

Local Public Services in Wisconsin: Alternatives for Municipalities

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Fact Sheet #1: Overview

There are five fact sheets in the series

Local Public Services in Wisconsin: Alternatives for Municipalities

I. Overview

II. Comparison of Service Production Methods and Incidence of Privatization

--*Public Works and Transportation; Public Utilities; Parks and Recreation; and Cultural and Arts Programs*

III. Comparison of Service Production Methods and Incidence of Privatization

--*Public Safety, Health and Human Services, and Support Functions*

IV. Factors Influencing the Decision to Privatize and Factors Contributing to Success

V. Administering/Bidding Contracts and Monitoring Contractor Performance

Delivery of Local Public Services – Issues Facing Local Officials

Local elected officials in Wisconsin and other states are increasingly searching for alternative ways to deliver public services. A key motivation for seeking alternatives includes increased local resistance to higher taxes, often accompanied by demands for local services that lead to increasing expenditures. At the same time, these officials observe weakening financial support from higher levels of government. In sum, there is growing pressure to “do more with less.”

The difficulties typically facing local public officials are numerous and sometimes overwhelming: aging infrastructure, accommodating the needs of special populations, satisfying rules and regulations imposed by higher levels of government, funding new investments to meet demands of a growing economy, or maintaining critical services in face of

declining economies.

This series is designed to assist local officials in considering alternatives by informing them of statewide trends relating to local public services.

Providing Versus Producing Public Services

Running a local government can be thought of in terms of the demand and supply for local public services. In responding to constituents, officials have to be concerned with various dimensions of the **demand** for services: How should the service be provided? At what level? How should it be paid for? Local governments respond to constituent demand by **providing** the service.

The **supply** of public services, on the other hand, has to do with *how* the services should be provided. The mechanical process of transforming inputs into outputs (public services) is

the **production** of public services. As with business firms, larger units of government may be able to take advantage of production economies. There may be economies of scale from larger use of production inputs, and there are also likely to be managerial efficiencies.

The *provision versus production* dichotomy highlights an important tradeoff – the optimal size for demand/provision may not coincide with optimal size for supply/production. People are likely to prefer small local governments for maximum citizen contact and accountability, even though larger local governments may be more able to supply the lowest cost service. Citizens do not want to lose *provisionary* control, but service *production* can be achieved through a variety of entities and methods.

Survey of Wisconsin Cities and Villages

To explore these topics from the point of view of individual units of government, a mail survey was sent to the clerks of all 585 cities and villages. Survey development and implementation was a joint effort of the UW-Extension Local Government Center, UW-Madison, and the Wisconsin League of Municipalities. There were 452 usable responses, a 73% response rate

Categories of Local Services

Standard service categories were used to facilitate comparison with other similar studies. The survey asked about 82 specific types of services under the following broad categories.

- Public Works and Transportation
- Public Utilities (water, sewer, electricity, gas, street lights, billing)

- Public Safety
- Parks and Recreation
- Health and Human Services
- Cultural and Arts Programs
- Support Functions

Service Production Alternatives

Five service production alternatives were considered in the survey: using municipal employees to produce the service, three contracting alternatives, and a combination of methods:

- Municipal employees
- Contracting out of service production
 - Private for-profit firms
 - Other units of government
 - Not-for-profit organizations
- Combination of methods – partially with municipal employees, partially with private firms or other governments

The second of these five options is termed *privatization* – contracting with private firms for services previously produced by local government employees. This fact sheet series mainly compares the incidence of service production with municipal employees to the privatization alternative, with some discussion of intergovernmental arrangements.

Contracting with private firms is a well-established practice for some services, including refuse collection and disposal and vehicle maintenance. More recent privatization trends nationwide include road and bridge construction, and jail maintenance and management. Public employees still predominate in the operation of water and wastewater treatment facilities, but innovative private alternatives are emerging.