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## Our growth industry

### Unfortunately, it's local government. Now the region must pare back to fuel more productive investment

Published on Sunday, May 29, 2011

Local government in Northeast Ohio is a spectacular growth industry. That is the startling conclusion of a new study of the region's economy. Unfortunately, it is bad news, the many layers swallowing resources that could be directed toward education and innovation, keys to new jobs and growth.

The study, released last week and commissioned by the Fund for Our Economic Future and other business and civic groups concerned with economic competitiveness, correctly calls for increased efforts to collaborate and share services, increasing efficiency. That way, local governments can do their part to contribute to a stronger region.

The Center for Governmental Research, a think tank based in Rochester, N.Y., compared the growth in the cost of local government in the 16-county region with several other factors. From 1992 to 2002, while the region's population increased by 1 percent, local government spending rose by 70 percent. Meanwhile, economic output increased by 25 percent; inflation by 29 percent.

Other findings also emphasized the need to push ahead with local government collaboration. The region's 868 local governmental entities — the equivalent of one for every 4,000 citizens — now consume about \$20 billion a year, about 15 percent of the local economy. In other words, efforts at running things more efficiently are well worth the effort.

Researchers also looked at population growth in comparison to the amount of developed land in the region, for another eye-popping finding, quantifying the cost of sprawl. Since 1970, there has been a 60 percent increase in developed land in the region, with a 6 percent growth in population. The report's strongly worded conclusion: "We are subsidizing the region's economic destruction by adding physical infrastructure at a rate that is out of whack with our flat rate of population growth."

The report pointed to several initiatives under way, among them a regional competition supported by the Fund for Our Economic Future that gives small grants to local governments with winning projects for governmental innovation. The two rounds of competition so far have helped generate interest in cooperative ventures, but the scope of the projects has been modest.

To drive innovation, the report correctly suggests a strategic diversion of the state Local Government Fund, setting aside from 15 percent to 20 percent to support reform projects. Such an investment, about \$133 million at current funding levels (due to be slashed in the budget bill now before the Senate), would not be enough to turn around a region, let alone a state. The point is: Fund demonstration projects that show what can be achieved by working together, the region and state gaining resources to compete globally rather than propping up local governments that compete against each other.

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