



The Functioning of Democracy Across the Urban-Rural Spectrum: Student Paper Series

Privatization of Local Government Services: Understanding Differences Across Michigan's Urban- Rural Spectrum

By Kristina Curtiss

For decades, municipalities have taken on numerous tasks that the private sector would have otherwise performed. Privatization of these services, and the way local governments prioritize them, draw into question the functioning of democracy. Be it questions of motive, accountability, or quality, current literature brings skepticism regarding certain decisions to privatize. This paper adds nuance to the conversation by evaluating these decisions across the urban-rural spectrum in Michigan, and finds that the motive to privatize differs from existing literature's hypothesis, and that the decision to privatize municipal services differs across the urban-rural spectrum.

Key Findings

- There is a difference in whether a municipality contracts out any services or governmental operations across the urban-rural spectrum.
- The services that municipalities chose to privatize or contract out vary across the urban-rural spectrum.
- Municipalities are comfortable with how frequently they chose to privatize services.



Background

For decades, municipalities have taken on numerous tasks that the private sector would have otherwise performed. As cities rapidly grew at the turn of the 20th century, municipalities had to take on numerous municipal services to maintain the quality of life in urban areas.¹ Public spaces, transportation, and day-to-day services slowly transformed to being a responsibility of each city. This panacea disappeared with the rise of the Reagan presidency, who reframed the municipal services conversation. This trend has continued to build, and today more than \$1 trillion of America's allocated \$6 trillion in annual federal, state, and local government spending goes to private companies.²

Privatization, and the way that local government's prioritize services, are an essential component to understanding a functioning democracy. Current literature argues that "responsible contracting" is key to ensure that services are provided well, which requires a both good contract and monitoring/enforcement of the contract. This push for responsible contracting includes calls for scrutiny and fiscal responsibility from both sides of the political spectrum, indicating a strong political trend in how contracting and privatization will innovate.³ In fact, in states and cities across the country, policymakers are "expressing new skepticism about privatization, imposing new conditions on government contracting, and demanding more oversight."⁴ 18 states introduced legislation in 2014 to set responsible contracting standards, in an attempt to make sure that privatization is accountable, transparent, and held to high standards for quality of work and service, and seven states introduced legislation to create a "fair market value" in the sale of city resources for privatization.⁵ While this movement has not gained as much popularity in Michigan as it has in states like Maryland, Oregon, or Nebraska, it provides important context for municipal decisions. In Michigan, municipalities do not have and/or do not prioritize accountability and review measures for their private contracts, according to the Spring 2014 Michigan Public Policy Survey (MPPS).⁶ It is essential to understand what the nuance is in contracting and privatization decisions, and how municipalities may differ in that decision.

Methods

This paper seeks to analyze municipalities' decisions to privatize municipal services in order to understand if there is a difference in privatization across urban and rural areas. Data is extracted from the Gerald R. Ford School of Public Policy's Center for Local, State, and Urban Policy's (CLOSUP) Spring 2014 Michigan Public Policy Survey (MPPS). The survey received a 72% response rate by jurisdiction, accounting for 1,492 responses from 1,344 distinct local jurisdictions.

In order to evaluate how a municipality's location on the urban-rural spectrum, a series of questions from the Spring 2014 survey are analyzed to understand the types of services privatized and local official's perceptions of privatization. The responses to these questions are grouped based on the four locational categories of municipalities: completely rural, mostly rural, mostly urban, and completely urban. While evaluating these questions, responses across factors other than the 4-way measure of urbanity are also compared to determine if other factors that affect the conclusion, such as partisan identity. Finally, variables are analyzed in a weighted cross tabulation to better understand if privatization varies across the spectrum.

Additionally, in order to understand differences in privatization, this analysis considers local governments' motives to privatize as well as which specific municipal services are privatized. While municipal services have multiple definitions across distinct literature bases, the Michigan Public Policy Survey (MPPS) explicitly defines a wide range of services for respondents throughout multiple questions. For example, in response to "Does your jurisdiction currently contract out any services or governmental operations, or has it in the past?", respondents could select services which include but are not limited to: municipal maintenance (utilities/water/sewer, waste/recycling, streetlights, road maintenance, and snow plowing), emergency response, health and human services, and spatial and community planning (parks and recreation, parking, land use planning, engineering and surveying, and economic development services). For the rest of this paper, these general categories will define the services that municipalities provide.



Contracting varies across the urban-rural spectrum

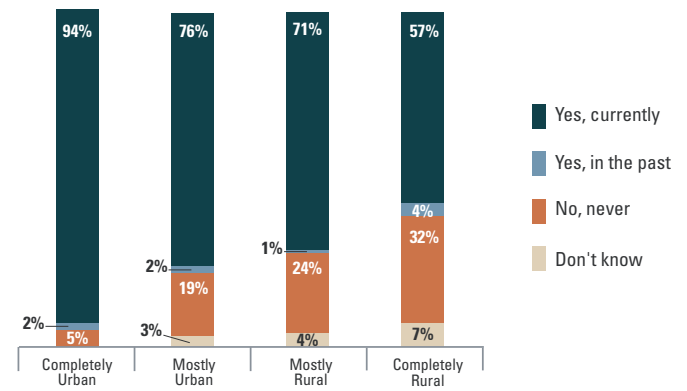
As seen in *Figure 1*, statewide, there is momentum to privatize services within municipalities across the urban-rural spectrum. While the percentage of municipalities who privatize services are higher in urban areas, over 50% of municipalities in each category in the spectrum privatize services. The Spring 2014 data asks numerous questions about short- and long-term budget stability and partisan identity. The choice to privatize was held constant in an attempt to see if the respective variables, along with the location on the urban-rural spectrum, have a relationship on how many municipalities contracted out services. While there is a positive relationship between a municipality’s decision to privatize and their urban status, no relationship was found between the other controlled factors of political party and potential budget shortfall.

What does this tell us about how municipalities differ?

Contrary to existing literature that speculates that political popularity and budget shortfalls are driving factors of privatization, we see that across Michigan’s jurisdictions that finding may not be the case. This analysis is incomplete, given that omitted variables that were not accounted for in the analysis or by MPPS, which could impact the relationship between urbanity and privatization. This is further proof that more, updated research is necessary to understand differences outside of the political moment captured by MPPS. However, these findings are still noteworthy. Research, to this extent, has not accounted for why municipalities in Michigan privatize, especially given that results in this instance run contrary to existing literature.

Discrepancies across localized results also highlight that the national conversation around the privatization of services does not account for the nuances of municipalities in the urban-rural spectrum and their decision-making process. The omission of this locational variable alters the ability for existing studies to draw a conclusion regarding how variables impact the choice to privatize. If anything, the lack of uniformity in analysis across the literature only exacerbates that municipalities chose to privatize for numerous reasons, and that variance may not be limited to only the urban-rural spectrum. However, the MPPS data tells us that urbanity is a controlling factor, allowing us to further analyze differences in decisions to privatize.

Figure 1
Percentage of municipalities that contract any services or government operations



The Types of Services Privatized—and not

Services that municipalities seek to privatize differs across the spectrum, while services that are unlikely to privatize stay constant. As seen in *Figure 2*, results are broken down into what services are, and are not, likely to be privatized.

In order for a service to be considered “likely” or “unlikely” to privatize, each service was broken down into a cross tabulation of a yes/no question, asked as “Please indicate, as far as you know, which of the following types of services or operations your jurisdiction has privatized, either in whole or in part” and the urban-rural score. Very few services had over 50% privatization, while many had substantially under 50%. Because of that, a service was considered likely to be privatized if over 40% of municipalities across the spectrum indicated they would privatize. In almost every case, a bulk of those 40% would come from a specific classification on the urban-rural spectrum, which is clarified in *Figure 2*.

Figure 2
The types of services jurisdictions contract

Services Likely to Privatize	Services Unlikely to Privatize
Inspections	Utilities (Water/Sewage)
Legal Services	911 and emergency services
Streetlights	Parks and Recreation
In Urban Areas:	Parking
Waste/Recycling	Tax Collection
Land-use Planning	Vehicle Fleet Management
Engineering Services	
In Rural Areas:	
Snowplowing	

While MPPS does not collect the necessary data to determine why jurisdictions decide to privatize in the specific instance of the services listed, given our finding that urban areas are more likely to privatize, the pattern that emerges is not a surprise. Given more information, such as the availability of specialized contract vendors for services or the cost of each service on a municipal budget, a common link could be found between these decisions. Additionally, due to the size of the population, urban areas may just offer more and/or different services than other municipalities, thus making them more likely to privatize more niche demands. The same could be used to conclude why jurisdictions across the urban-rural spectrum are unanimously unwilling to privatize specific services. One could guess that these services are not privatized because they are seen as essential, however rural areas contracting out snowplowing and urban areas contracting waste and recycling could complicate that conclusion.



Local Government Attitudes about Privatization

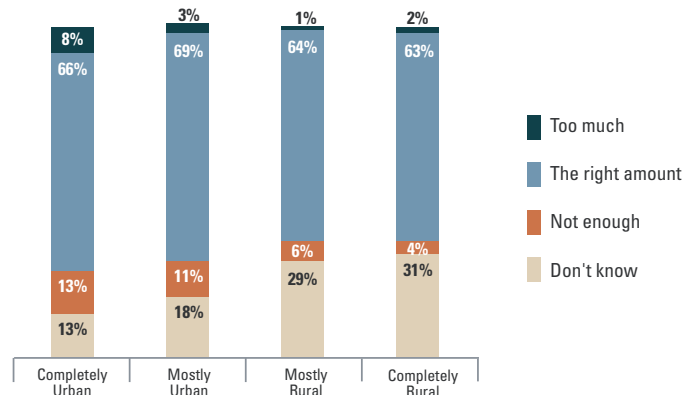
When asked “what does the majority of the jurisdiction council think of government level of privatization,” answers varied across the urban-rural spectrum, yet with a majority of municipalities in each category indicating that they thought they had “the right amount” of privatization. Few jurisdictions indicated that they thought there was “too much” privatization, but a small percentage of jurisdictions indicated there is “not enough,” with a greater number of municipalities in urban areas selecting that answer (*Figure 3*).

These responses may seem intuitive, but these findings are still important for two reasons. The first reason is that questions about the sufficiency or quality of privatization beg the question of accountability and/or the need for performance reviews. With the second most frequent response being “don’t know,” there should be concern regarding accountability and review of existing services. As argued in the background, current literature argues that accountability is one of the single-most important components to guarantee that privatization decisions are effective and beneficial. The second reason is that results signify a hole in the MPPS data. When some municipalities on the urban-side of the spectrum indicate that there is “not enough” privatization, more recent data is needed to determine if either the number of jurisdictions who privatized have changed or the types of services privatized have changed since 2014. Further research is also necessary to understand how privatization impacts accountability, local government priorities, and the functioning of a democracy within a municipality.

Conclusion

Privatization of municipal services has increased in popularity since the Regan administration. However, these decisions in Michigan are made in distinct ways across the urban/rural spectrum. While factors such as political party, or budget shortfall, does not have a correlative relationship with decisions to privatize, locational factors—effectively, where a community is on the urban/rural spectrum—do impact that decision. These findings remind us that while urban and rural municipalities are different, in many instances when it comes to the issues of privatization, they are the same. These findings are essential as political conversations surrounding privatization gain in their popularity in the wake of municipal budget shortfalls and a change in political administrations.

Figure 3
Local officials’ assessments of the level of their jurisdictions’ current privatization efforts



Survey Background and Methodology

The MPPS is an ongoing survey program, interviewing the leaders of Michigan's 1,856 units of general purpose local government. Surveys are conducted each spring (and prior to 2018, were also conducted each fall). The program has covered a wide range of policy topics, and includes longitudinal tracking data on "core" fiscal, budgetary and operational policy questions and designed to build-up a multi-year time-series.

Detailed tables of the data analyzed in this report broken down three ways—by jurisdiction type (county, city, township, or village), by population size of the respondent's community, and by the region of the respondent's jurisdiction—are available online at the MPPS homepage: <https://closup.umich.edu/michigan-public-policy-survey>.

The survey responses presented here are those of local Michigan officials, while further analysis represents the views of the authors. Neither necessarily reflects the views of the University of Michigan, or of other partners in the MPPS.

Notes

1. LOC. (n.d.). City life in the late 19th century : Rise of Industrial America, 1876-1900. Retrieved from <https://www.loc.gov/classroom-materials/united-states-history-primary-source-timeline/rise-of-industrial-america-1876-1900/city-life-in-late-19th-century/>
2. Ball, M. (2014, June 16). The privatization backlash. Retrieved from <https://www.theatlantic.com/politics/archive/2014/04/city-state-governments-privatization-contracting-backlash/361016/>
3. Responsible Contracting: Best practices. (2017). *National Employment Law Project*. <https://www.nelp.org/wp-content/uploads/responsible-contracting-best-practices.pdf>.
4. Ball, M. (2014, June 16). The privatization backlash. Retrieved from <https://www.theatlantic.com/politics/archive/2014/04/city-state-governments-privatization-contracting-backlash/361016/>
5. Douglass, E. (2017, July 08). Towns sell their public water systems - and come to regret it. Retrieved from https://www.washingtonpost.com/national/health-science/towns-sell-their-public-water-systems--and-come-to-regret-it/2017/07/07/6ec5b8d6-4bc6-11e7-bc1b-fddbd8359dee_story.html
6. Michigan Public Policy Survey. (2014). Retrieved from <https://closup.umich.edu/michigan-public-policy-survey/mpps-2014-spring>



Previous MPPS reports

- Michigan local leaders' views on state's new approach to electoral redistricting (February 2021)
- COVID-19 pandemic sparks Michigan local leaders' concerns for fiscal health (December 2020)
- The functioning of democracy at the local level: a compendium of findings from the Michigan Public Policy Survey of local leaders (December 2020)
- Energy Issues and Policies in Michigan Local Governments (October 2020)
- Michigan local leaders expect increased challenges for the 2020 election, but are confident about administering accurate elections (October 2020)
- Michigan Local Energy Survey (MiLES): Intergovernmental collaboration on sustainability and energy issues among Michigan local governments (September 2020)
- Confidence in the accuracy of Michigan's 2020 Census count among local leaders was not very high, slips further (August 2020)
- Michigan local leaders expect mixed impacts from expanded voter registration and absentee voting reforms (July 2020)
- Local leaders' evaluations of Michigan's direction and Governor's performance during the COVID-19 pandemic's arrival (July 2020)
- The initial impact of the COVID-19 pandemic on Michigan communities and local governments (June 2020)
- Energy policies and environmental leadership among Michigan's local governments (January 2020)
- Mixed signals continue for Michigan local governments' fiscal health, while future outlooks worsen (December 2019)
- Michigan local officials' views on the next recession: timing, concerns, and actions taken (October 2019)
- Michigan local government preparations and concerns regarding the 2020 U.S. Census (September 2019)
- New Governor, new evaluations of the direction Michigan is headed among local leaders (August 2019)
- Positive working relationships reported among Michigan's local elected officials (June 2019)
- Community poverty and the struggle to make ends meet in Michigan, according to local government leaders (March 2019)
- The state of community civic discourse, according to Michigan's local government leaders (December 2018)
- Despite sustained economic growth, Michigan local government fiscal health still lags (November 2018)
- Michigan local government leaders' views on medical and recreational marijuana (September 2018)
- Rising confidence in Michigan's direction among local leaders, but partisan differences remain (July 2018)
- Michigan local government officials weigh in on housing shortages and related issues (June 2018)
- Approaches to land use planning and zoning among Michigan's local governments (May 2018)
- Workforce issues and challenges for Michigan's local governments (January 2018)
- Local leaders' views on elections in Michigan: accuracy, problems, and reform options (November 2017)
- Michigan local government officials report complex mix of improvement and decline in fiscal health, but with overall trend moving slowly upward (October 2017)
- Michigan local leaders want their citizens to play a larger role in policymaking, but report declining engagement (August 2017)
- Michigan local leaders' views on state preemption and how to share policy authority (June 2017)
- Improving communication, building trust are seen as keys to fixing relationships between local jurisdictions and the State government (May 2017)
- Local leaders more likely to support than oppose Michigan's Emergency Manager law, but strongly favor reforms (February 2017)
- Local government leaders' views on drinking water and water supply infrastructure in Michigan communities (November 2016)
- Michigan local leaders say property tax appeals are common, disagree with 'dark stores' assessing (October 2016)
- Local officials say Michigan's system of funding local government is broken, and seek State action to fix it (September 2016)
- Michigan local governments report first declines in fiscal health trend since 2010 (August 2016)
- Michigan local leaders' doubts continue regarding the state's direction (July 2016)
- Hospital access primary emergency medical concern among many Michigan local officials (July 2016)
- Firefighting services in Michigan: challenges and approaches among local governments (June 2016)

Most local officials are satisfied with law enforcement services, but almost half from largest jurisdictions say their funding is insufficient (April 2016)

Local leaders say police-community relations are good throughout Michigan, but those in large cities are concerned about potential civil unrest over police use-of-force (February 2016)

Report: Responding to budget surplus vs. deficit: the preferences of Michigan's local leaders and citizens (December 2015)

Michigan's local leaders concerned about retiree health care costs and their governments' ability to meet future obligations (October 2015)

Fiscal health rated relatively good for most jurisdictions, but improvement slows and decline continues for many (September 2015)

Confidence in Michigan's direction declines among state's local leaders (August 2015)

Michigan local government leaders' views on private roads (July 2015)

Few Michigan jurisdictions have adopted Complete Streets policies, though many see potential benefits (June 2015)

Michigan local leaders have positive views on relationships with county road agencies, despite some concerns (May 2015)

Michigan local government leaders say transit services are important, but lack of funding discourages their development (April 2015)

Michigan local leaders see need for state and local ethics reform (March 2015)

Local leaders say Michigan road funding needs major increase, but lack consensus on options that would raise the most revenue (February 2015)

Michigan local government leaders' views on employee pay and benefits (January 2015)

Despite increasingly formal financial management, relatively few Michigan local governments have adopted recommended policies (December 2014)

Most Michigan local officials are satisfied with their privatized services, but few seek to expand further (November 2014)

Michigan local governments finally pass fiscal health tipping point overall, but one in four still report decline (October 2014)

Beyond the coast, a tenuous relationship between Michigan local governments and the Great Lakes (September 2014)

Confidence in Michigan's direction holds steady among state's local leaders (August 2014)

Wind power as a community issue in Michigan (July 2014)

Fracking as a community issue in Michigan (June 2014)

The impact of tax-exempt properties on Michigan local governments (March 2014)

Michigan's local leaders generally support Detroit bankruptcy filing despite some concerns (February 2014)

Michigan local governments increasingly pursue placemaking for economic development (January 2014)

Views on right-to-work legislation among Michigan's local government leaders (December 2013)

Michigan local governments continue seeking, and receiving, union concessions (October 2013)

Michigan local government fiscal health continues gradual improvement, but smallest jurisdictions lagging (September 2013)

Local leaders evaluate state policymaker performance and whether Michigan is on the right track (August 2013)

Trust in government among Michigan's local leaders and citizens (July 2013)

Citizen engagement in the view of Michigan's local government leaders (May 2013)

Beyond trust in government: government trust in citizens? (March 2013)

Local leaders support reforming Michigan's system of funding local government (January 2013)

Local leaders support eliminating Michigan's Personal Property Tax if funds are replaced, but distrust state follow-through (November 2012)

Michigan's local leaders satisfied with union negotiations (October 2012)

Michigan's local leaders are divided over the state's emergency manager law (September 2012)

Fiscal stress continues for hundreds of Michigan jurisdictions, but conditions trend in positive direction overall (September 2012)

Michigan's local leaders more positive about Governor Snyder's performance, more optimistic about the state's direction (July 2012)

Data-driven decision-making in Michigan local government (June 2012)

State funding incentives increase local collaboration, but also raise concerns (March 2012)

Local officials react to state policy innovation tying revenue sharing to dashboards and incentive funding (January 2012)



- MPPS finds fiscal health continues to decline across the state, though some negative trends eased in 2011 (October 2011)
- Public sector unions in Michigan: their presence and impact according to local government leaders (August 2011)
- Despite increased approval of state government performance, Michigan's local leaders are concerned about the state's direction (August 2011)
- Local government and environmental leadership: views of Michigan's local leaders (July 2011)
- Local leaders are mostly positive about intergovernmental cooperation and look to expand efforts (March 2011)
- Local government leaders say most employees are not overpaid, though some benefits may be too generous (February 2011)
- Local government leaders say economic gardening can help grow their economies (November 2010)
- Local governments struggle to cope with fiscal, service, and staffing pressures (August 2010)
- Michigan local governments actively promote U.S. Census participation (August 2010)
- Fiscal stimulus package mostly ineffective for local economies (May 2010)
- Fall 2009 key findings report: educational, economic, and workforce development issues at the local level (April 2010)
- Local government officials give low marks to the performance of state officials and report low trust in Lansing (March 2010)
- Local government fiscal and economic development issues (October 2009)

All MPPS reports are available online at: <http://closup.umich.edu/mpps-publications>

University of Michigan

Center for Local, State, and Urban Policy

Gerald R. Ford School of Public Policy

Joan and Sanford Weill Hall

735 S. State Street, Suite 5310

Ann Arbor, MI 48109-3091

The **Center for Local, State, and Urban Policy (CLOSUP)**, housed at the University of Michigan's Gerald R. Ford School of Public Policy, conducts and supports applied policy research designed to inform state, local, and urban policy issues. Through integrated research, teaching, and outreach involving academic researchers, students, policymakers and practitioners, CLOSUP seeks to foster understanding of today's state and local policy problems, and to find effective solutions to those problems.

web: www.closup.umich.edu

email: closup@umich.edu

twitter: @closup

phone: 734-647-4091



Regents of the University of Michigan

Jordan B. Acker
Huntington Woods

Michael J. Behm
Grand Blanc

Mark J. Bernstein
Ann Arbor

Paul W. Brown
Ann Arbor

Sarah Hubbard
Okemos

Denise Iltich
Bingham Farms

Ron Weiser
Ann Arbor

Katherine E. White
Ann Arbor

Mark S. Schlissel
(ex officio)

