends, Notice of Sale and Real Estate Owned (REO). The first filing, Lis Pendens, indicates that legal action has been taken on a property. After receiving this notice, it is still possible for the mortgage holder to rectify the delinquent mortgage and avoid foreclosure. The second filing, Notice of Sale, notifies the mortgage holder that the property has been

every 29 Florida housing units were in some phase of foreclosure. This is a significant increase when compared to 2008 when it was to one in every 54 housing units.⁴⁰

Loss of Revenues from Declining Population Growth

According to the Florida Office of Economic and Demographic Research (EDR; Office of Economic and Demographic Research, 2012 b), population growth is the state's primary engine of economic growth, fueling both employment and income growth.⁴¹ Historically, Florida's population growth has been driven by net migration (more people permanently moving into the state than leaving; Office of Economic and Demographic Research, 2012b). According to the Florida Statistical Abstract data released by the Bureau of Economic and Business Research (BEBR), from 2000 to 2010, the state of Florida was projected to experience a growth rate of 19.05% (University of Florida, 2009).

However, when examining population growth in Florida for the timeframe considered for this research, from 2008 to 2010, many jurisdictions experienced negative population growth or a decline in the rate of growth. According to EDR (2012a), net migration fell to record low levels during much of 2008 and into 2009 and Florida

scheduled for foreclosure sale on a specified date. Real Estate Owned (REO) indicates that the bank or mortgage lender now owns the property, most commonly after the property fails to sell at auction.

⁴⁰ As the foreclosure crisis has unfolded in Florida, the Florida Realtors® have been gathering, analyzing and acting on data throughout the state. This report is designed to help leaders understand the reality of the foreclosure crisis in Florida by giving the context necessary through hard data and analysis.

⁴¹ EDR is research arm of the Florida Legislature principally concerned with forecasting economic and social trends that affect policy making, revenues, and appropriations EDR publishes all of the official economic, demographic, revenue, and agency workload forecasts that are developed by Consensus Estimating Conferences and makes them available to the Legislature, state agencies, universities, research organizations, and the general public. EDR, through a contract with the University of Florida, arranges for annual estimates of population of each city and county in Florida. For more information go to:
<http://edr.state.fl.us/Content/conferences/population/demographicsummary.pdf>
<http://edr.state.fl.us/Content/conferences/population/ComponentsofChange.pdf>

experienced low levels of growth. Through data available from Housing Predictor through 2009, Florida saw its population shrink for the first time in 63 years. The decline in population growth can be explained by two years of back-to-back hurricanes, higher property taxes, more expensive home insurance rates, and an increased migration of seniors out from Florida dependent on fixed income (Chiu, 2010).

It is expected that due to the housing market crash and the national recession, this would result in a negative impact to Florida's growth (BEBR, 2011). Therefore, it is expected that cities and counties facing declining population growth and migration will be more likely to consider the option of contracting out. Given the significance of population growth as a driver of the overall economy of Florida, it is considered a crucial part of the decision making process by Florida governments to contract out.

CHAPTER SEVEN

DATA & METHODS

For this research, the variable believed to have influenced the decision to contract out by Florida local governments is fiscal stress. Particularly this research examines how fiscal pressures based on property tax income and changes to population growth during the recession impacted contracting out activities by cities and counties in Florida (Lutz, Molloy, & Shan, 2011; Trigaux, 2009).

Fiscal Stress Measure

This research builds on existing empirical research which supports the claim that during recessionary periods and fiscal stress, local governments face more pressure to restructure services. Ward (2008) found that internal fiscal pressures have been found to be the most decisive reason for privatizing services. Private or non-profit providers are considered more able to provide services efficiently at a reduced cost since they are subject to the rigors of market competition. Also, the literature shows that economic downturns also lead to intergovernmental service contracting. Bartle and Swayze (1997) conducted a study of thirteen Nebraska municipalities and found that fiscal stress was a primary reason for cities to cooperate with other jurisdictions.

As discussed in the literature review in Chapter 6, A Closer Look at Florida, property tax income and population growth are deemed appropriate variables to measure the level of fiscal stress. Therefore, this research examines the decisions made by Florida

cities and counties to contract out services based on level of fiscal stress as measured by property taxes and changes in population growth.

H₁: Due to the fiscal implications from decreased population growth and migration, local government jurisdictions experiencing decreased population growth rates are more likely to contract out the delivery of public services. Florida is a state that has historically depended on migration and population growth to generate revenue at the local level.

H₂: As local government jurisdictions experience financial or fiscal stress based on property tax income, they are more likely to contract out the delivery of public services. Specifically, it is expected that the survey data will show that local governments in Florida with comparatively higher levels of fiscal pressures were more likely to contract out during the 2007-2009 recession to deal with budgetary shortfalls.

Population Growth Rate Calculation

To measure the population growth rate, the annual population growth data (increase or decrease) was collected for each jurisdiction. The population growth rate was calculated in addition so was the percentage change. For counties, data was collected for 2008, 2009 and 2010.

Among municipalities with fewer than 50,000 residents, at the time of this research, data was only available for 2009 and 2010. Therefore, the timeframe used for cities is for one year, 2009 to 2010. The percentage change was calculated from 2009 to 2010. Table 1 summarizes how the calculations for the population growth rate variable for cities and counties were formulated.

Table 1. Calculation of Population Growth Rate Measure

Population growth rate measure					
	Unit of measure	Time frame		Source	Notes
County	Population growth rate data	2008 to 2010		Florida Statistical Abstract 2011	Obtained population growth data for each county for 2008, 2009 and 2010. Calculated the % change from 2008 to 2010.
City	Population growth rate data	2009 to 2010		Florida Statistical Abstract and U.S. Census Bureau	Obtained population growth data for each city for 2009 and 2010. Calculated the % change from 2009 to 2010.

Note: The population data for 2009 from U.S. Census Bureau includes estimates.

Property Tax Calculation

As mentioned in the literature review, significant portions of local government revenues are obtained through property taxes, a traditional source of income.⁴² This section explains why an economic measure tied to property taxes is suitable. A primary assumption is that as fiscal pressures experienced by Florida counties and cities increased, it would be more likely these jurisdictions would consider contracting out as an option for providing services.

⁴² For a basic review of the make up of city government revenues, see the National League of Cities, "Local Revenue Structures" at <http://www.nlc.org/build-skills-and-networks/resources/cities-101/city-finance/local-revenue-structures>.

Identifying a variable to measure the economic pressures faced by local jurisdictions is complex. However, given the significance of property taxes in local government's revenue bases in Florida and for a number of reasons to be discussed subsequently, a measure involving property taxes for this research as an independent variable is the most appropriate. Table 2 summarizes how the calculations for the fiscal measure for cities and counties were formulated.

Table 2. Calculation of Fiscal Stress Measure

Fiscal stress measure					
	Unit of measure	Time frame	Source		Notes
County	Percentage change in taxable property value	2008 to 2010	Florida Abstract 2011 and the 2009 Department of Revenue	Statistical Florida of	Obtained the taxable property value of each county for 2008, 2009 and 2010. Calculated the % change from 2008 to 2010.
City	Percentage change in the taxes levied on the taxable value of property	2009 to 2010	Florida Department of Revenue (FY 2009 to 2010)		Obtained the taxable property value of each city for 2009 and 2010. Calculated the % change from 2009 to 2010.

Note: The Florida Statistical Abstract (23.92) has property valuations available for municipalities with a 2009 population of 17,000 or more. Therefore, to ensure populations for every city were considered, these were manually pulled from the FDOR website directly for each city available under the county tables.

Property tax information for the cities and counties surveyed was used to measure whether economic conditions of jurisdictions impacted their decision to contract out.⁴³ Florida's property taxes are administered by local elected officials and supervised by the Florida Department of Revenue (FDR).⁴⁴ FDR publishes property tax information for all of Florida's cities and counties (FDR, 2012a).⁴⁵ Due to the methodology used by the Florida Department of Revenue (DOR) and the taxing information available, the unit of measure for counties used was taxable property value. For municipalities, the unit of measure is the tax levied on each property. To clarify the difference between the two, DOR explains that local taxing authorities set a millage, or tax, rate that is levied on the property's taxable value. The millage rate multiplied by the taxable value is the tax levied on each property.⁴⁶ For both the county taxable property values used and the municipality taxes levied used, the property types included are (a) residential real property, (b) non-residential real property (such as commercial property), (c) tangible

⁴³ For property tax data collected see tables by year and jurisdiction type under "County and Municipal Property Tax Data" at <http://dor.myflorida.com/dor/property/resources/data.html>

⁴⁴ Florida Property Appraisers have the statutory responsibility to list and appraise all real property in each county each year for purposes of ad valorem taxation. The Florida Department of Revenue is a state administrative agency with the statutory responsibility of general supervision of the assessment and valuation of real property for purposes of ad valorem taxation. For more background on the role of FDOR and the responsibilities of the property appraiser see, The Florida Real Property Appraisal Guide at <http://dor.myflorida.com/dor/property/rp/pdf/FLrpg.pdf> See Property Tax Oversight, at <http://dor.myflorida.com/dor/property/taxpayers/pdf/ptoinfographic.pdf> For a summary of how Florida's taxes are administered.

⁴⁵ Section 195.052, Florida Statutes, as amended by the 2008 Florida Legislature (Chapter 2008-197, Laws of Florida) requires that the Department of Revenue and all county property appraisers publish certain county and municipal property tax information on their web sites.

⁴⁶ Millage levies include all levies except those for debt service and those voted millages levied for a period not longer than 2 years pursuant to s. 9(b), Article VII of the Florida Constitution.

personal property, and (d) railroad property centrally assessed by the State (FDR, 2012b).⁴⁷ (See Appendix H for more details regarding the DOR calculation.)

The next section of the research outlines the findings of the survey data. Specifically, the cities and counties in Florida that confirmed contracting out activity, the impact of population growth and fiscal stress, as well as the types of services contracted out by these jurisdictions.

Survey Methodology

An e-survey was designed to evaluate whether municipalities and counties in Florida decided to contract out local government services as an alternative mode of service delivery due to the loss of revenues culminating directly and indirectly from the Great Recession.

In March 2010, an e-survey was sent to the primary finance officer for each city and county within Florida including the following personnel: finance/budget officers, city and county managers/clerks or mayoral leaders. The e-survey was sent to 67 counties and 412 cities, for a total of 479 survey contacts (see Appendix A for a copy of the initial email sent).⁴⁸

⁴⁷ Residential real property includes single family residential, real property mobile homes, duplexes, triplexes, other multi-family parcels, residential condominiums and those portions of other types of property, which are used as a homestead. Homestead property includes single family residential, real property mobile homes, duplexes, triplexes, other multi-family parcels, residential condominiums and those portions of other types of property which are used as a homestead; Non-residential real property includes: commercial improved and vacant, industrial improved and vacant and non-residential real property.

⁴⁸ Our contacts were based on the contacts from the Benton et al. study, consisting of chief financial officers (variously called finance/budget/OMB directors) in Florida's 67 counties and 388 of its 412 municipalities that derive revenue from a property tax. The scholars compiled a list of contacts through the assistance of the Florida Government Finance Officers and the Florida City/County Management Association.

An e-survey was selected as the best method to collect data for this research due to the benefits that many researchers have identified in previous studies. Web survey forms have been piloted with representative participants and demonstrate acceptable validity and reliability with most platform, browser, and Internet access provider combinations (Eysenbach & Wyatt, 2002).

Overall, an e-survey offers an easier method to manage the data by the researcher as well as an easier and less time consuming process for the respondent. In addition, the monetary cost was minimal as the resources needed to conduct this survey online were provided by the University of South Florida.

To optimize response rates, researchers should be open about who is sponsoring the study, what the goal is, provide opportunities for feedback, as well as a copy of the survey results as an incentive (Cates, Franklin, Viator, Paoli, & RTI International, 2007; Eysenbach & Wyatt, 2002). As previously indicated in the email sent to the participants, this information was transparent and provided to all potential respondents.

Survey Content

An e-survey was sent to the chief financial officers representing city and county jurisdictions. As in the 2009 Benton et al. study, “the decision to survey chief financial officers instead of elected officials was predicated on the desire to secure accurate information from persons who possessed intimate knowledge of the discussions and considerations pertaining to their jurisdiction’s budget preparation” (p. 9).

The survey was introduced through a personal email. In the email, each official was informed that his or her response was to be used for a Master’s thesis research in

progress with the University of South Florida (USF). see Appendix B for a copy of the e-survey questions).

The survey initially asked respondents to identify if they represented a county or a municipality. Next, respondents were asked to provide the name of jurisdiction they represented. The officials were asked if their jurisdiction contracted out any services as a result of the current recession (last 2 to 3 years). They were then asked to specify whether services were contracted to a private sector vendor, a non-profit vendor, or to another local government.

After indicating which type of vendor they used to contract out, participants were asked to identify the types of services contracted out. There were 23 types of service delivery categories provided. Respondents were also given an “other” category and the ability to identify other services that were not specifically stated in the survey. No “other” service types were highlighted by any of the 149 respondents. Since this research advances the Benton et al. study in 2009, the types of service delivery categories cited are based on the same categories cited in the previous survey.⁴⁹

Survey Follow Through

Extensive follow-up was conducted from March 2010 through April 2010 to generate the highest response rates possible. In addition to the initial e-survey sent on

⁴⁹ Benton et al., 2009, “Coping with dwindling property tax revenues: the tale of municipalities and counties in Florida,” *American Society for Public Administrators Meeting (ASPA)*, Miami, FL, endnote #1: “our list included the following: fire, police, EMS, health care, welfare, libraries, roads and streets, sidewalks, stormwater management, solid waste collection and disposal, parks and recreation, planning and zoning, water provision, sewage collection and disposal, museums and the arts, public housing and rehabilitation, urban renewal and development, conservation/ environmental protection, courts/judicial services/corrections, education, mass transit, health/ safety inspections and code enforcement, airports, marinas, and parking facilities. There was also the opportunity to write in other services that were not included on the list.”

March 4, 2010, there were three additional group follow-up emails sent asking for participation as well as various personalized emails and phone calls to specific jurisdictions as necessary. Also, in an effort to increase response rates, the deadline was extended in these emails. The first response deadline in the original email was March 16, 2010. The next deadline was April 9, 2010.

Several of the initial emails sent were returned with two reoccurring error messages. First, several of the messages indicated that the email address utilized was incorrect. Second, a response was received directly from the local government contact indicating that the e-survey link they received did not properly functioning. In order to address these two errors to reduce any negative impact to the response rate, two actions were taken. In some cases, research was conducted to identify the accurate email address or the appropriate contact if the original contact was no longer working with that jurisdiction or the email was simply incorrect.⁵⁰ In other cases, a follow-up email was sent to the appropriate contacts with the web link and with the survey attached so it could be completed and sent back via email.⁵¹ From those that responded to the survey, some respondents left portions blank or had incomplete surveys. In these cases, a follow-up email or phone call was made in an effort to have every question completed.⁵²

⁵⁰ Research included online searches, making phone calls to the jurisdictions' office and emailing other contacts.

⁵¹ Surveys as an email attachment were sent to Jan Brewer of Marineland at j.brewer@desotobocc.com, Jim Netherton of Whitney at jcn@whitney.ufl.edu

⁵² Follow-up emails asking for additional questions to be answered were sent to: Donald Carter of Haines City at Carter@ci.haines-city.fl.us; Robin Haynes of Freeport at rhaynes@freeportflorida.gov

Survey Response Rates

While response rates are extremely important to judging the accuracy of survey results, it has been acknowledged in research that high response rates not necessarily ensure survey accuracy (American Association for Public Opinion Research [AAPOR], 2011a). The AAPOR is the leading association of public opinion and survey research professionals. The organization explains the role of response rates in survey accuracy as follows:

Calculating response rates--the number of eligible sample units that cooperate in a survey--has historically been central to survey research in the United States because of the assumption that the larger the proportion of participating sample units, the more accurate the survey estimates. Formulas for calculating rates are now standardized, but the relationship between response rates and survey quality has become much less clear. (para. 1)

Two primary factors have influenced the diminishing role of response rates as a “primary arbiter of survey quality” (AAPOR, 2011a, p.1). These factors are (a) increasing refusals by individuals to participate and (b) inconsistencies between survey estimates to benchmark data from the U.S. Census or other large governmental sample surveys (AAPOR, 2011b).

T. Johnson and Owens released research titled “Survey Response Rate Reporting in the Professional Literature” (American Association for Public Opinion Research, 2003). That explored “an important disclosure topic central to the practice of survey research: the reporting of survey response rates in the professional literature” (p. 127). Establishing definitions, formulas, and standards of response rates has been discussed often amidst literature with controversy and mixed reviews (Biemer & Lyberg, 2003; T. Johnson & Owens, 2003; Lessler & Kalsbeek, 1992).

In the T. Johnson and Owens (2003) piece, 18 academic journals were selected for review. Two of the journals, the *American Political Science Review* and the *International Journal of Public Opinion Research*, reported having standards regarding the reporting response rates in published papers, though none reported having an established minimal response rate standard.⁵³ These journals also acknowledged the value of utilizing AAPOR standard response rate definitions.

In its work, AAPOR recognized that response rate is one indicator of many for survey quality. In addition, the disclosure of research calculations is equally important to achieve exemplary standards of survey research (AAPOR, 2011b; T. Johnson & Owens, 2003). Lastly, some research shows that surveys with less than optimal response rates can still produce unbiased results(AAPOR, 2011a).

Sample Representation of County and City Survey Respondents

To prevent any inadvertent bias in this research, the response rates, population size, and regional representation from the county and municipal respondents were calculated. As mentioned, a high rate of response helps reduce the possibility of a non-representative sample, however, taking measures to ensure representativeness of respondents is extremely critical to survey accuracy (Bright Ideas, 2009). In the case of the samples data for this survey, the representativeness of county and city's respondents population size is evaluated, in addition to the regional representation for respondents throughout the state.

⁵³ See <http://www.amstat.org/sections/SRMS/Proceedings/y2003/Files/JSM2003-000638.pdf> for more on details on the study.

County Response Rates

A total of 28 survey responses were received from the 67 county officials contacted. The county response rate calculated by the percentage of surveys returned is approximately 41%. (See Appendix C for a list of the counties that responded.)

County Population Size

The majority (54%) of Florida counties are larger than 50,000 in population size. Among county survey respondents, 57% represent large counties (populations 50,000 and greater) and 43% are from small counties (under 50,000). Thus, the survey data are representative of Florida's local landscape: a larger proportion of bigger counties. (For an illustration of the county population sizes for those that responded to the survey refer to Appendix D, Figure A.D.1.)

County Regional Representation

All regions, with the exception of the Southwest Region, are represented in the survey responses. The Tampa Bay Region has the highest representation from the 28 county survey responses received. (See Appendix C and Appendix E, Figure A.E.2 for an illustration of the distribution of regional representation). The reason the Tampa Bay Region may have the highest representation may be attributed to the survey being conducted by a graduate student associated with the University of South Florida. Since USF is located in this region, survey recipients were more likely to participate. As discussed earlier in Chapter 7 in greater detail under study methodology, numerous efforts were made to obtain higher response rates from all regions. However, no responses were received from the Southwest Region.

City Response Rates

There were 121 responses received from the 412 municipal officials contacted. The city response rate calculated by the percentage of surveys returned was approximately 29%. The names of the municipal respondents are listed in Appendix F.

City Population Size

The state of Florida contains 10 large, urban metropolitan areas, but the vast majority of the state's 412 cities are small (89% have a population size of less than 50,000). Among survey respondents representing cities, 86% represent small jurisdictions (less than 50,000) while 14% are from large cities (50,000 or greater). Thus, the survey data are representative of Florida's local landscape: a larger proportion of small cities. (For an illustration of the population sizes for city survey respondents refer to Appendix D and Figure A.D.2).

City Regional Representation

Among the 121 municipal responses, there is an even distribution of responses from all of Florida's regions. The exception is a low response rate from the Southwest Region, only two municipal responses. (See Appendix F for a breakdown of the responses.)

Sample Representation of County and City Respondents Who Contracted Out

The response rates, population size and regional representation from the county respondents who confirmed that they were contracting out services are reported below.

Response Rates for Counties Contracting Out

From the 28 survey responses received from county officials, only seven counties indicated they were involved in contracting out activities with private vendors, not-for-profit vendors or other governmental entities. When considering seven positive responses for contracting out from the 28 county responses received, the percentage represented is approximately 25%.

Population Size for Counties Contracting Out

At the county level in Florida, the majority (54%) of counties are larger than 50,000 in population size. Among county survey respondents who confirmed contracting out activities ($N = 7$), 43% represented large counties with populations over 100,000. The remaining respondents, 58% were from small counties less than 50,000 (Appendix D, Figure A.D.3 provides an outline of the population sizes of counties that indicated they were contracting out services).

Regional Representation for Counties Contracting Out

The sample of the counties, which responded to the survey, included no responses from the Southwest Region. For the seven county respondents who indicated they were contracting out, only three regions are represented. Those regions are the Northwest Region, Southeast Region and South Central Region.

Given that the sample size of respondents ($N = 28$) represented a fairly balanced distribution of the regional representation from those county jurisdictions, it is surprising that only three regions confirmed contracting out activity ($N = 7$; Appendix E, Figure A.E.4 outlines the regional representation of counties that indicated they were contracting out services).

Response Rates for Cities Contracting Out

Of the 121 responses received from municipal officials, 31 cities indicated they were involved in contracting out activities with private vendors, not-for-profit vendors or other governmental entities. When considering the 31 positive responses for contracting out from the 121 city responses received, the percentage represented is approximately 28%.

Population Size for Cities Contracting Out

Among the 31 municipality respondents who indicated they were contracting out, 93% ($N = 29$) represented populations of less than 50,000. As previously stated, the sample size of the municipalities, which confirmed contracted out activities, is representative of Florida's local landscape. As a larger proportion of cities in the State are small, from the total 412 cities, 89% have a population size of less than 50,000. (Appendix D, Figure A.D.4 provides an outline of the population sizes of cities that indicated they were contracting out services. This appendix indicates the population size representation of county respondents.)

Regional Representation of Cities Contracting Out

The sample size of the municipalities which responded to the survey, included a low response from the South Central Region and an even lower response from the Southwest Region, but an adequate response rate from the Southeast region. For the 31 municipalities that indicated they were contracting out, all regions are represented. Although the Northeast, Southwest, South Central, and North Central regions have low representation. There are a greater number of respondents who indicated they were contracting out from the Tampa Bay Region at 32% ($N = 10$) than from any other region

represented (Appendix E, Figure A.E.5 outlines the regional representation of municipalities that indicated they were contracting out services.)

CHAPTER EIGHT

FINDINGS

This research evaluates the extent to which changes in population growth and fiscal pressures during the 2007 – 2009 economic downturn had on the decision to contract out services by local governments in Florida during 2008 to 2010.

Findings for County Survey Respondents

To examine whether changes in population growth rates during the economic downturn had any impact on decisions to contract out by counties, this research measures population change. This research also examines whether fiscal pressures during the economic downturn had an impact to the county respondents' decisions to contract out. As discussed in the previous chapter, this is accomplished by measuring county respondent's taxable property values.

County Population Growth Rate Change

As a reminder, for Florida counties, population growth data was available through 2010.⁵⁴ The timeframe measured for counties for population growth is 2008 to 2010.

The median change in the population growth rates for the 28 counties that responded to the survey was 1.33%, well below the average population growth for the

⁵⁴ So that the same timeframe can be compared if needed, data has been pulled from 2009 to 2010 for counties also. Population growth for the county respondents from 2009 to 2010 was -0.08%. For municipalities, data was only available for 2009 and 2010. The timeframe measured for cities for population growth will be from 2009 to 2010. Therefore, the timeframe used will be different for each type of jurisdiction.

state of Florida, which was 2.58%.⁵⁵ In addition, 11 of the 28 respondents indicated they experienced negative population growth. Figure 1 compares the population growth rate changes across counties that responded to the survey.

It was expected that counties with a declining population growth rate would be more likely to contract out. The median change in the population growth rate for those counties that confirmed contracting out activity was unexpectedly greater than the median for all the counties that responded to the survey. Only two of the seven fell below the median: Wakulla at .19% and Hardee at -.64%.

It would have been expected that more counties facing declining population growth would have been contracting out. Instead, a drop in population growth did not necessitate a decision to contract out.

Among the seven county respondents that confirmed contracting out activity, the median change in the population growth rate from 2008 to 2010, was 2.2%. This is higher than the median change in the population growth rate for the same time period for all county respondents, which was 1.33%. Figure 2 illustrates the population growth changes for these seven respondents. It was expected that counties with a declining population growth rate would be more likely to contract out. The median change in the population growth rate for those counties that confirmed contracting out activity was contrary to expectations. It would have been expected that more counties facing declining growth rate would choose to contract out.

⁵⁵ Population growth for the county respondents from 2009 to 2010 was -0.08%. For counties, population growth data was available through 2010. However, for municipalities, data is only available through 2009. Therefore, the timeframe used will be different for each type of jurisdiction. Therefore, the timeframe measured for population change data for counties was from 2008 to 2010.

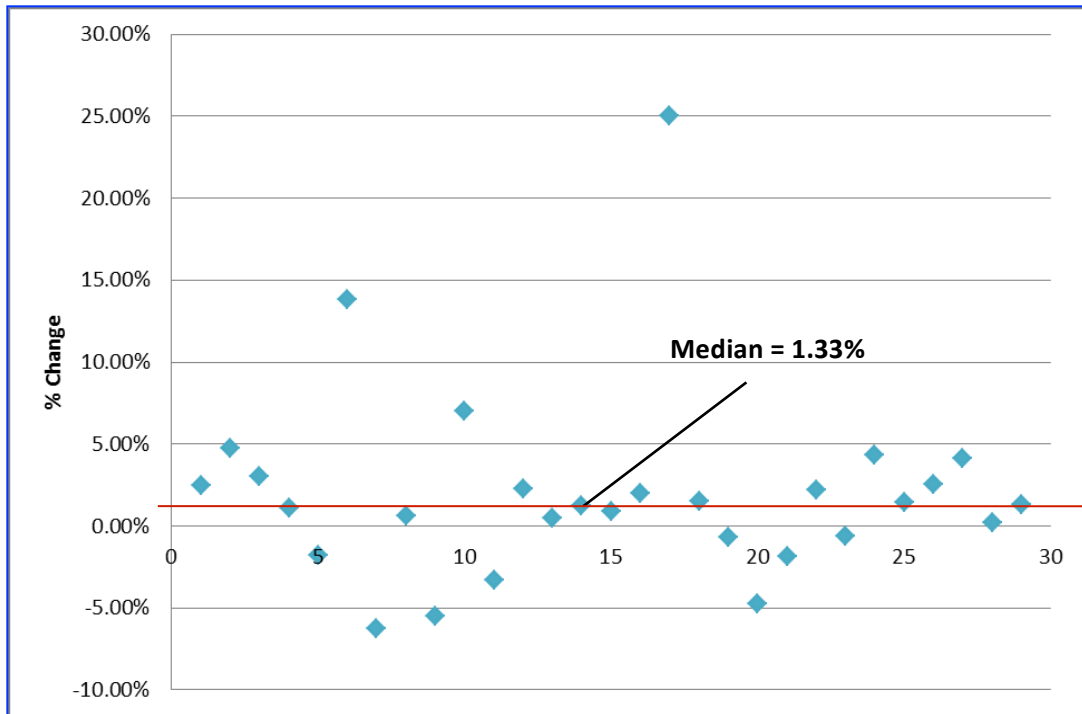


Figure 1. County respondent's percentage of population change from 2008 to 2010 ($N = 28$).

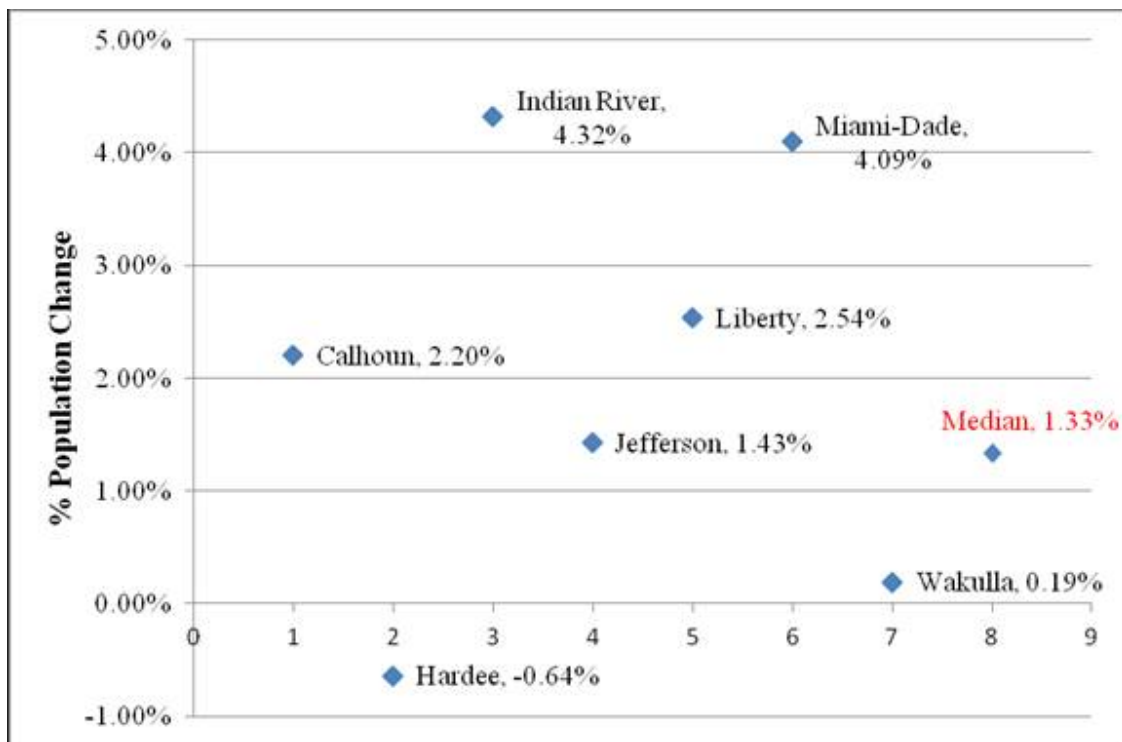


Figure 2. Percentage population change from 2008 to 2010 for county survey respondents contracting out ($N = 7$).

County Property Tax Measure

According to the Florida Association of Counties (2010), the percentage decrease from 2008 to 2010 in property taxes collected from all counties in Florida was -13.26%.⁵⁶ The year-over-year changes from 2008 to 2010 are outlined in Table 3 on the next page.

The median percentage change for taxes levied from 2008 to 2010 for all of the counties that responded to the survey (n=28) was -10.61%. Therefore, in one respect, the county respondents faced less fiscal pressure (decrease in revenues was not as profound) than the overall median. However, when one looks at each of the individual county survey respondents (as outlined in Table 4 on the next page), 43% of the counties experienced a drop in taxes collected at a rate greater than the median of -13.26%.

Table 3. Percentage Change of Property Taxes Collected by Counties

Fiscal year	Property taxes collected	% change YOY
2009-2010*	\$9.68 billion	-9.76
2008-2009**	\$10.73 billion	-3.9%

*2008 to 2010 in property taxes collected from all counties in Florida was -13.26%.

**2007-2008 Property taxes collected were \$11.16B.

The second hypothesis of this research is that as fiscal stress increases, jurisdictions' contracting out activity will increase. The county respondents who completed the survey faced less fiscal pressure than the median for all counties in Florida. However, given that 43% of the counties that responded to the survey face fiscal

⁵⁶ Based on initial figures by the Florida League of Counties (FLC), the estimate was -13.8%. It was revised February 5, 2010. This is based on the "data for all Florida counties based off their final property tax data submitted to the Florida Department of Revenue Form DR422. For similar information for years prior and after, refer to the "Historical Data" section of this link <http://fl-counties.com/advocacy/hot-topics/property-taxes>

pressures greater than the median survey respondent, it is still expected that some counties will have chosen to contract out in an effort to deal with these fiscal burdens.

Table 4. Percentage Change of Taxable Property Values from 2008 to 2010 for County Survey Respondents (*N* = 28)

County	% change in taxable property values from 2008 to 2010	County	% change in taxable property values from 2008 to 2010	County	% change in taxable property values from 2008 to 2010
Gulf	-28.13%	Volusia	-15.55%	Gilchrist	-6.93%
Walton	-26.41%	Manatee	-15.30%	Jefferson	-6.17%
Sarasota	-21.87%	Glades	-14.91%	Hardee	-4.82%
Marion	-19.86%	Santa Rosa	-12.76%	Liberty	1.66%
Indian River	-18.40%	Wakulla	-10.80%	Jackson	1.88%
Hernando	-17.85%	Suwannee	-10.43%	Calhoun	4.89%
Lake	-17.37%	Miami- Dade	-9.78%	Alachua	5.28%
DeSoto	-16.33%	Escambia	-8.38%	Sumter	14.36%
Bay	-15.90%	Putnam	-8.17%		
Baker		Lafayette			

The median percentage change for taxes levied from 2008 to 2010 for the seven counties who indicated they were contracting out was -6.17% (see Table 5). This is significantly higher than the county average over the same period of time of -13.26%. Six of the seven counties had higher revenues from taxable property values than the county average. Therefore, these six counties were in a better fiscal position than most Florida counties. Only one county of the seven that indicated they were contracting out had lower revenues through taxable property values; Or in other words, only one of the seven was in a worse fiscal position than the average county in Florida. That county was Indian River.

The fiscal stress measure shows that six of the seven counties contracting out were in a better fiscal position than the average Florida county. Based on the assumption that jurisdictions facing greater fiscal stress are more likely to contract out, it would have been expected that more counties contracting out would be facing comparatively greater fiscal pressures. Figure 3 highlights the percentage change of taxable property values from 2008 to 2012 for counties that contracted out.

In summary, in terms of the fiscal stress measure for county respondents, it was expected that more counties with low to negative percentage changes in taxable property value from 2008 to 2010 (lower than median of negative -13.8%) would have contracted out. The findings do not support such a conclusion.

Table 5. Percentage Change of Taxable Property Values from 2008 to 2010 for Counties Contracting Out (*N* = 7)

County	% change of taxable property values from 2008 to 2010	County	% change of taxable property values from 2008 to 2010
Calhoun	4.89%	Liberty	1.66%
Hardee	-4.82%	Miami-Dade	-9.78%
Indian River	-18.40%	Wakulla	-10.80%
Jefferson	-6.17%		

Findings for Municipal Survey Respondents

To examine whether changes in population growth during the economic recession had an impact on decisions to contract out by municipalities, this research measures population change and the extent of fiscal pressures in the same manner as the county analysis.

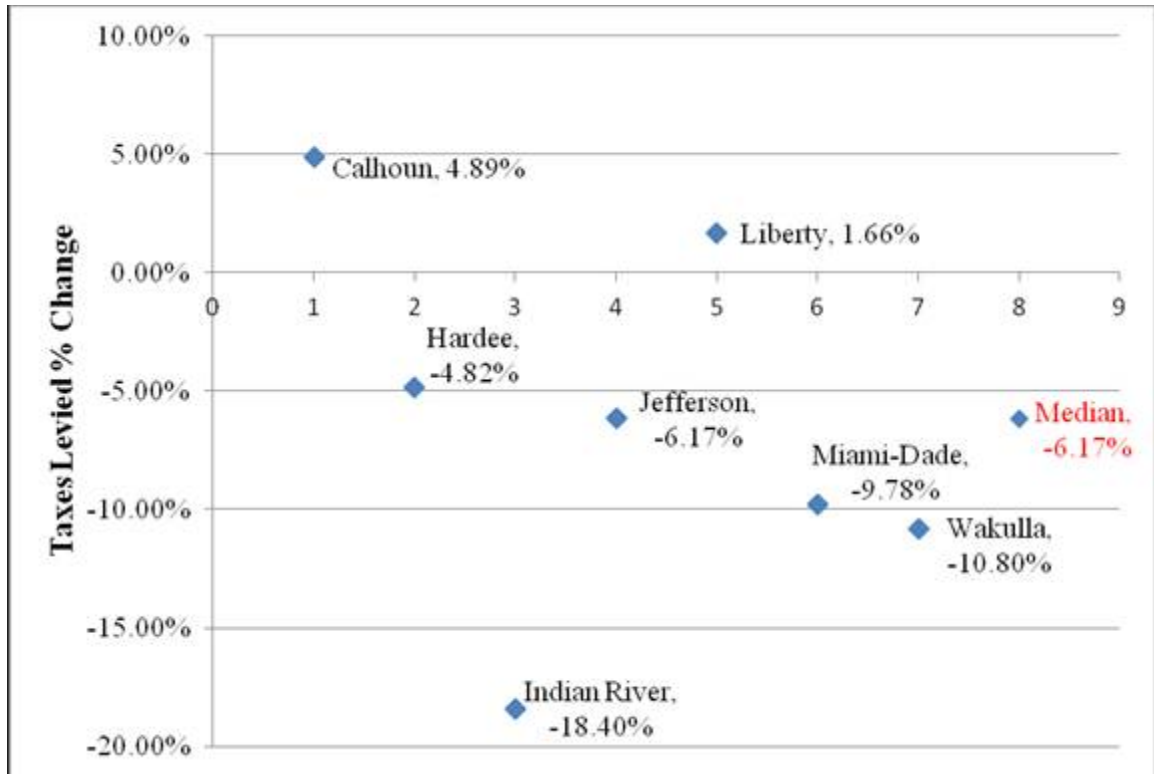


Figure 3. Percentage change of taxable property values from 2008 to 2010 for counties contracting out ($N = 7$).

Municipal Population Growth Rate Measure

Population growth for the municipal respondents was only available for 2009 and 2010. Figures for 2008 were not available for all of the municipalities, only for those with a population of over 50,000 residents. Therefore, the population growth rates years reviewed represent 2009 and 2010. Therefore, the timeframe used for cities is slightly different than for counties. Counties will be evaluated based on population growth data from 2008 to 2010. Cities will be evaluated based on population growth data from 2009 to 2010. This difference is due entirely to data availability.

Among the 121 municipal respondents, the median change in population growth from 2009 to 2010 was .73%. This median includes three cities with extreme growth:

Lake Mary at 1,068% growth, Boynton Beach at 1,448% growth and City of Okeechobee with growth at 3,972%. If those cities are excluded, the median population growth rate actually drops to .66%.⁵⁷ In comparison, the median growth rate calculated for all of Florida's cities from 2009 to 2010 was -.83%.

It was expected that more cities facing a drop in population growth would have chosen to contract out. With a median of .73%, the sample size for cities that indicated they were contracting out reveals a comparatively higher than expected population growth rate (since the median for all Florida cities was -.83%).

From the 121 city responses, 31 cities indicated they were contracting out. Figure 4 illustrates the population growth changes from the 31 survey respondents contracting out for services.

Municipal Property Tax Measure

Among 121 municipal respondents contracting out, 95 cities experienced a negative percentage change year over year in taxes levied. The median percentage change for taxes levied from 2009 to 2010 for all of the cities that responded to the survey was -12%. The average was -9.77%. The city of Cape Canaveral had the highest decline in property taxes levied at -89%. The cities with the highest growth were: the city of Fort Meade at 149% growth, the town of Otter Creek at 52% growth, the town of Campbellton at 43% growth, and Layton at 12% growth. The remaining cities that experienced growth did so in single digits. If the outliers are excluded, the average

⁵⁷ Marineland, was not included in the 2010 Census. The population was listed at 6 in 2000. It's incorporated as a separate town in Florida. It is not included in the median calculations since 2010 is not available.

percentage change for taxes levied drops to -12%. (See Appendix I, which provides the figures for municipal respondent's % change of taxes levied from 2009 to 2010.) The

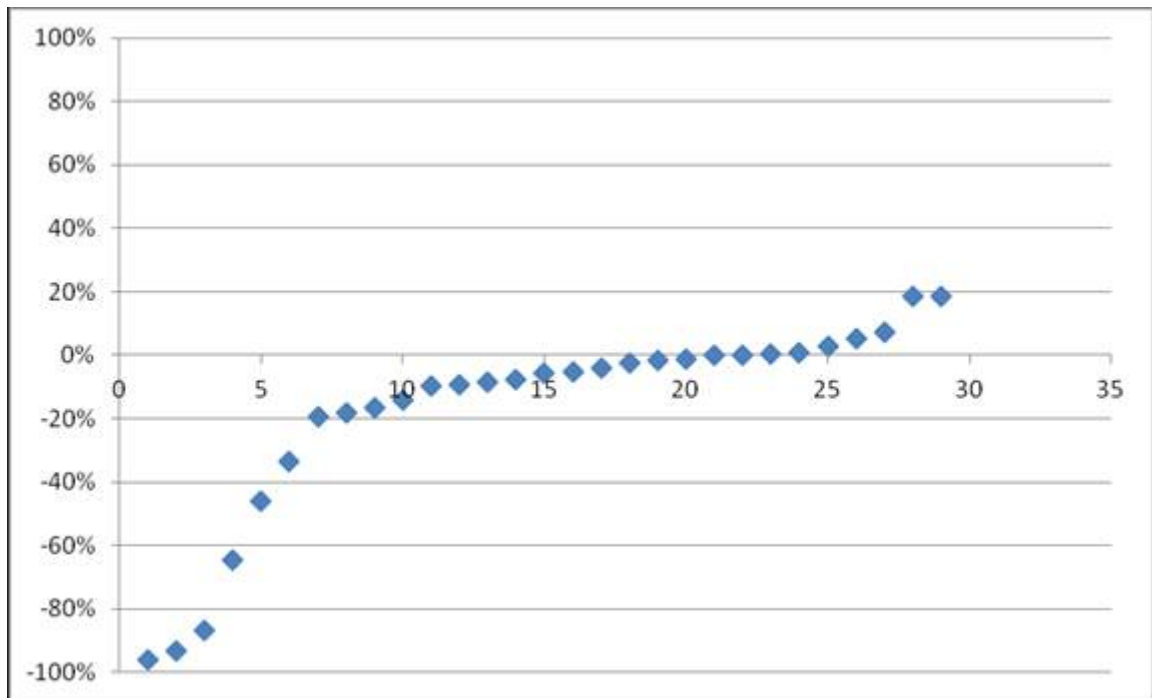


Figure 4. Percentage population change from 2009 to 2010 for city survey respondents that contracted out, 2010 ($N = 31$).

taxes levied percentage change for each city respondent is reflected in Figure 5. Also, the percentage of change is calculated for those city respondents that contracted out in Figure 6.

It was expected that city respondents contracting out would be facing a comparatively higher decrease in revenues from property taxes levied. The findings show that the majority of city respondents contracting out faced increased fiscal pressure with a negative percentage change year over year. Figure 7 illustrates the percentage change in taxable property values from the 31 survey respondents and who indicated they were contracting out for services.

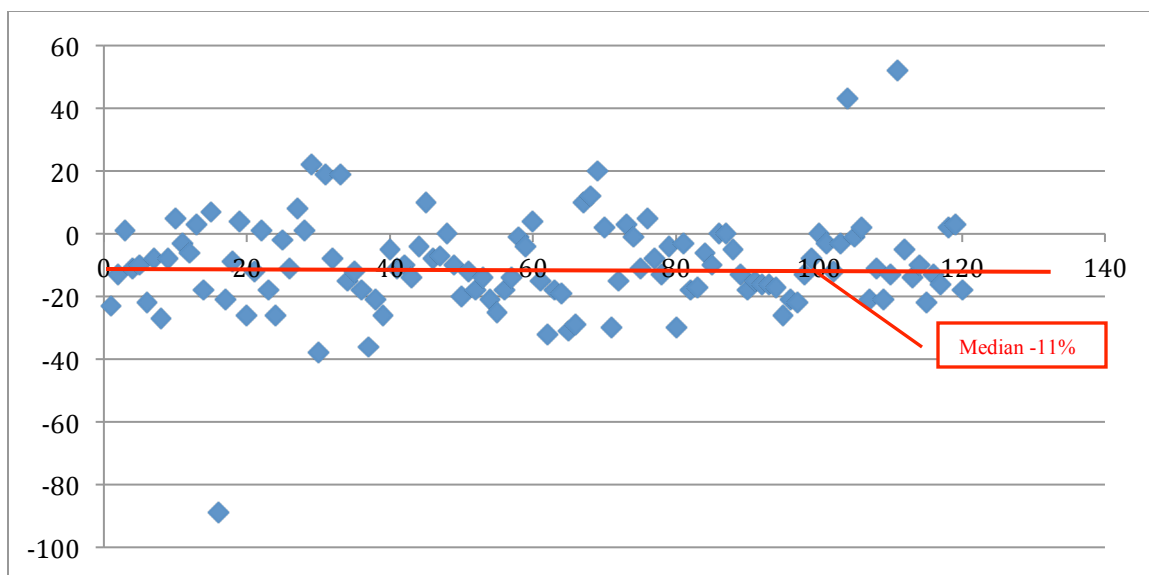


Figure 5. Percentage change of taxes levied from 2009 to 2010 for city survey respondents ($N = 121$).

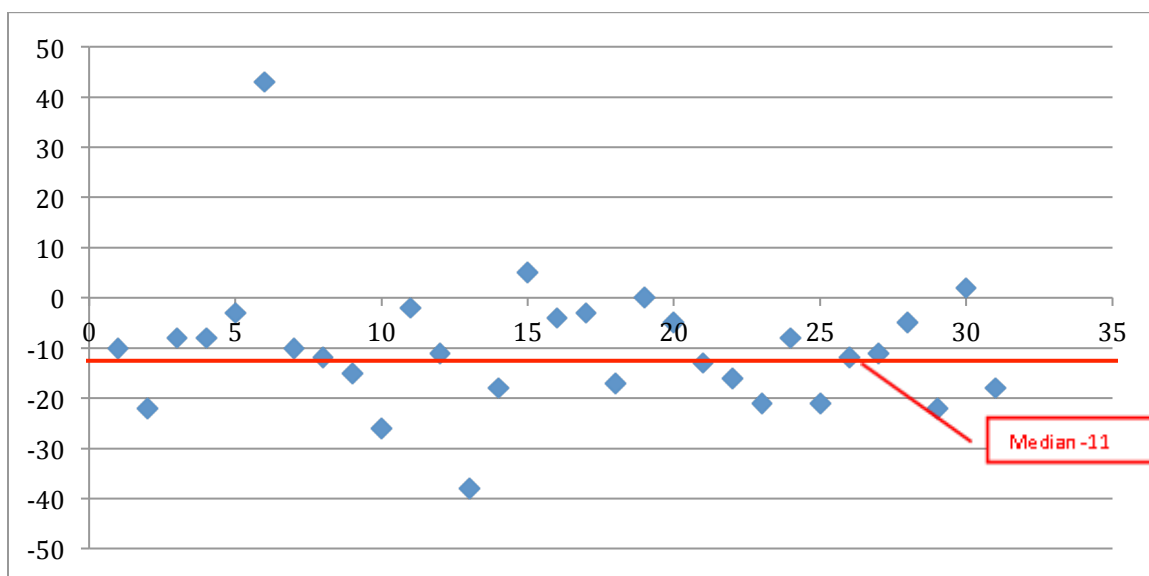


Figure 6. Percentage change of taxes levied from 2009 to 2010 for city survey respondents that are contracting out ($N = 31$).

Types of Services Contracted Out and Quality of Delivery

As urbanization levels and demographics change, local governments must adapt their scope of services. Tables 6 and 7 illustrate the specific services local government officials confirmed they have contracted out services for. Among the 31 municipal survey

respondents and the 7 county respondents, a number of similarities exist concerning the types of services most commonly contracted out to either a private vendor, a non-profit, or another local government. Within the survey, respondents were provided an opportunity to include written comments regarding the impact contracting out has had on the level and quality of services out-sourced. Not all respondents included written comments but in instances where officials provided written feedback, the general tone of the commentary revealed an attitude of caution regarding the value of contracting out. Survey respondents were asked if they experienced a decline, improvement or no change in the level and /or quality of service. The majority of jurisdictions responded that they experienced no change in the quality of service for services contracted out. However, from those cities and counties that indicated a change in the quality of service, most indicated an improvement when dealing with for-profits or governmental entities.

Consistent with survey results from the Benton et al 2009 research, services likely to be contracted out include: road and streets, waste management (collection and disposal), parks and recreation, and public safety functions such as police and fire services.

Municipal respondents were most likely to indicate the contracting out of police and/or fire services—most often to another locality. Small cities cannot afford the expense of a stand-alone police or fire department and will often rely on a neighboring jurisdiction for these critical services.

Another likely candidate for privatization was services associated with parks and recreation. These services were most likely to be contracted to a non-profit vendor or private company. Three municipalities (Ormond Beach, Pembroke Pines, and Waldo)

and one county (Miami-Dade) indicated the locality was contracting this service out to not-for-profit vendors. The city of Deland and Plant City indicated they were contracting parks and recreation services to private vendors. Only the city of Belleview responded that parks and recreation had been contracted to another local government. See Tables 6 and 7.

The two cities contracting out parks and recreation services to *for profit* vendors (Deland and Plant City) did not indicate specific changes in the quality of services they received, but both municipal officials provided written comments regarding the impact to the city from contracting out a previously municipally managed service. Plant City commented that when services (of any type) are contracted out “the level of services and quality tends to decrease over time.” The City of Deland indicated that “contracting out services can work well, but service levels can suffer.” In addition, the respondent commented that “contract administration can be all encompassing;” requiring time and effort on the part of the city. Or, in other words, contracting out is not cost-free. The City of Waldo, one of the three municipalities contracting out parks and recreation services to a *not-for-profit* vendor, provided a different perspective regarding the impact of contracting out. While the respondent felt that it was advantageous for residents to receive some services from neighboring jurisdictions, he or she also indicted that external service providers “do not really work with the other departments as they did when owned by the city of Waldo.” In this case, the service quality provided by the external vendor may be adequate or better, but integration of service providers into the government structure suffers.

Unlike the Benton et al 2009 research, the survey results presented here indicate an interest in contracting out services associated with conservation and environmental protection. The cities of Belleair, Pensacola, Surfside, and Venice reported a decision to contract out environmental protection services—to either a private vendor or another government entity. Among the four cities, the only jurisdiction to indicate a specific decline in services was the city of Pensacola. In written comments, the city stated that it no longer possesses “as much control over the services provided.” This sentiment is echoed in the comments made by the city of Waldo regarding the lack of integration of external vendors into municipal operations. External vendors are accountable to the city, but potentially remain somewhat sequestered from its operations.

Table 6. Types of Services Contracted Out by Municipality Respondents (N=31)

	City	Services contracting out to private vendors	Services contracting out to NFP vendors	Services contracted out to other government entities
1	Belleair	Conservation/environmental protection		Fire, EMS, urban renewal, planning/zoning
2	Belleair Beach			Police
3	Bellevue			Parks and rec.
4	Bradenton			Public housing
5	Bushnell			Libraries
6	Campbellton			Police
7	Crystal River	Waste management		Police
8	City of DeBary	Healthcare, sidewalks, stormwater, solid waste	Police, fire, roads, sidewalks	Police, fire, public housing, conservation
9	Punta Gorda	Marinas, parking		
10	City of Eagle Lake	Police		
11	City of Fernandina Beach	Marinas		
12	City of Fort Meade			Police
13	City of Laurel Hill	Waste management		
14	DeLand	Parks and rec.		

(Table 6 Cont'd)				
	City	Services contracting out to private vendors	Services contracting out to NFP vendors	Services contracted out to other government entities
15	Melbourne Beach	Health inspection		
16	Mulberry			Fire
17	Oak Hill	Waste management		
18	Ormond Beach	Police, parks and rec.	Parks and rec.	
19	Pembroke Pines	Welfare	Parks and rec.	
20	Pensacola			Conservation/ environmental protection
21	Plant City	Parks and rec.		
22	Riviera Beach	Roads/streets, marinas		
23	Seminole			Health insurance
24	Surfside	Conservation/enviromental protection, health inspection		
25	Town of Lake Placid			Planning and zoning
26	Town of Malabar	Stormwater		Police
27	Town of Manalapan			Fire
28	Town of Zolfo Springs			Police
29	Venice			Conservation/enviromental protection, public housing
30	Waldo		Parks and rec.	
31	Wilton Manors	Parking		

Table 7. Types of Services Contracted Out by County Respondents (N=7)

	County	Services contracting out to private vendors	Services contracting out to NFP vendors	Services contracted out to other government entities
1	Calhoun		EMS	
2	Hardee		Planning/ Zoning	
3	Indian River	Waste management		
4	Jefferson	Public housing		
5	Liberty	Roads/streets, sidewalks, waste management		
6	Miami-Dade		Parks and rec	
7	Wakulla	Roads/streets, Storm Water	Sidewalks, Healthcare	

CHAPTER NINE

CONCLUSION

During economic downturns, state and local governments must find ways to continue to provide services citizens have come to expect and depend on. Sources of revenue which were once stable for local governments, such as property taxes, have decreased significantly over the past five years. Declining revenues have stressed local government operations and their ability to maintain the same level and quality of services provided. Across the nation, municipalities, counties and states are finding alternative options to replace their depleting revenues. This research sought to measure the extent to which local government jurisdictions in Florida privatized or contracted out services as a result of deteriorating fiscal conditions as well as pressures from declining population growth. Furthermore, the objective was to document cases where jurisdictions made the decision to contract out and examine the factors that contributed to the decision and the type of services chosen for privatization.

While the response rates to the survey for this research were in line and even above standards when compared to similar studies ($N = 119$ for cities resulting in a 29% response rate and $N = 28$ for counties resulting in a 41% response rate), the number of respondents who actually contracted out services in Florida was lower than expected in a

period that was expected to encourage creative alternatives ($N = 7$ for counties and $N = 31$ for cities). While this research did not reveal the interest expected in contracting out as a result of fiscal and growth pressures, local governments will continue to face challenges as a result of changing economic conditions. Various scholars have characterized a new normal in assessing how local government officials must deal with revenue drops and declining population growth. As Harris Kenny stated (Kenny & Summers, 2012), policymakers around the United States confront a new normal period of fiscal crisis at the state and local level forcing them to re-evaluate previously untouched silos in government.

Survey Limitations and Lessons Learned

This research had several limitations that are important to address. Firstly, the subset of localities that indicated a decision to contract out was small at $N = 7$ for counties and $N = 31$ for cities. This could be explained by the way questions in the e-survey were asked. It could have been unclear to the respondent and greater specificity was needed. Perhaps some respondents that were already contracting out, made this decision prior to the timeframe asked and the question was too broad, so they did not respond yes. It could be that they were considering contracting out, but did not make the decision yet. It could have been unclear to the respondent what was specifically being asked. In summary, all the possibilities were not captured due to lack of clarity in the questions being asked to the jurisdiction participant.

Secondly, the e-survey only targeted one single type of local government official per jurisdiction. A greater participation rate from jurisdictions may have been achieved had the group of officials been expanded.

Thirdly, this research was primarily focused on the impact of the economic recession on the decision to contract out. In order to see if the jurisdiction was in a dire financial position or was faced with revenue drops as a result of the recession, it was necessary to identify an economic measure variable. This required time-consuming effort in order to obtain detailed financial information from state and local organizations. The process also demanded due diligence to identify which data would be as transparent as possible and at the same time unbiased. Given the complexities of formulating budgets and the intricacies of the methodologies utilized by each county and city from a range of population sizes, despite state standards, this was an extremely difficult task. A more direct approach would have been to ask the jurisdiction about their budget information directly in the survey. As opposed to researching each jurisdiction's financial health, this information could have been collected directly from the survey respondents. Having said that, there was great value in the time and effort to verify taxes levied information (the economic measure variable) from third party sources (to which local jurisdictions are required to report their financials) including Florida Department of Revenues Office (DOR) and the Office of Economic and Demographic Research (EDR), among others.

Fourth, related to the previous item, property taxes and population growth may not be sufficient ways to capture the level of fiscal stress. There are other budgetary items that could have been used to compliment these two variables.

Future Areas of Study

As previously mentioned, while the response rates to the survey were in-line and even above standards when compared to similar studies, the small number of respondents that confirmed activities of contracting out in Florida reveals a subdued pursuit of

privatizing services during a period that would be expected to encourage creative alternatives.

As indicated, the survey responses were received in April 2010. This was almost a year following the end of economic recession, but economic conditions remained challenging. Governments may have hesitated to make these types of decisions for various reasons that may be specific to Florida and atypical of the national trend. Or it may be that the results derived from this study are indicative of the extent to which local governments throughout the state selected to use this option. A follow-up study to compare current trends with those of 2010 and previous years would be extremely helpful as to the status of the contracting out movement.

The literature review revealed alternative explanations for how jurisdictions are dealing with decreased revenues that could be further explored. Authors such as Doerner and Ihlanfeldt (2010) conducted a study assessing the significance of revenues and property taxes to city budgets in Florida. Specifically, they measured if the decreases in property taxes collected meant consequential decreases to city government funds. While the authors found a modest decline, they found city governments were able to offset property tax decreases through other revenue sources. These other sources should be explored thoroughly.⁵⁸

Based on the National League of Cities (NLC) study, “City Fiscal Conditions in 2011,” asked city finance officers were asked about specific revenue and spending

⁵⁸ William Doerner and Keith Ihlanfeldt with Florida State University prepared a report for “The Crisis in Real Estate and its Impact in Public Finance” for the Federal Reserve Bank of Atlanta on September 24, 2010. For details on their analysis and findings, see the presentation “House Prices and City Revenues” at http://www.frbatlanta.org/documents/news/conferences/10_re_crisis_doerner.pdf

actions taken in 2011. The study revealed across economic conditions (good and bad), the most common action taken to boost city revenues has been to increase the levels of fees for services. Two in five (41%) city finance officers reported that their city has taken this step. One in four cities also increased the number of fees that are applied to city services (23%; Hoene & Pagano, 2011). According to the work published by Leroux (2007) with ICMA, user fees are based on the idea that users who benefit directly from use of services should pay directly for them.

If this study confirms that local governments in Florida are not choosing to contract out services in an effort to off-set the loss of property tax revenues, then it would be useful to explore what other alternatives cities and counties employed instead. Future empirical research should focus on the extent to which jurisdictions in Florida have implemented service charges and fees. Equally important to understand are the primary drivers behind the adoption of such fees. Future research should also attempt to concentrate on investigating these questions in large and diversified geographic areas of Florida employing multiple services in order to overcome these limitations identified in our current data sets. Longitudinal analysis may reveal more about what motivates a locality to choose other types of revenue generation (e.g. fees) as opposed to opting to contract out services previously provided by the local government itself.

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APPENDIX A

FIRST EMAIL NOTICE OF E-SURVEY

Dated: March 1, 2010

Dear Florida City/County Finance Official:

I am a graduate student with the University of South Florida (USF) and I am conducting some exciting research related to the contracting out of local government services in Florida. I am working under the guidance of Dr. J. Edwin Benton, Dr. Susan MacManus and Dr. Stephen Aikins.

At your convenience, could you please complete the very brief survey at the below link. This survey is LESS THAN 10 QUESTIONS long and should only take a few minutes of your time. Your participation would be greatly appreciated as it is critical to helping me complete my research, including a thesis project and to obtain a Master of Arts in Political Science with a focus on Public Policy.

<http://survey.acomp.usf.edu/survey/entry.jsp?id=1267116529810>

The survey will be available until Tuesday, March 16.

Should you have any questions or want additional information about the work I am doing, feel free to contact me at cdecarvo@mail.usf.edu or (xxx) xxx-xxxx.

Thank you in advance for your time!

Regards,

Cristiane Carvalho Keetch

APPENDIX B

SURVEY QUESTIONS

Instructions: When answering questions in this section, please be sure to consider all of the effects that the current economic recession has had over the last 2 to 3 years on your decisions to contract out services.

Please identify whether you represent a City or a County.

Please provide the name of your City or County. _____

1. Did your jurisdiction contract out any services to a private sector vendor as a result of the current recession (in the last 2 to 3 years)?

If Yes, please check all service areas that apply:

Fire	Museums and the arts
Police	Public housing and rehabilitation
EMS	Urban renewal and development
Health care	Conservation/environmental protection
Welfare	Courts/judicial services/corrections
Libraries	Education
Roads and Streets	Mass Transit
Sidewalks	Health/safety inspections and code enforcement
Storm water management	Airports
Solid waste collection and disposal	Marinas
Parks and recreation	Parking facilities
Planning and zoning	

2. Did your jurisdiction contract out any services to a non-profit vendor as a result of the current recession (in the last 2 to 3 years)?

If Yes, please check all service areas that apply:

Fire	Museums and the arts
Police	Public housing and rehabilitation
EMS	Urban renewal and development
Health care	Conservation/environmental protection
Welfare	Courts/judicial services/corrections
Libraries	Education
Roads and Streets	Mass Transit
Sidewalks	Health/safety inspections and code enforcement
Storm water management	Airports
Solid waste collection and disposal	Marinas
Parks and recreation	Parking facilities
Planning and zoning	

3. Did your jurisdiction contract out any services to another local government as a result of the current recession (in the last 2 to 3 years)?

If Yes, please check all service areas that apply:

Fire	Museums and the arts
Police	Public housing and rehabilitation
EMS	Urban renewal and development
Health care	Conservation/environmental protection
Welfare	Courts/judicial services/corrections
Libraries	Education
Roads and Streets	Mass Transit
Sidewalks	Health/safety inspections and code enforcement
Storm water management	Airports
Solid waste collection and disposal	Marinas
Parks and recreation	Parking facilities
Planning and zoning	Other
Water provision	Other
Sewage Collection and disposal	Other

4. For those services you indicated you contracted out services to a private sector vendor as a result the current recession (the last 2 to 3 years), have you noticed a decline or improvement in the level and/or quality of service? If neither, please mark no change.

If Yes, please check all service areas that apply:

Level and/or Quality of Service	Decline	Improvement	No Change
Fire			
Police			
EMS			
Health care			
Welfare			
Libraries			
Roads and Streets			
Sidewalks			
Storm water management			
Solid waste collection and disposal			
Parks and recreation			
Planning and zoning			
Museums and the arts			
Public housing and rehabilitation			
Urban renewal and development			
Conservation/environmental protection			
Courts/judicial services/corrections			
Education			
Mass Transit			
Health/safety inspections and code enforcement			
Airports			
Marinas			
Parking facilities			

5. For those services you indicated you contracted out services to a non-profit vendor as a result the current recession (the last 2 to 3 years), have you noticed a decline or improvement in the level and/or quality of service? If neither, please mark no change.

If Yes, please check all service areas that apply

Level and/or Quality of Service	Decline	Improvement	No Change
Fire			
Police			
EMS			
Health care			
Welfare			
Libraries			
Roads and Streets			
Sidewalks			
Storm water management			
Solid waste collection and disposal			
Parks and recreation			
Planning and zoning			
Museums and the arts			
Public housing and rehabilitation			
Urban renewal and development			
Conservation/environmental protection			
Courts/judicial services/corrections			
Education			
Mass Transit			
Health/safety inspections and code enforcement			
Airports			
Marinas			
Parking facilities			

6. For those services you indicated you contracted out services to another local government as a result the current recession (the last 2 to 3 years), have you noticed a decline or improvement in the level and/or quality of service? If neither, please mark no change.

If Yes, please check all service areas that apply

Level and/or Quality of Service	Decline	Improvement	No Change
Fire			
Police			
EMS			
Health care			
Welfare			
Libraries			
Roads and Streets			
Sidewalks			
Storm water management			
Solid waste collection and disposal			
Parks and recreation			
Planning and zoning			
Museums and the arts			
Public housing and rehabilitation			
Urban renewal and development			
Conservation/environmental protection			
Courts/judicial services/corrections			
Education			
Mass Transit			
Health/safety inspections and code enforcement			
Airports			
Marinas			
Parking facilities			

7. Were you influenced in your decision to contract out services as a result of positive results observed from neighboring cities or counties which previously contracted out services?

a. Check those services that apply

Fire	Museums and the arts
Police	Public housing and rehabilitation
EMS	Urban renewal and development
Health care	Conservation/environmental protection
Welfare	Courts/judicial services/corrections
Libraries	Education
Roads and Streets	Mass Transit
Sidewalks	Health/safety inspections and code enforcement
Storm water management	Airports
Solid waste collection and disposal	Marinas
Parks and recreation	Parking facilities
Planning and zoning	Other
Water provision	Other
Sewage Collection and disposal	Other

b. Please write the name of the Cities or Counties which influenced your decision to contract services:

8. Are there any positive or negative observations you'd like to share with us about your experience in contracting out services?

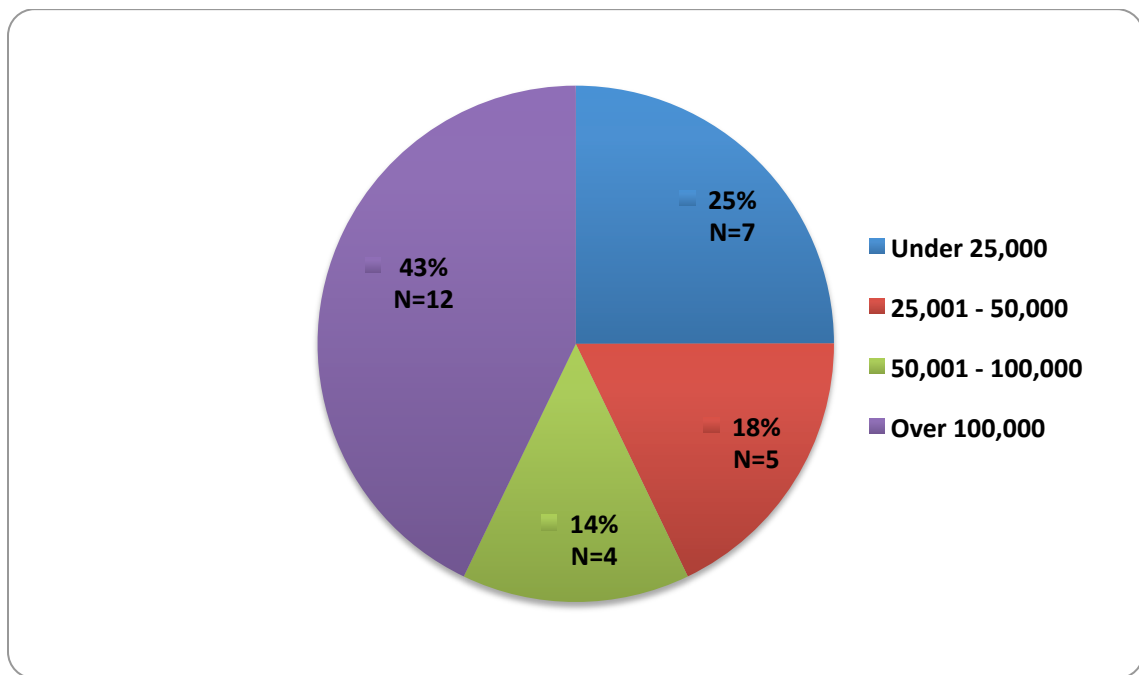
APPENDIX C

LIST OF COUNTY SURVEY RESPONDENTS

	Frequency	Percent	Valid Percent	Cumulative Percent
Alachua	1	3.6	3.6	3.6
Baker	1	3.6	3.6	7.1
Bay	1	3.6	3.6	10.7
Calhoun	1	3.6	3.6	14.3
DeSoto	1	3.6	3.6	17.9
Escambia	1	3.6	3.6	21.4
Gilchrist	1	3.6	3.6	25.0
Glades	1	3.6	3.6	28.6
Gulf	1	3.6	3.6	32.1
Hardee	1	3.6	3.6	35.7
Hernando	1	3.6	3.6	39.3
Indian River	1	3.6	3.6	42.9
Jackson	1	3.6	3.6	46.4
Jefferson	1	3.6	3.6	50.0
Lafayette	1	3.6	3.6	53.6
Lake	1	3.6	3.6	57.1
Liberty	1	3.6	3.6	60.7
Manatee	1	3.6	3.6	64.3
Marion	1	3.6	3.6	67.9
Miami-Dade	1	3.6	3.6	71.4
Putnam	1	3.6	3.6	75.0
Santa Rosa	1	3.6	3.6	78.6
Sarasota	1	3.6	3.6	82.1
Sumter	1	3.6	3.6	85.7
Suwannee	1	3.6	3.6	89.3
Volusia	1	3.6	3.6	92.9
Wakulla	1	3.6	3.6	96.4
Walton	1	3.6	3.6	100.0
Total	28	100.0	100.0	

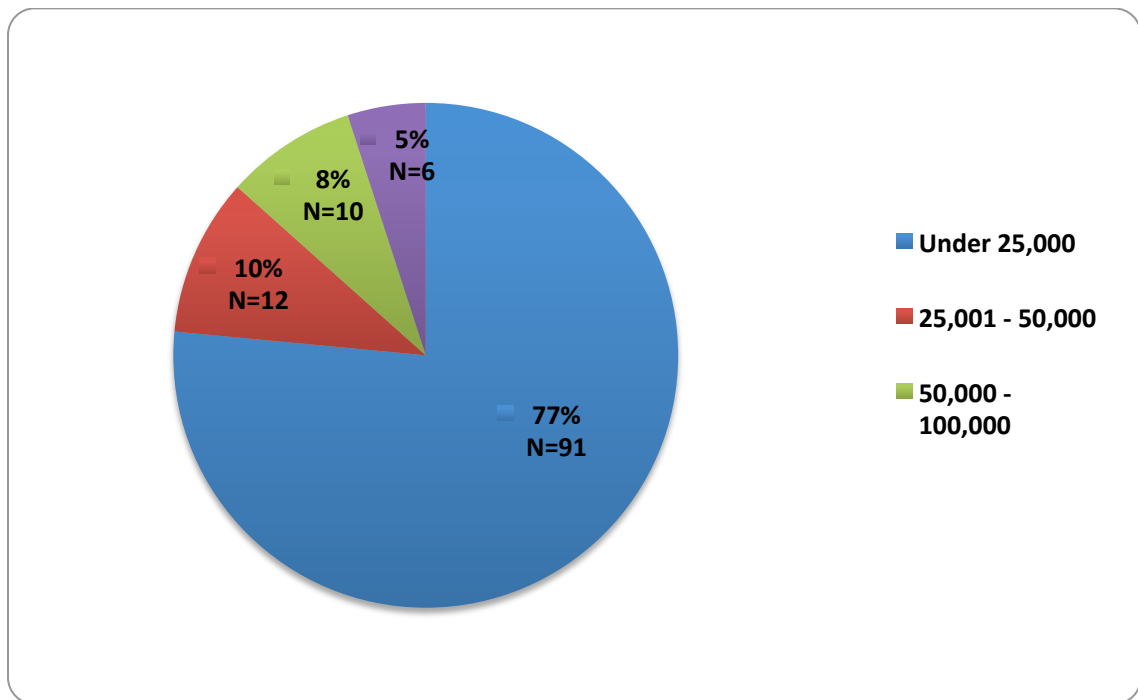
APPENDIX D

POPULATION SIZE REPRESENTATIONS FOR SURVEY RESPONDENTS



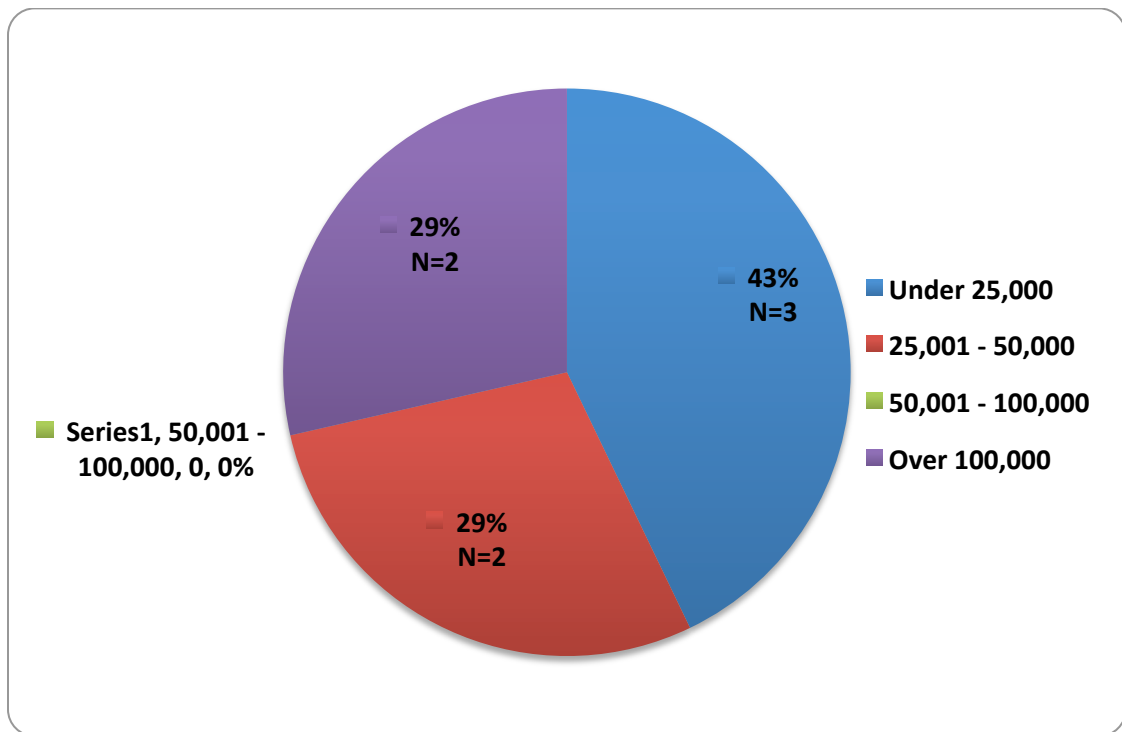
Note: Percentages may add to greater than 100% due to rounding up.

Figure A.D.1. County survey respondents by population size ($N = 28$).



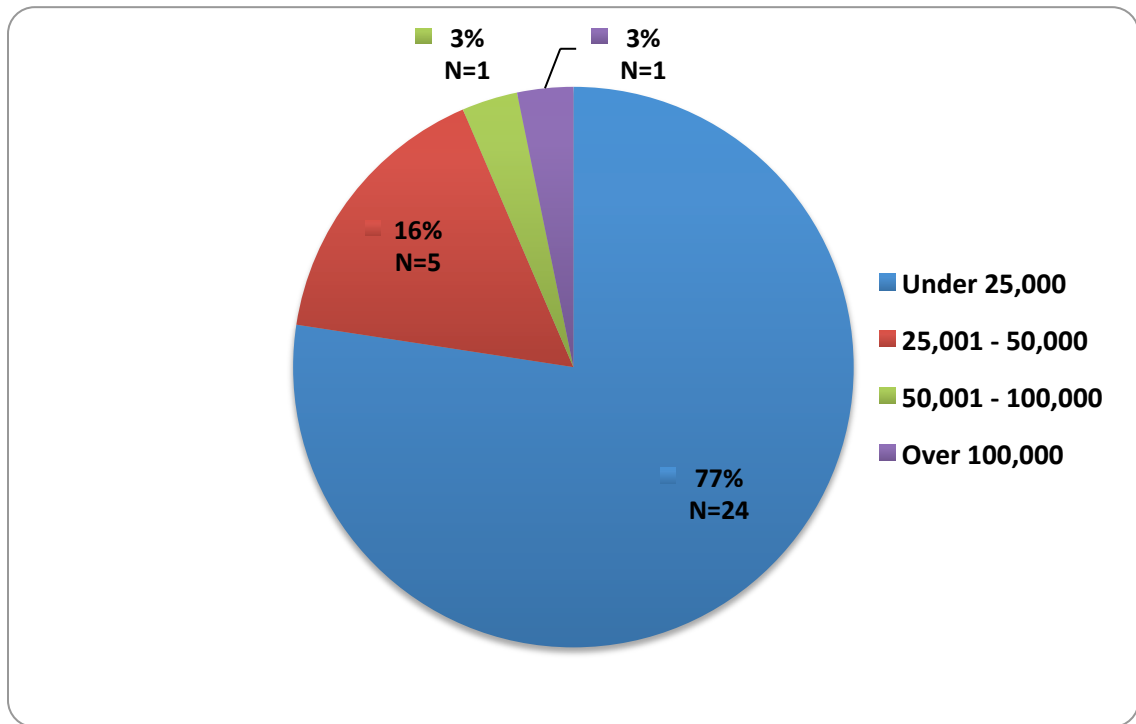
Note: Percentages may add to greater than 100% due to rounding up.

Figure A.D.2. Municipality survey respondent's by population size ($N = 121$).



Note: Percentages may add to greater than 100% due to rounding up.

Figure A.D.3. Counties that contracted out services by population size ($N = 7$).



Note: Percentages may add to greater than 100% due to rounding up.

Figure A.D.4. Municipalities that contracted out services by population size ($N = 31$).

APPENDIX E

REGIONAL REPRESENTATIONS FOR SURVEY RESPONDENTS

Regional representation was one of the three elements identified to measure to ensure no inadvertent biases occurred through this research gathering and collection process. There are a mix of approaches recognized by the academic community for regional analysis, whether for purposes of research related to geography, homeland security or urban planning amongst others. For this study, the Florida Enterprise Inc. (FEI) approach with eight key regions has been assumed to determine if appropriate representation was attained through our survey responses as illustrated below.

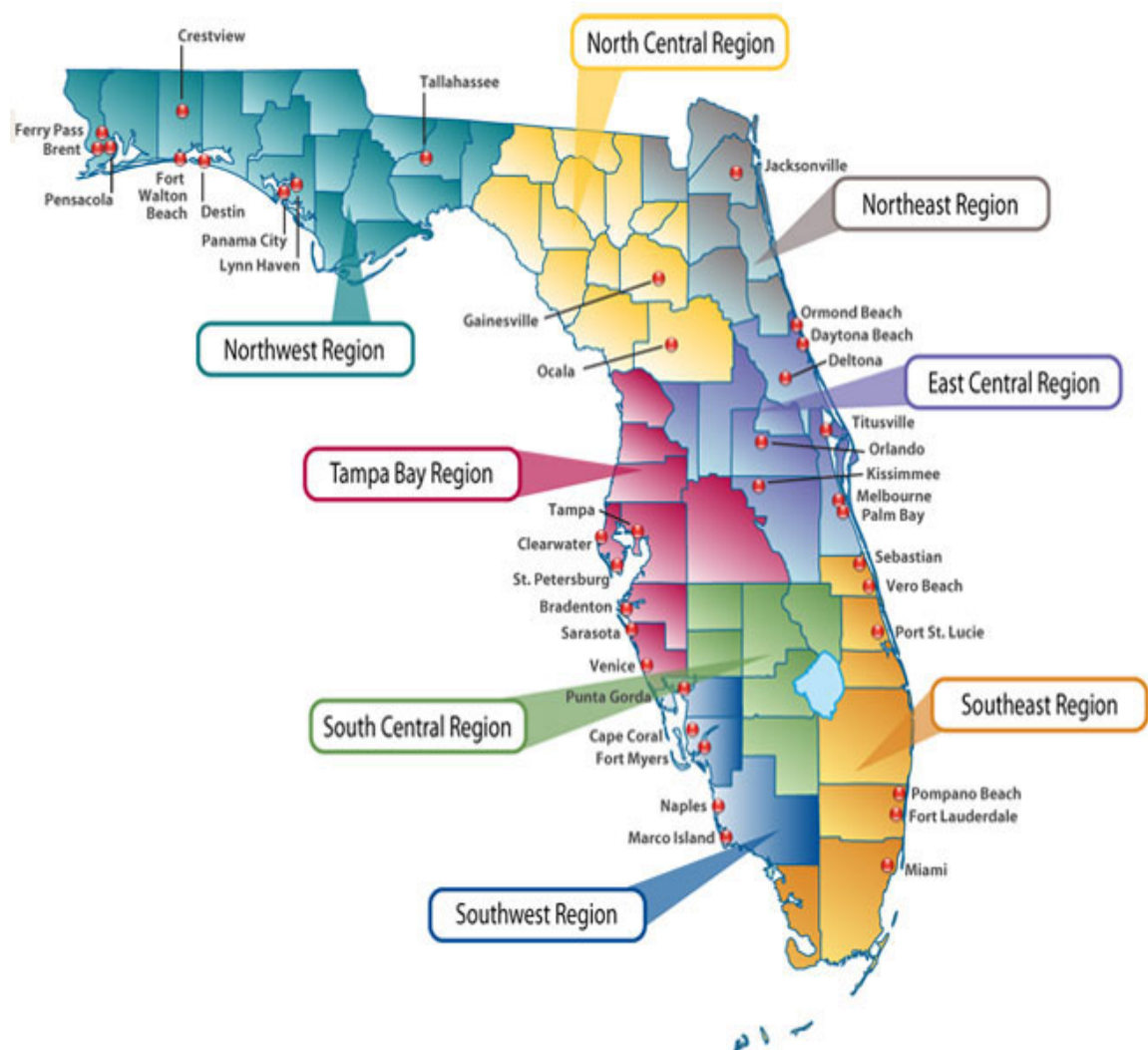
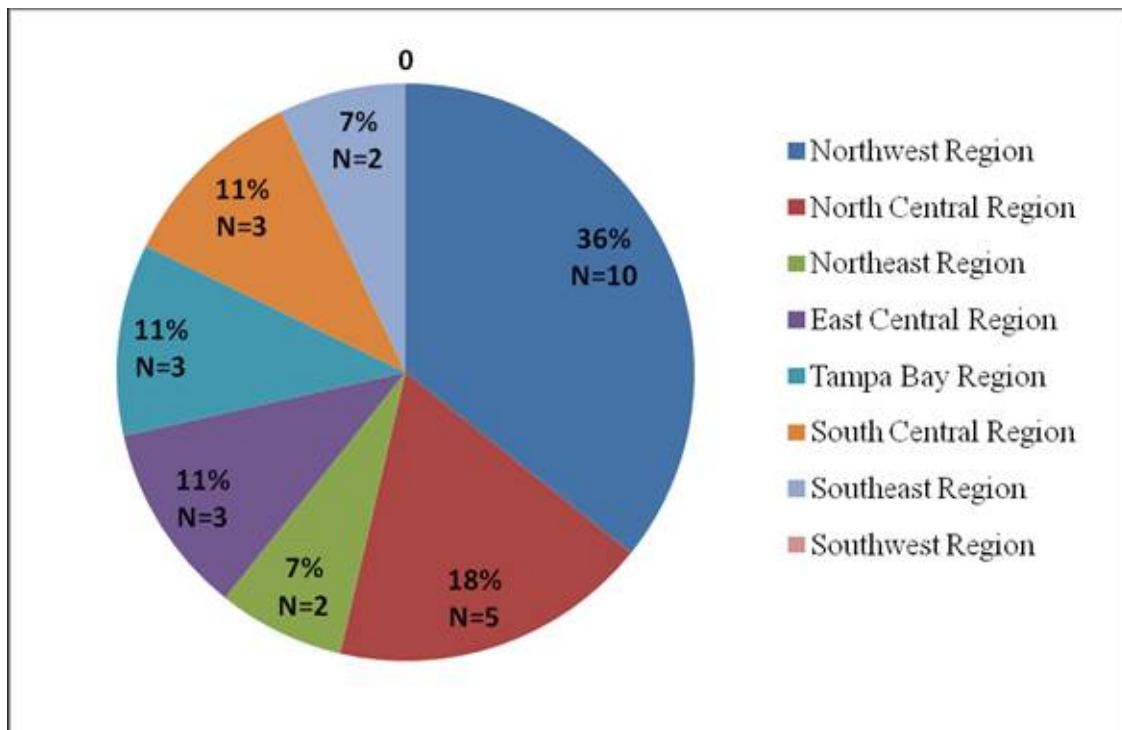


Figure A.E.1. Florida Enterprise Regions Map.⁵⁹

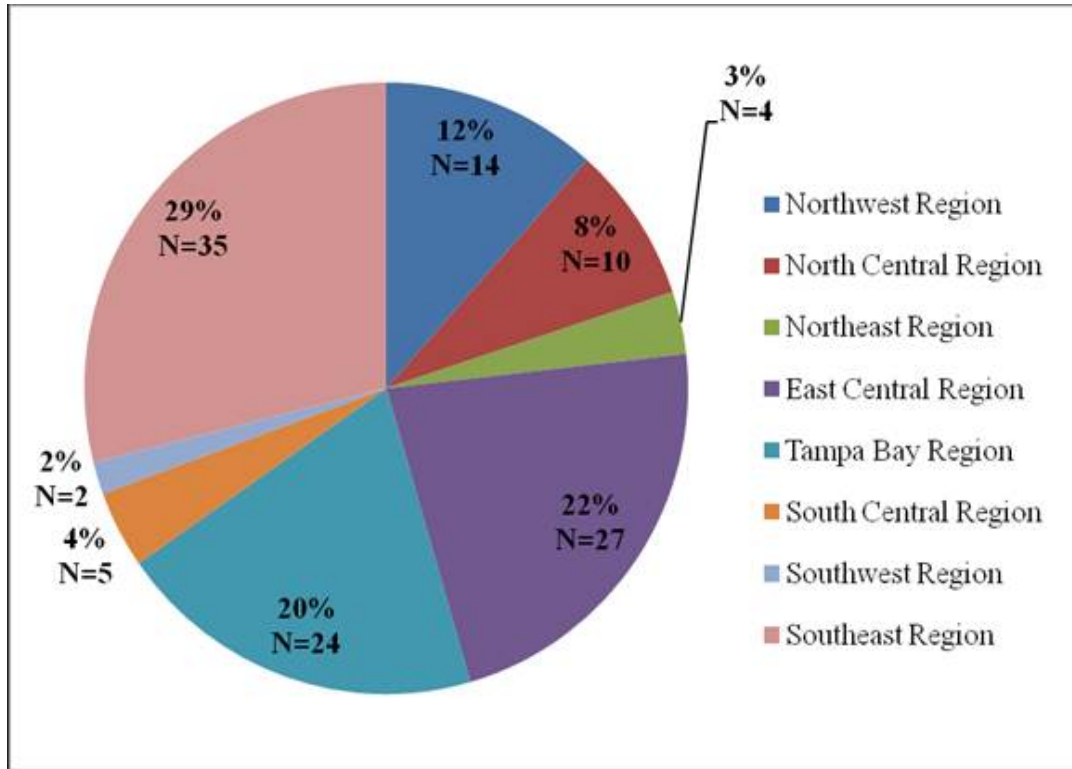
As a public-private partnership, Florida Enterprise is the official economic development organization of the state of Florida (Enterprise Florida, 2012). As indicated on the FEI map in Figure A.E.1, Florida's counties are organized into eight regions of Innovation and Economic growth.

⁵⁹ For more information regarding each region go to <http://www.eflorida.com/floridasregionssubpage.aspx?id=54>



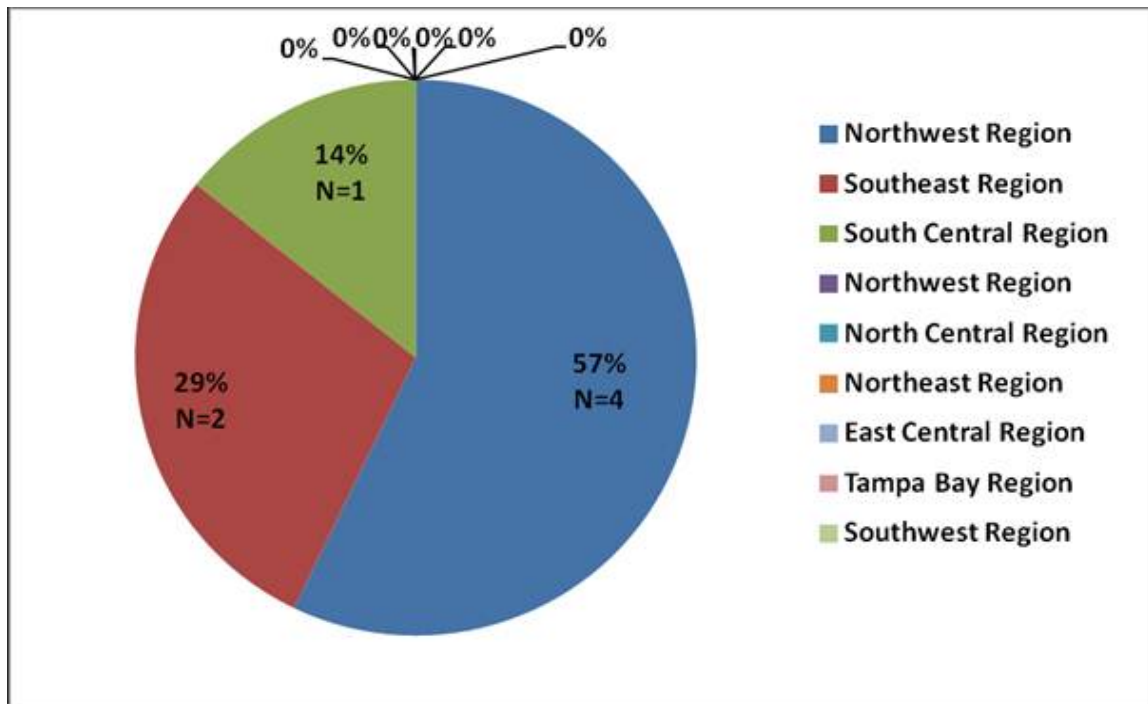
Note: Percentages may add to greater than 100% due to rounding up.

Figure A.E.2. Florida regions represented by county respondents ($N = 28$).



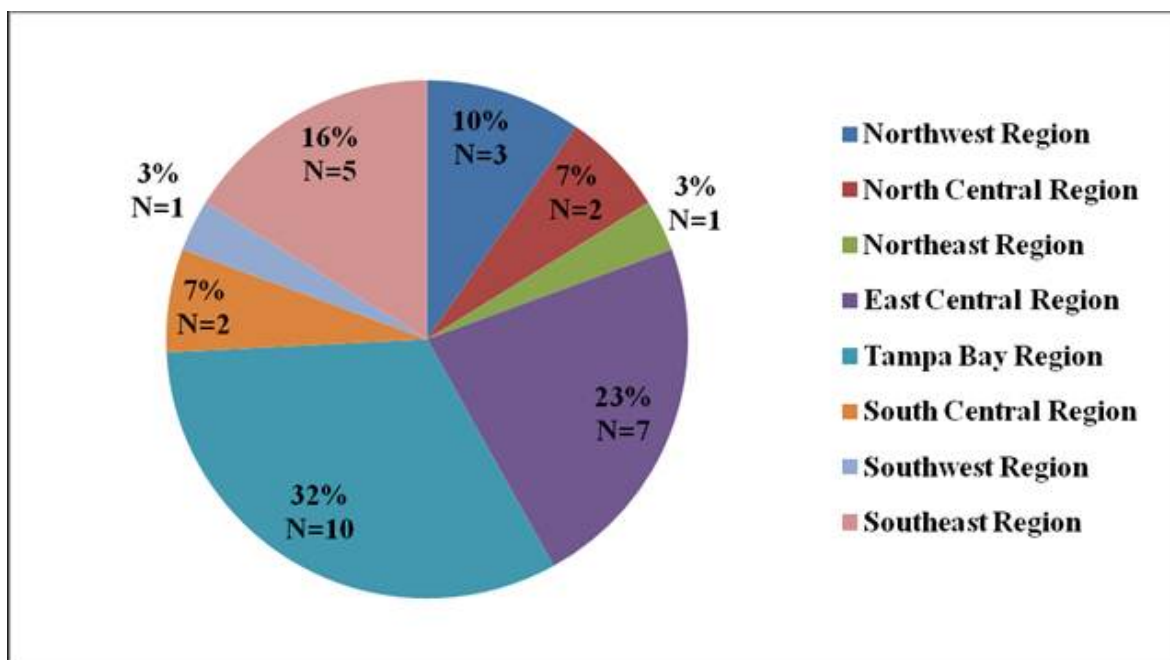
Note: Percentages may add to greater than 100% due to rounding up.

Figure A.E.3. Florida regions represented by municipality respondents (N = 121).).



Note: Percentages may add to greater than 100% due to rounding up.

Figure A.E.4. Counties that contracted out services by regions ($N = 7$).



Note: Percentages may add to greater than 100% due to rounding up.

Figure A.E.5. Municipalities that contracted out services by regions ($N = 31$).

APPENDIX F

LIST OF MUNICIPALITY SURVEY RESPONDENTS

	Frequency	Percent	Valid percent	Cumulative percent
Altamonte Springs	1	.8	.8	.8
Anna Maria	1	.8	.8	1.7
Atlantis	1	.8	.8	2.5
Avon Park	1	.8	.8	3.3
Belleair	1	.8	.8	4.1
Belleair Beach	1	.8	.8	5.0
Bellevue	1	.8	.8	5.8
Boynton Beach	1	.8	.8	6.6
Bradenton	1	.8	.8	7.4
Bristol	1	.8	.8	8.3
Bushnell	1	.8	.8	9.1
Charlotte (confirm which City)	1	.8	.8	9.9
Chiefland	1	.8	.8	10.7
Chipley	1	.8	.8	11.6
City of Bartow	1	.8	.8	12.4
City of Blountstown	1	.8	.8	13.2
City of Cape Canaveral	1	.8	.8	14.0
City of Clewiston	1	.8	.8	14.9
City of Cocoa Beach	1	.8	.8	15.7
City of Coral Gables	1	.8	.8	16.5
City of Davenport	1	.8	.8	17.4
City of DeBary	1	.8	.8	18.2
City of DeFuniak Springs	1	.8	.8	19.0
City of Doral	1	.8	.8	19.8
City of Eagle Lake	1	.8	.8	20.7
City of Fernandina Beach	1	.8	.8	21.5
City of Fort Meade	1	.8	.8	22.3
City of High Springs	1	.8	.8	23.1
City of Jacob	1	.8	.8	24.0
City of Key Colony Beach	1	.8	.8	24.8
City of Lake City	1	.8	.8	25.6
City of Laurel Hill	1	.8	.8	26.4
City of Maitland	1	.8	.8	27.3
City of Milton : no service co	1	.8	.8	28.1

	Frequency	Percent	Valid percent	Cumulative percent
City of Minneola	1	.8	.8	28.9
City of Miramar	1	.8	.8	29.8
City of New Port Richey	1	.8	.8	30.6
City of New Smyrna Beach	1	.8	.8	31.4
City of North Bay Village	1	.8	.8	32.2
City of Okeechobee	1	.8	.8	33.1
City of Orlando	1	.8	.8	33.9
City of Perry	1	.8	.8	34.7
City of Pinellas Park	1	.8	.8	35.5
City of Plantation	1	.8	.8	36.4
City of Port St Lucie	1	.8	.8	37.2
City of St. Augustine Beach	1	.8	.8	38.0
City of St. Marks	1	.8	.8	38.8
City of Tarpon Springs	1	.8	.8	39.7
City of Trenton	1	.8	.8	40.5
City of Wildwood	1	.8	.8	41.3
Crystal River	1	.8	.8	42.1
Dade City	1	.8	.8	43.0
Daytona Beach Shores	1	.8	.8	43.8
DeLand	1	.8	.8	44.6
Delray Beach	1	.8	.8	45.5
Fellsmere	1	.8	.8	46.3
Fort Myers	1	.8	.8	47.1
Green Cove Springs	1	.8	.8	47.9
Hallandale Beach	1	.8	.8	48.8
Havana	1	.8	.8	49.6
Howey in the Hills	1	.8	.8	50.4
Indian Harbour Beach	1	.8	.8	51.2
Inglis	1	.8	.8	52.1
Lake Alfred	1	.8	.8	52.9
Lake Helen	1	.8	.8	53.7
Lake Mary	1	.8	.8	54.5
Lake Park	1	.8	.8	55.4
Lantana	1	.8	.8	56.2
Largo	1	.8	.8	57.0
Layton	1	.8	.8	57.9
Longwood	1	.8	.8	58.7
Lynn Haven	1	.8	.8	59.5
Mangonia Park	1	.8	.8	60.3
Marathon	1	.8	.8	61.2
Marineland	1	.8	.8	62.0
McIntosh	1	.8	.8	62.8
Melbourne Beach	1	.8	.8	63.6

	Frequency	Percent	Valid percent	Cumulative percent
Monticello	1	.8	.8	64.5
Mount Dora	1	.8	.8	65.3
Mulberry	1	.8	.8	66.1
North Lauderdale	1	.8	.8	66.9
Oak Hill	1	.8	.8	67.8
Ocean Ridge	1	.8	.8	68.6
Ormond Beach	1	.8	.8	69.4
Palm Bay	1	.8	.8	70.2
Palm Beach Gardens	1	.8	.8	71.1
Pembroke Park	1	.8	.8	71.9
Pembroke Pines	1	.8	.8	72.7
Pensacola	1	.8	.8	73.6
Plant City	1	.8	.8	74.4
Port Orange	1	.8	.8	75.2
Redington Shores	1	.8	.8	76.0
Riviera Beach	1	.8	.8	76.9
Rockledge	1	.8	.8	77.7
Sebastian	1	.8	.8	78.5
Seminole	1	.8	.8	79.3
Stuart	1	.8	.8	80.2
Sunrise	1	.8	.8	81.0
Surfside	1	.8	.8	81.8
Temple Terrace	1	.8	.8	82.6
Titusville	1	.8	.8	83.5
Town of Bay Harbor Islands	1	.8	.8	84.3
Town of Campbellton	1	.8	.8	85.1
Town of Indian River Shores	1	.8	.8	86.0
Town of Lady Lake	1	.8	.8	86.8
Town of Lake Placid	1	.8	.8	87.6
Town of Malabar	1	.8	.8	88.4
Town of Manalapan	1	.8	.8	89.3
Town of North Redington Beach	1	.8	.8	90.1
Town of Orchid	1	.8	.8	90.9
Town of Otter Creek	1	.8	.8	91.7
Town of Zolfo Springs	1	.8	.8	92.6
Treasure Island	1	.8	.8	93.4
Valparaiso	1	.8	.8	94.2
Venice	1	.8	.8	95.0
Village of Key Biscayne	1	.8	.8	95.9
Village of Tequesta	1	.8	.8	96.7
Waldo	1	.8	.8	97.5
Weston	1	.8	.8	98.3

	Frequency	Percent	Valid percent	Cumulative percent
Wilton Manors	1	.8	.8	99.2
Zephyrhills	1	.8	.8	100.0
Total	121	100.0	100.0	

APPENDIX G

POPULATION STATISTICS

Population figures used for this research were obtained from the U.S. Census. To put this into context, we first look at national growth and state-to-state comparisons to see if there are any abnormal trends in Florida.

The United States as a whole experienced 8.8% population growth from 2000 to 2009 (Florida Statistical Abstract, 2011). For each state and county, the U.S. census releases annual estimates of the total resident population by specific demographic characteristics (Census 2011). According to the University of Florida's Bureau of Economic and Business Research, the state of Florida ranked fourth in 2009 when comparing population statistics to other sunbelt and U.S. populous states. The state came in behind California, Texas, and New York in terms of total population. From another perspective, as outlined in Appendix 7, Arizona, Georgia, Texas, and North Carolina had greater population growth from 2000 through 2009, respectively at approximately 28%, 20%, 18%, and 16%, compared to Florida at 15.50%. Since our research is primarily focused on decisions by jurisdictions during the financial crisis, our research considers population figures available from 2008 to 2010.

Population Statistics for Sunbelt States and Other Populous States⁶⁰

State	Population as of 2010	% change 2000 to 2009	% change 2008 to 2010
Florida	18,328,340	15.50%	2.58%
Arizona	6,392,017	27.70%	-1.66%
Georgia	9,687,653	19.40%	0.02%
Texas	25,145,561	18.30%	3.36%
North Carolina	9,535,483	16.10%	3.39%
South Carolina	4,625,364	13.40%	3.25%
Virginia	8,001,024	11.00%	2.99%
New Mexico	2,059,179	10.40%	3.77%
Tennessee	6,346,105	10.40%	2.11%
California	37,253,956	8.70%	1.35%
Arkansas	2,915,918	7.90%	2.12%
Oklahoma	3,751,351	6.70%	2.99%
Alabama	4,779,736	5.80%	2.53%
Indiana	6,483,802	5.40%	1.68%
Illinois	12,830,632	3.80%	-0.55%
Mississippi	2,967,297	3.60%	0.98%
Massachusetts	6,547,629	3.60%	0.76%
New Jersey	8,791,894	3.30%	1.26%
New York	19,378,102	2.90%	-0.58%
Pennsylvania	12,702,379	2.60%	2.04%
Ohio	11,536,504	1.60%	0.44%
Louisiana	4,533,372	0.50%	-0.55%
Michigan	9,883,640	0.10%	-1.20%

⁶⁰ Bureau of Economic Business Research University of South Florida, 2011 Florida Statistical Abstract (25.00 State Comparisons) & US. Census (www.census.gov)

APPENDIX H

ABOUT FLORIDA DEPARTMENT OF REVENUE (DOR) CALCULATIONS

To calculate the percentage of taxes levied on each type of property, The Florida Department of Revenue (DOR) assigned the value to the various property categories in a two-step process. First, the taxable value of all real property from the final tax rolls submitted to DOR by property appraisers was allocated to the jurisdiction for each levy based on the taxing authority code reported on the tax roll. Total taxable value for each levy was then allocated to the eight different property type categories followed by DOR.⁶¹ Second, adjustments were made to address instances when the taxing authority codes on the tangible personal property tax roll did not accurately allocate value to taxing authorities in many counties. The purpose of this was to be able to consistently compare real, tangible personal and centrally assessed value for the purpose of determining the percentage of taxes levied by the various categories set forth in s. 195.052, F.S.⁶²

⁶¹ For more information in the methodology used or the specific categories used by DOR go to <http://dor.myflorida.com/dor/property/taxpayers/cmdata/pdf/method.pdf>

⁶² Pursuant to section 195.062, Florida Statutes, for Standard Measures of Value (s. 195.032, F.S.), DOR follows guidelines for the valuation of property (including: a. Real property appraisal guidelines b. Uniform market area guidelines c. Classified use real property guidelines d. Tangible personal property appraisal guidelines) and methods for property appraisers to employ in arriving at the just valuation of particular types of property (consistent with s. 193.011 and 193.461, F.S.).

APPENDIX I

MUNICIPAL RESPONDENT'S PERCENTAGE CHANGE OF TAXES LEVIED (*N* = 121)

City	% change of taxes levied from 2009 to 2010	City	% change of taxes levied from 2009 to 2010	City	% change of taxes levied from 2009 to 2010
City of Cape Canaveral	-89	Riviera Beach	-16	Palm Bay	-6
City of Laurel Hill	-38	Village of Tequesta	-16	City of Perry	-5
City of North Bay Village	-36	Punta Gorda	-15	Pensacola	-5
Lake Alfred	-32	City of Miramar	-15	Town of Zolfo Springs	-5
Lake Park	-31	Inglis	-15	City of St. Augustine Beach	-4
Mangonia Park	-30	Marathon	-15	Howey in the Hills	-4
North Lauderdale	-30	City of Port St Lucie	-14	Mulberry	-4
Lantana	-29	Delray Beach	-14	Bushnell	-3
Boynton Beach	-27	Hallandale Beach	-14	Oak Hill	-3
City of Davenport	-26	Treasure Island	-14	Titusville	-3
City of Eagle Lake	-26	Anna Maria	-13	Town of Bay Harbor Islands	-3
City of Orlando	-26	Mount Dora	-13	City of Fernandina Beach	-2
Sebastian	-26	Plant City	-13	Havana	-1
Fort Myers	-25	Sunrise	-13	McIntosh	-1
Altamonte Springs	-23	Town of Orchid	-13	Town of Indian River Shores	-1
Belleair Beach	-22	Village of Key Biscayne	-13	City of Wildwood	0
Stuart	-22	Daytona Beach Shores	-12	Pembroke Park	0
Venice	-22	Towm of	-12	Pembroke	0

City	% change of taxes levied from 2009 to 2010	City	% change of taxes levied from 2009 to 2010	City	% change of taxes levied from 2009 to 2010
		Malabar		Pines	
City of -21		City of -12		Temple Terrace	0
Clewiston		DeBary		Atlantis	1
City of -21		City of New	-12		
Okeechobee		Port Richey		City of Key	1
Fellsmere	-21	Avon Park	-11	Colony Beach	
				City of	1
Seminole	-21	City of High	-11	DeFuniak	
		Springs		Springs	
Town of Lake	-21	City of -11		Lynn Haven	2
Placid		Pinellas Park			
Town of North	-21	Town of -11		Town of Lady	2
Redington		Manalapan		Lake	
Beach					
Dade City	-20	City of -10		Waldo	2
		Planation			
Longwood	20	City of St.	10	Chipley	3
		Marks			
City of 19		Largo	10	Marineland	3
Maitland					
City of 19		Palm Beach	-10	Weston	3
Minneola		Gardens			
Lake Mary	-19	Valparaiso	-10	City of Coral	4
				Gables	
City of Barlow	-18	Belleair	-10	Indiana	4
				Harbour	
				Beach	
City of Doral	-18	Crystal River	-10	Bristol	5
City of New	-18	City of Coral	-9	Melbourne	5
Smyrna Beach		Beach		Beach	
DeLand	-18	Bellevue	-8	City of	7
				Blountstown	
Green Dove	-18	Bradenton	-8	City of Jacob	8
Springs					
Lake Helen	-18	City of Milton	-8	Layton	12
Ocean Ridge	-18	City of	-8	City of Lake	22
		Tarpon		City	
		Springs			
Port Orange	-18	Monticello	-8	Town of	43
				Campbellton	
Wilton Manners	-18	Surfside	-8	Town of Otter	52
				Creek	
Ormond Beach	-17	Zephyrhills	-8		
Rockledge	-17	City of	-7		
		Trenton			
Redington	-16	Chiefland	-6		

City	% change of taxes levied from 2009 to 2010	City	% change of taxes levied from 2009 to 2010	City	% change of taxes levied from 2009 to 2010
Shore					