

Cuyahoga County: Collaborating to Compete

Report
Prepared by the
Center for Regional Economic Issues
for Leadership Cleveland

November 11, 2004

The main points on the costs of governing in Cuyahoga County

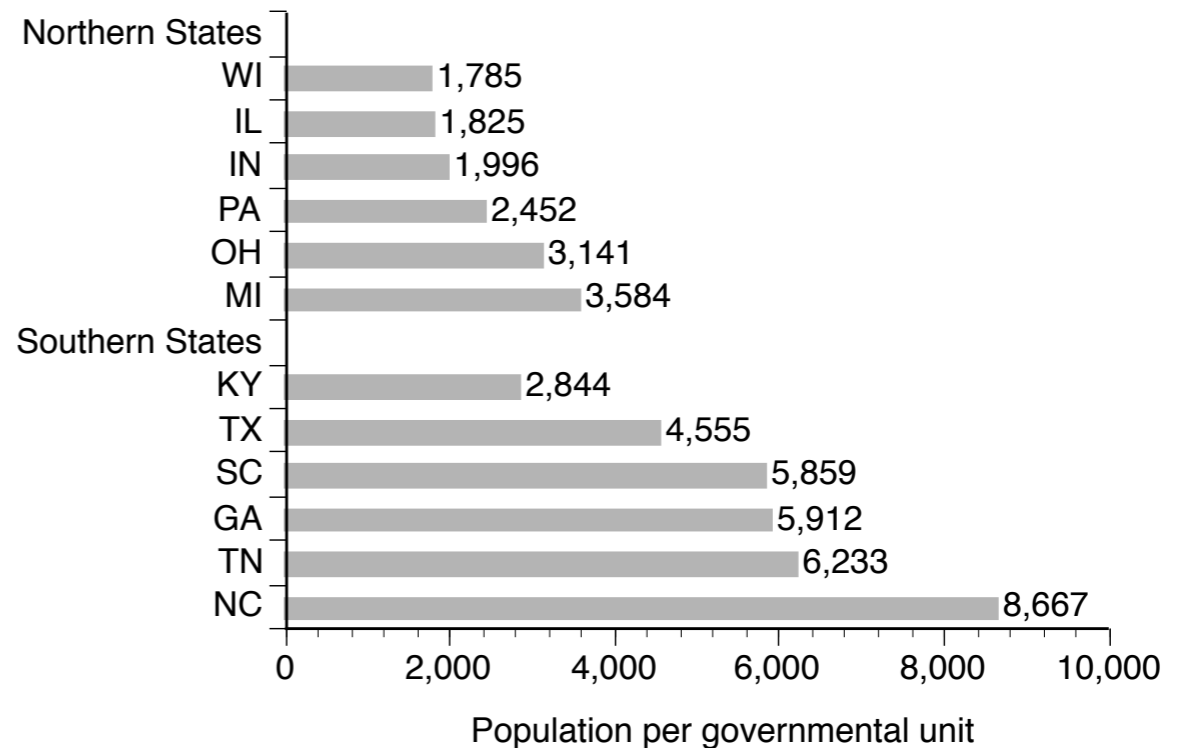
- Generally speaking, Southern states are more competitive than Northern states in the delivery of government services.
- Ohio has been adding higher levels of local public employment, despite relatively slow populations growth.
- Cuyahoga County has far higher levels of public employment than comparable counties.
- When compared to all U.S. counties, Cuyahoga County is relatively large, but the county does not realize any significant “economies of scale” from this size. To the contrary, Cuyahoga County is significantly less productive than other comparable counties.
- The productivity of the public sector is important, because it plays a tightly connected role with the region’s competitive position. We can visualize these connections in cycles of “prosperity” and “decline”.
- Civic leaders in Cuyahoga County face a choice of which cycle we will enter.

From a competitiveness viewpoint the key question is this: How much public overhead is required to support a given level of population (or income)?

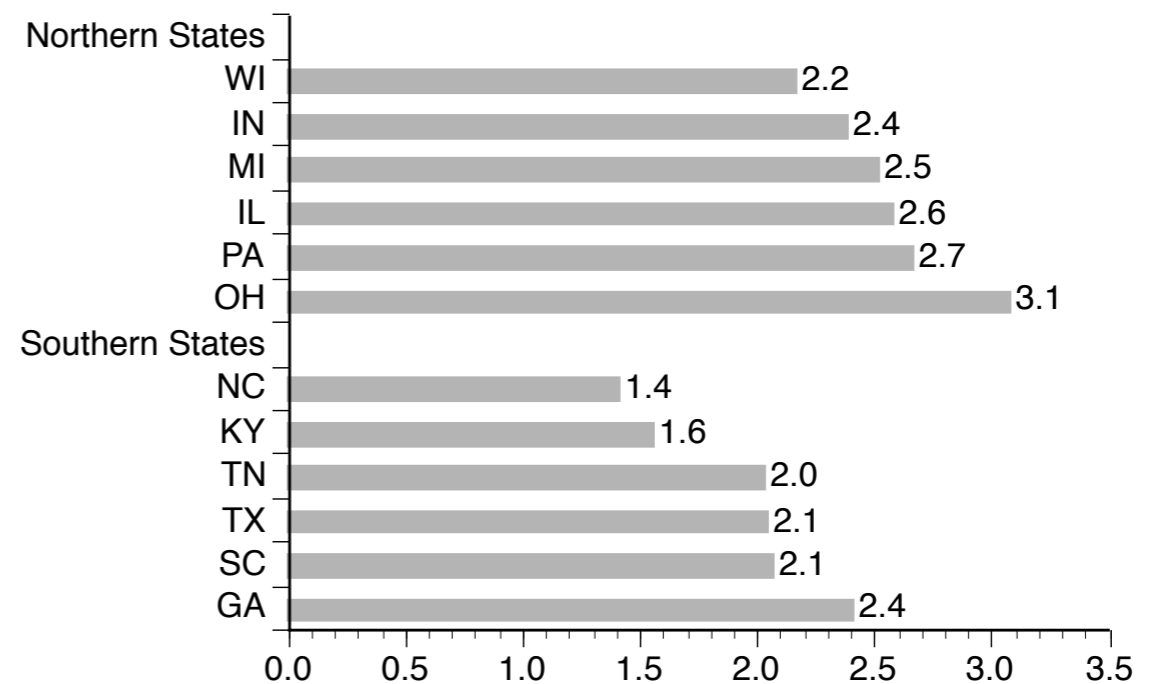
Southern states have generally less fragmentation than Northern states. Each local governmental unit tends to serve a larger population base.

The cost consequences show up in, for example, the number of local government administration staff per 1,000 population.

Southern states generally employ fewer local government administrators per 1,000 population.



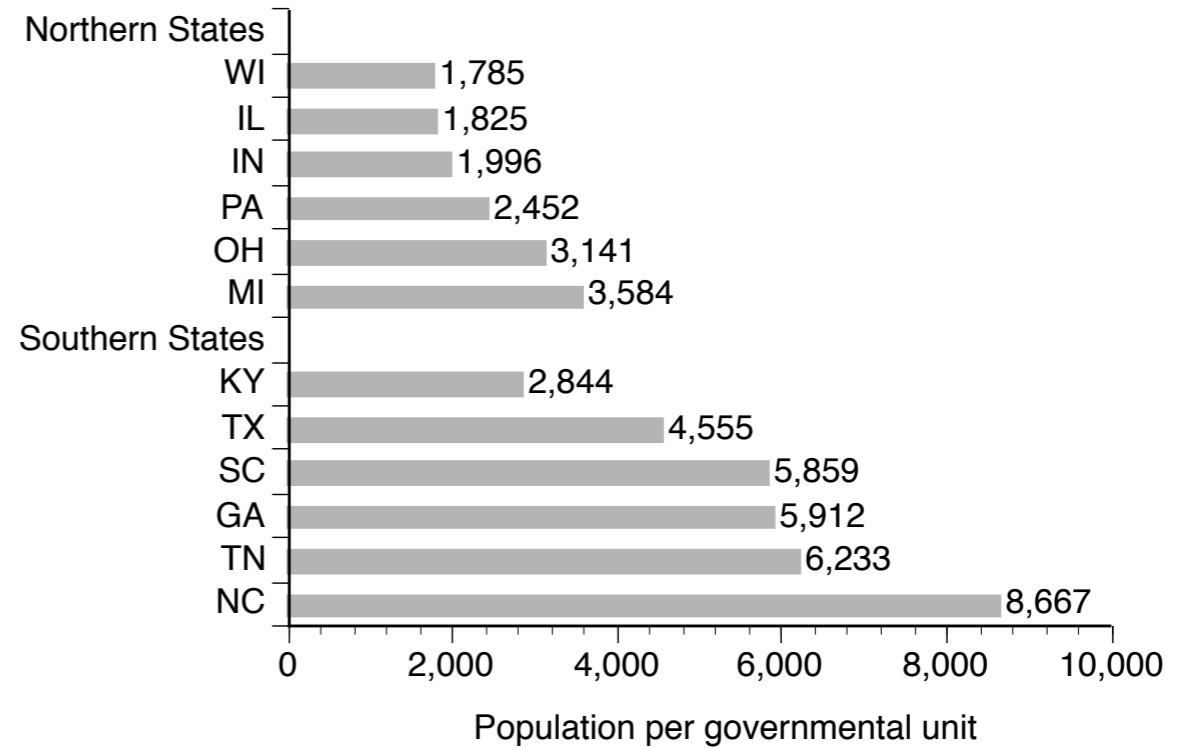
Source: US Statistical Abstract



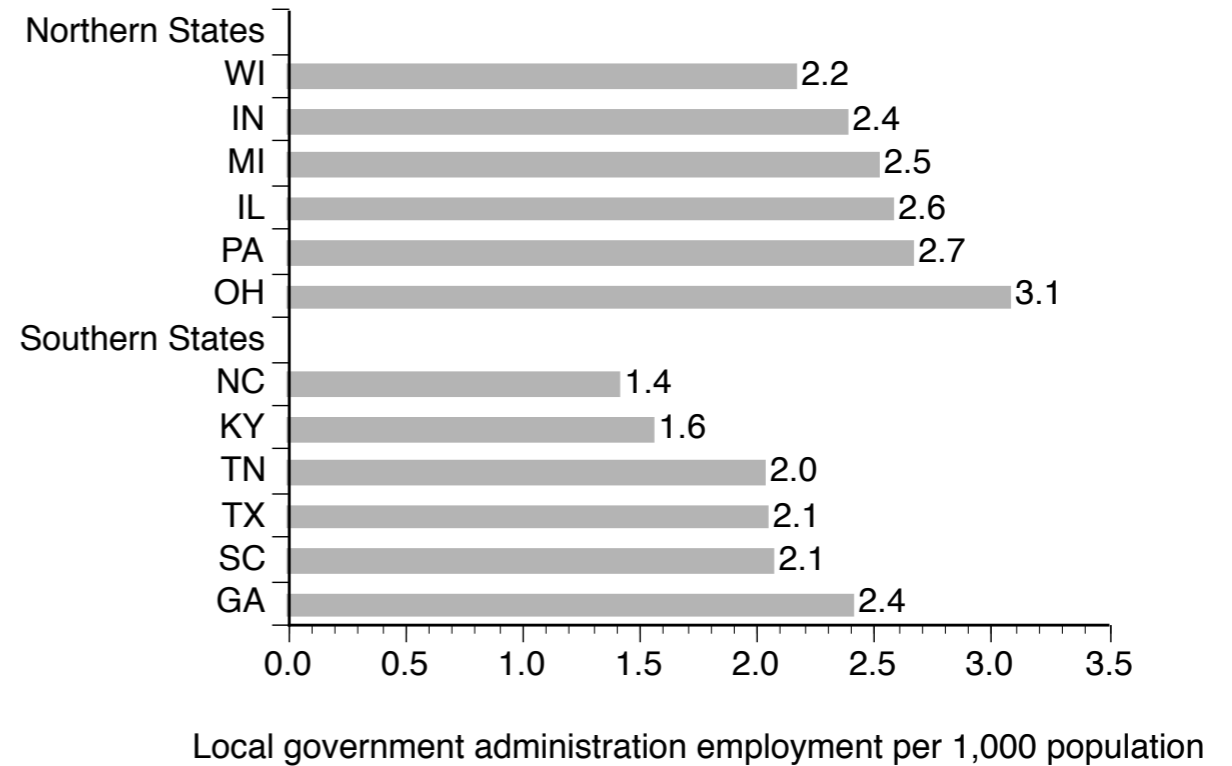
Local government administration employment per 1,000 population

Source: US Statistical Abstract

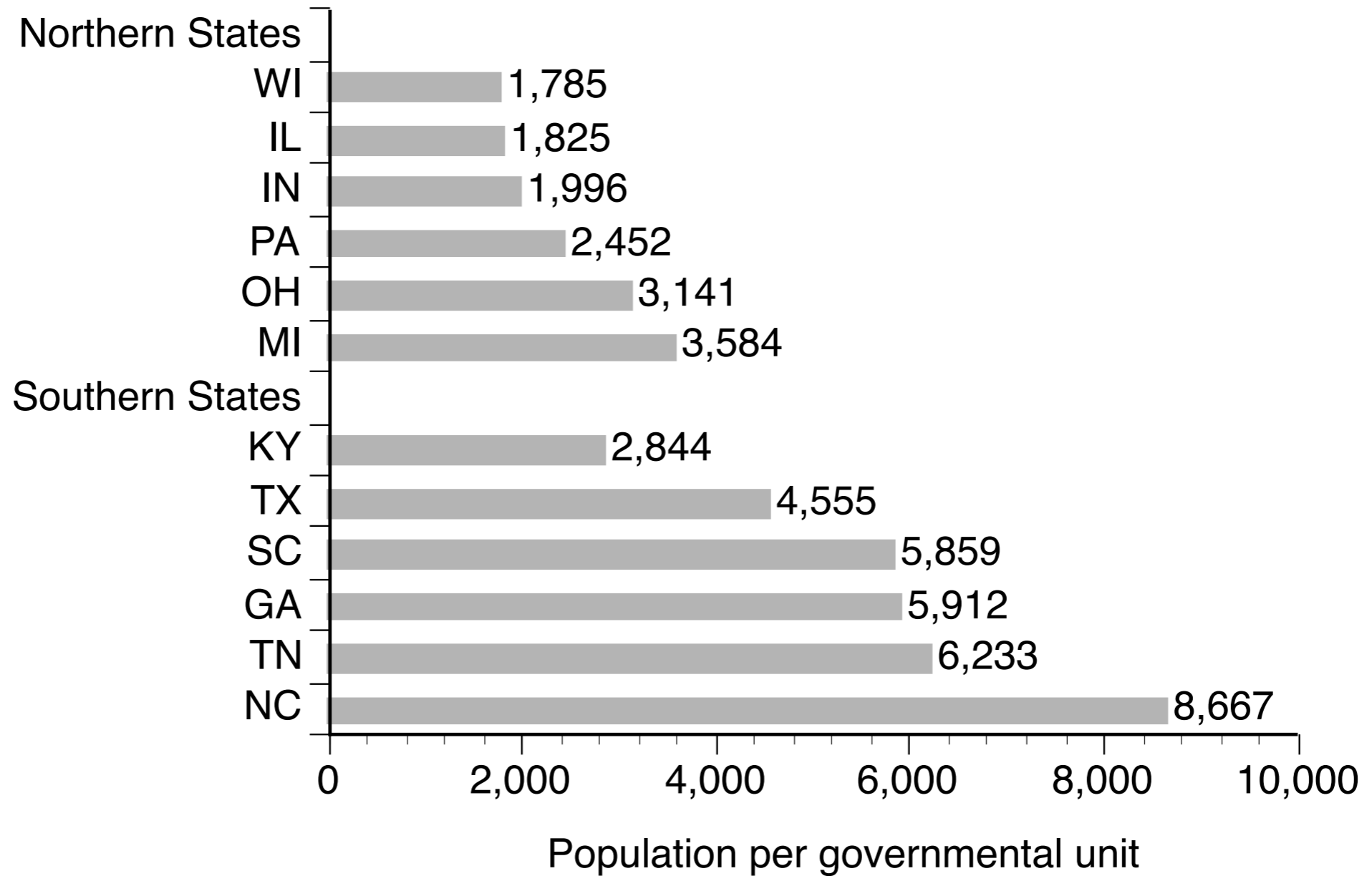
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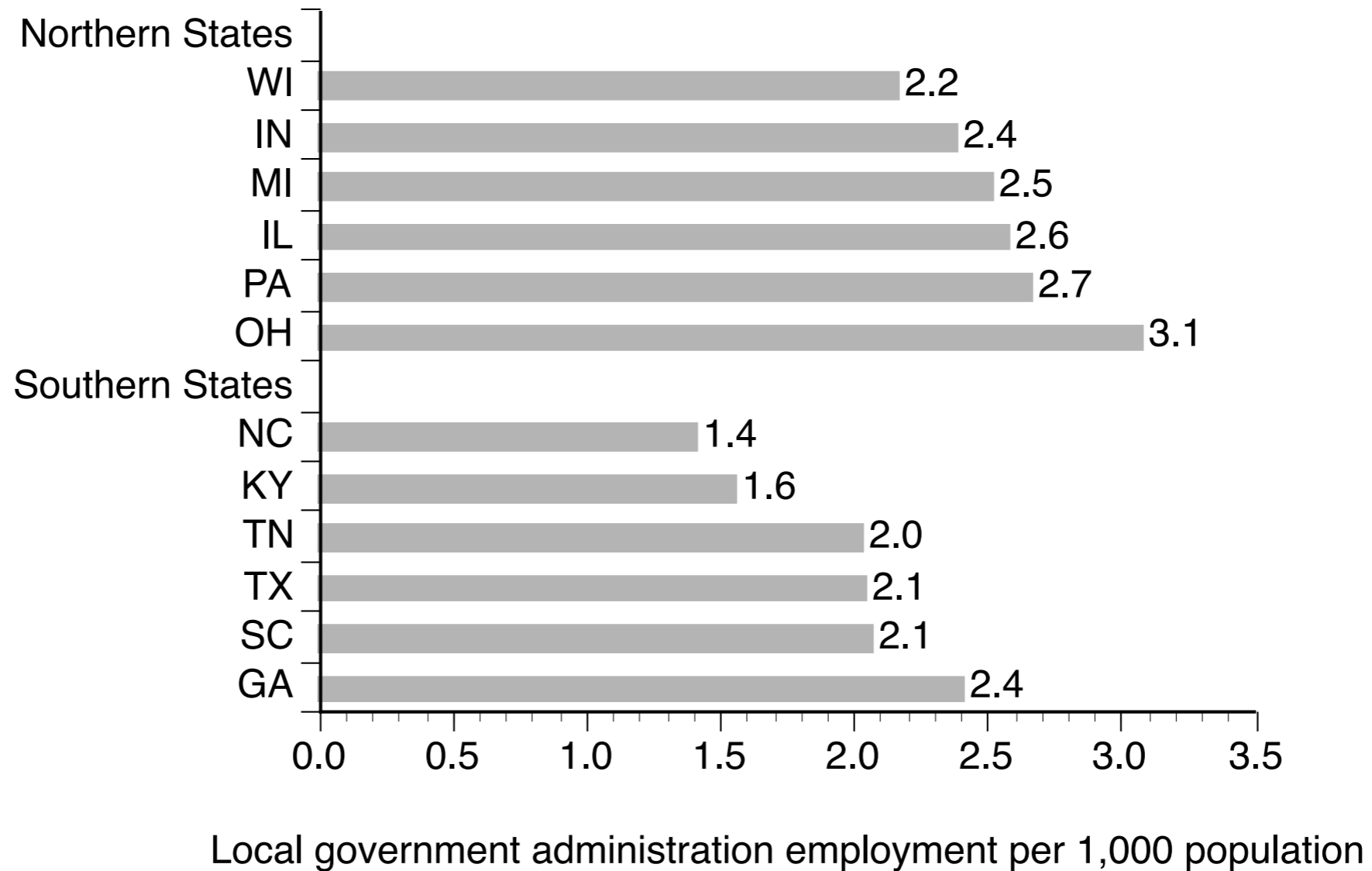
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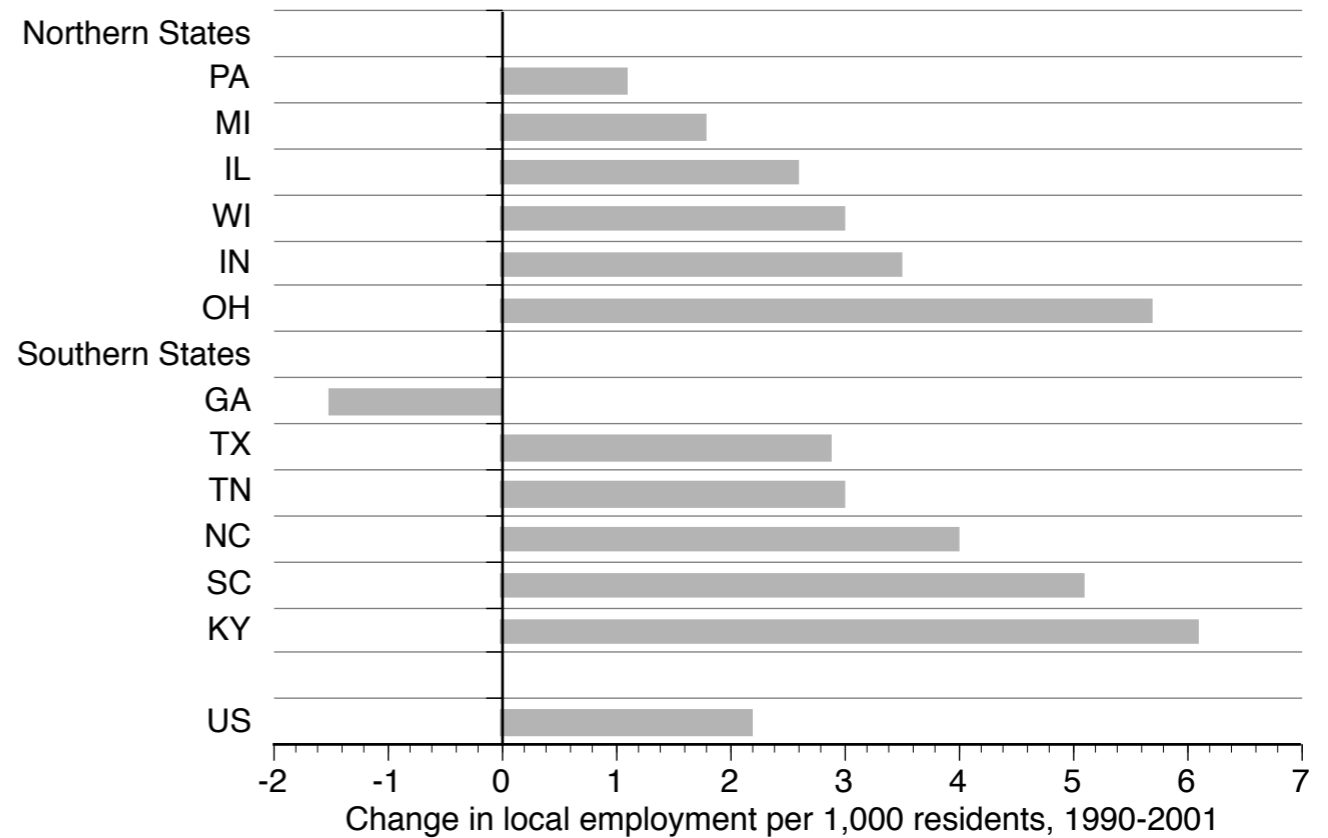
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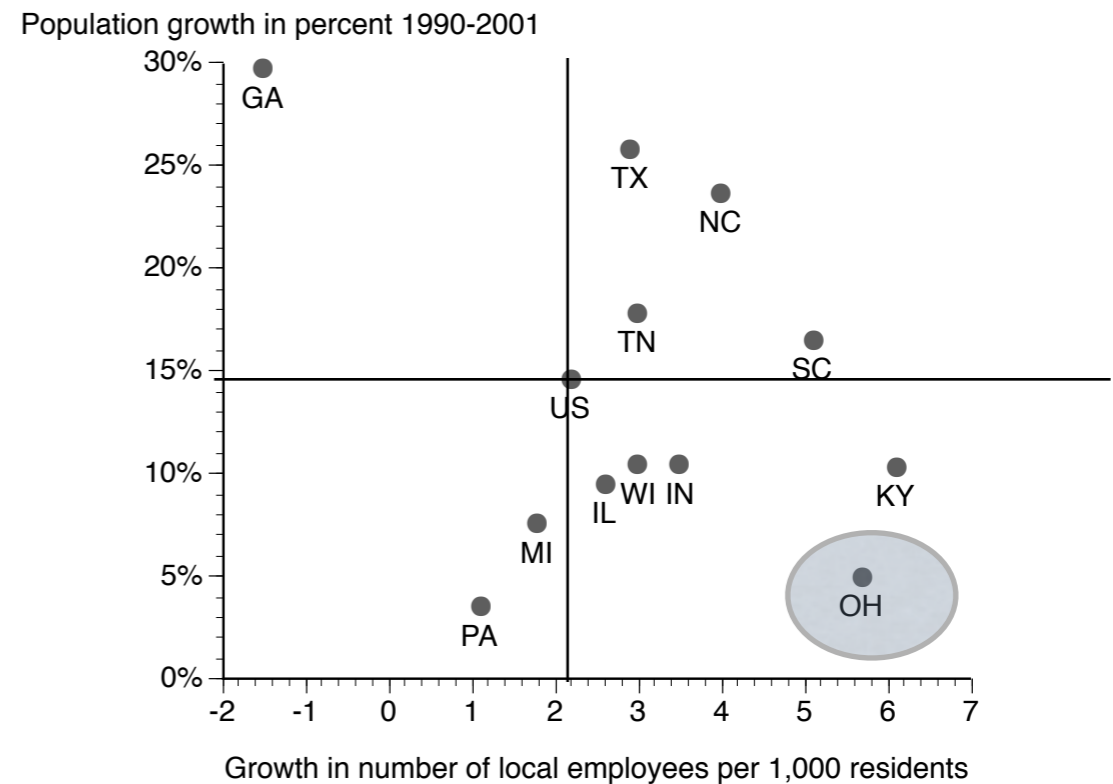


From 1990 to 2001, local government employment per capita in Ohio has grown significantly. On average, Ohio has added nearly 6 employees per 1,000 population.



Source: US Statistical Abstract

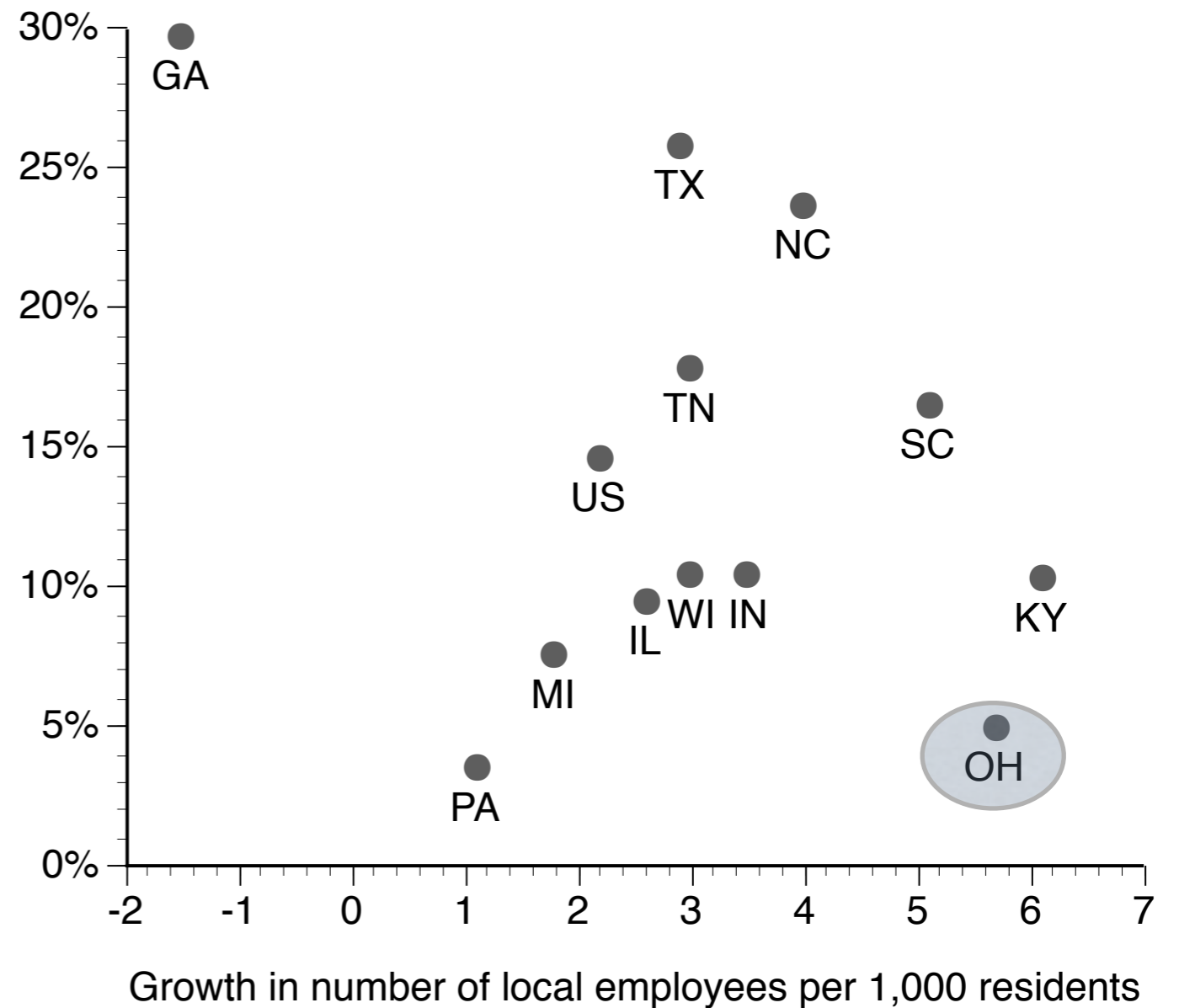
Ohio is adding local government employment per capita, despite the relatively slow growth in the state's population.



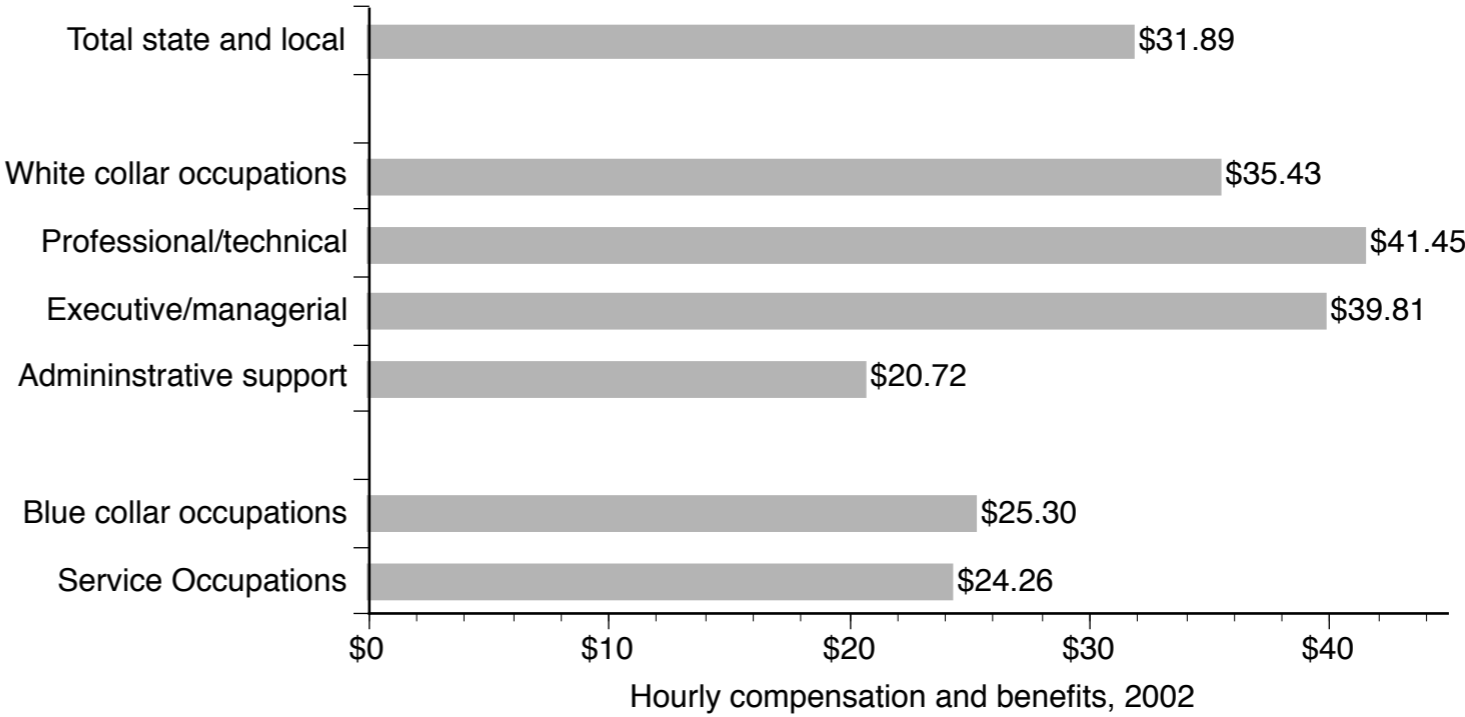
Source: US Statistical Abstract

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Population growth in percent 1990-2001

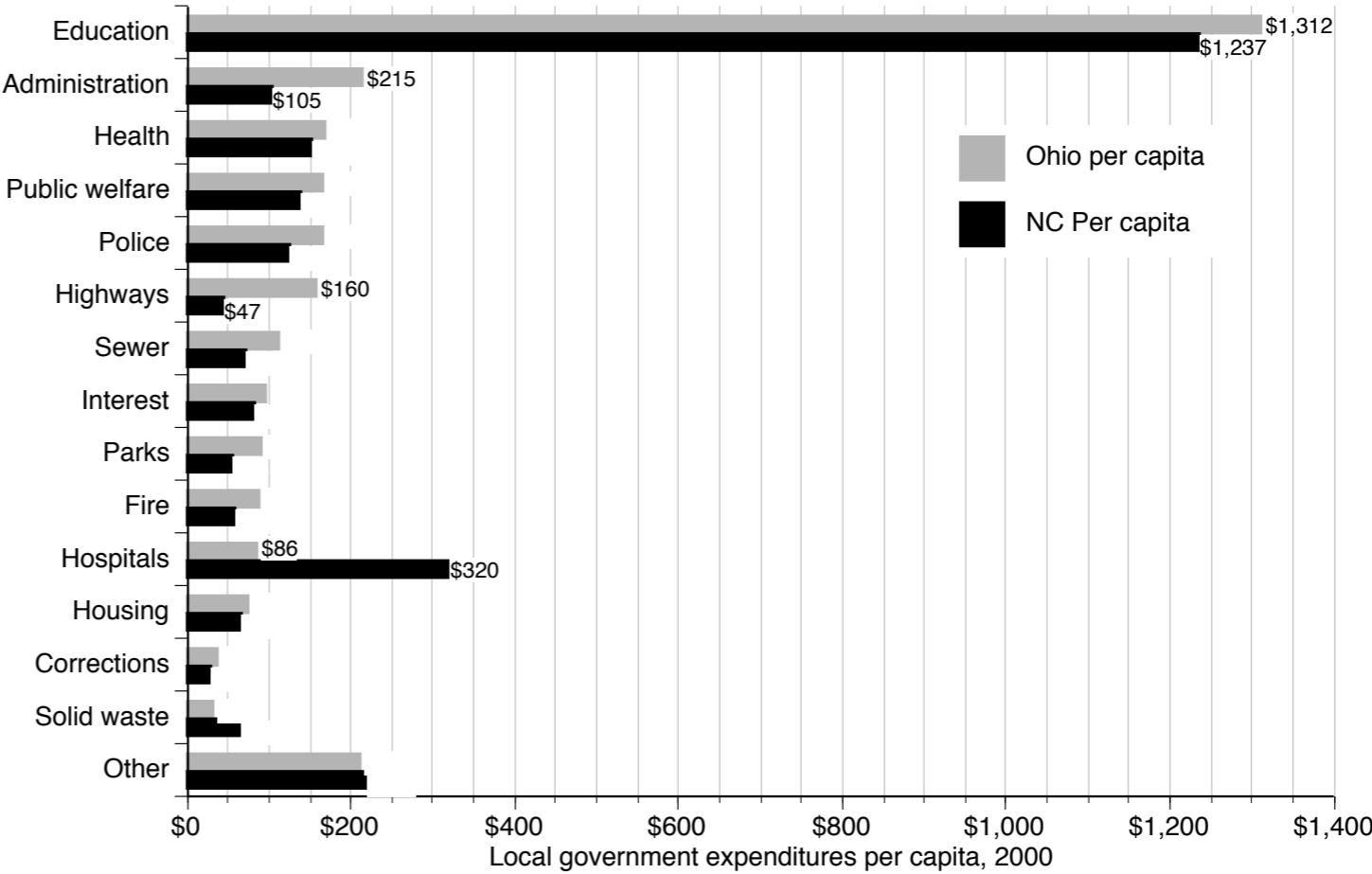


The cost consequences of relatively low productivity in the public sector is relatively high. Jobs in the public sector generally pay well.



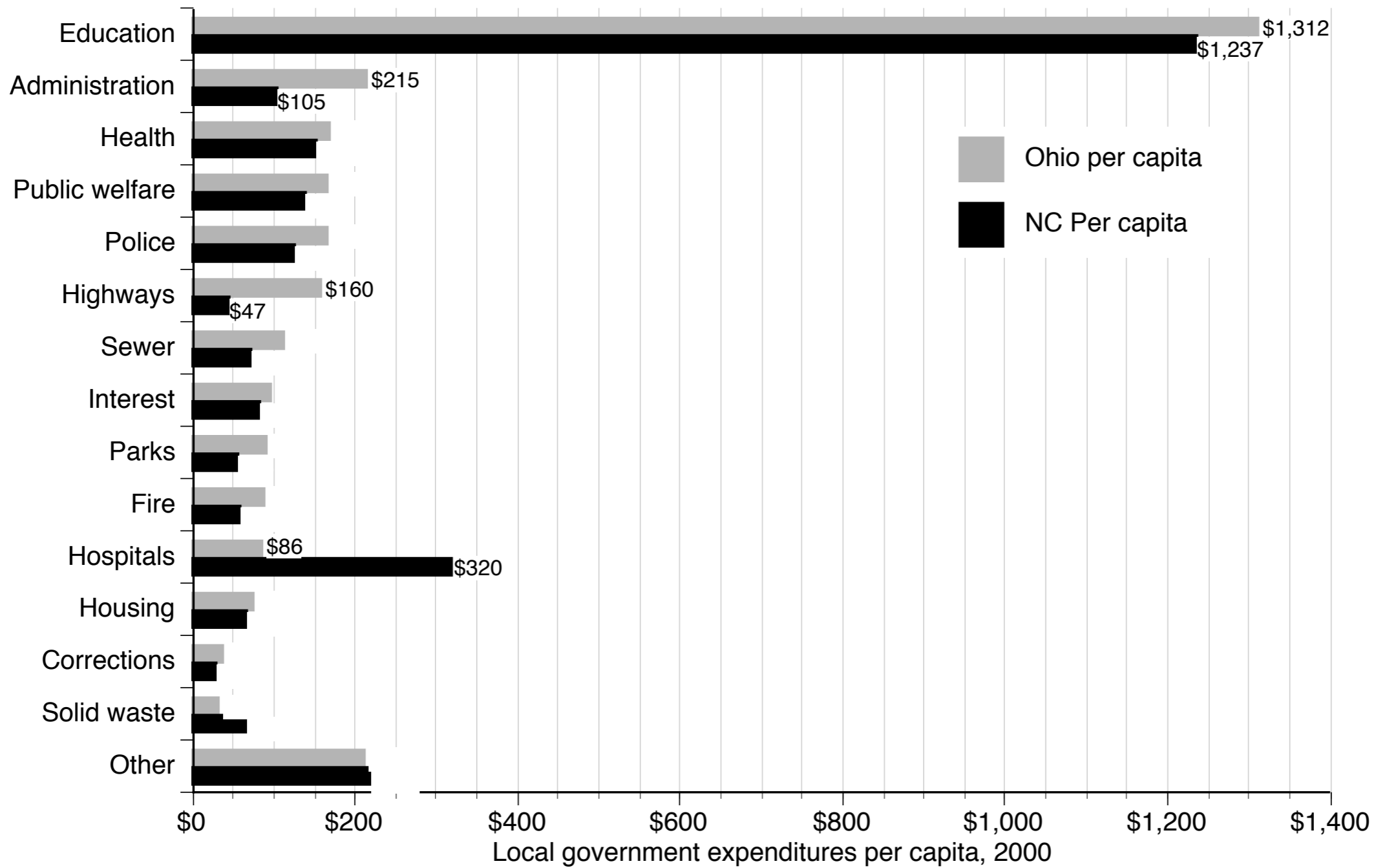
Source: US Statistical Abstract

If, for example, we compare local government expenditures between Ohio and North Carolina, we find that Ohio is paying a far higher cost per capita in local administration than North Carolina.



Source: US Census

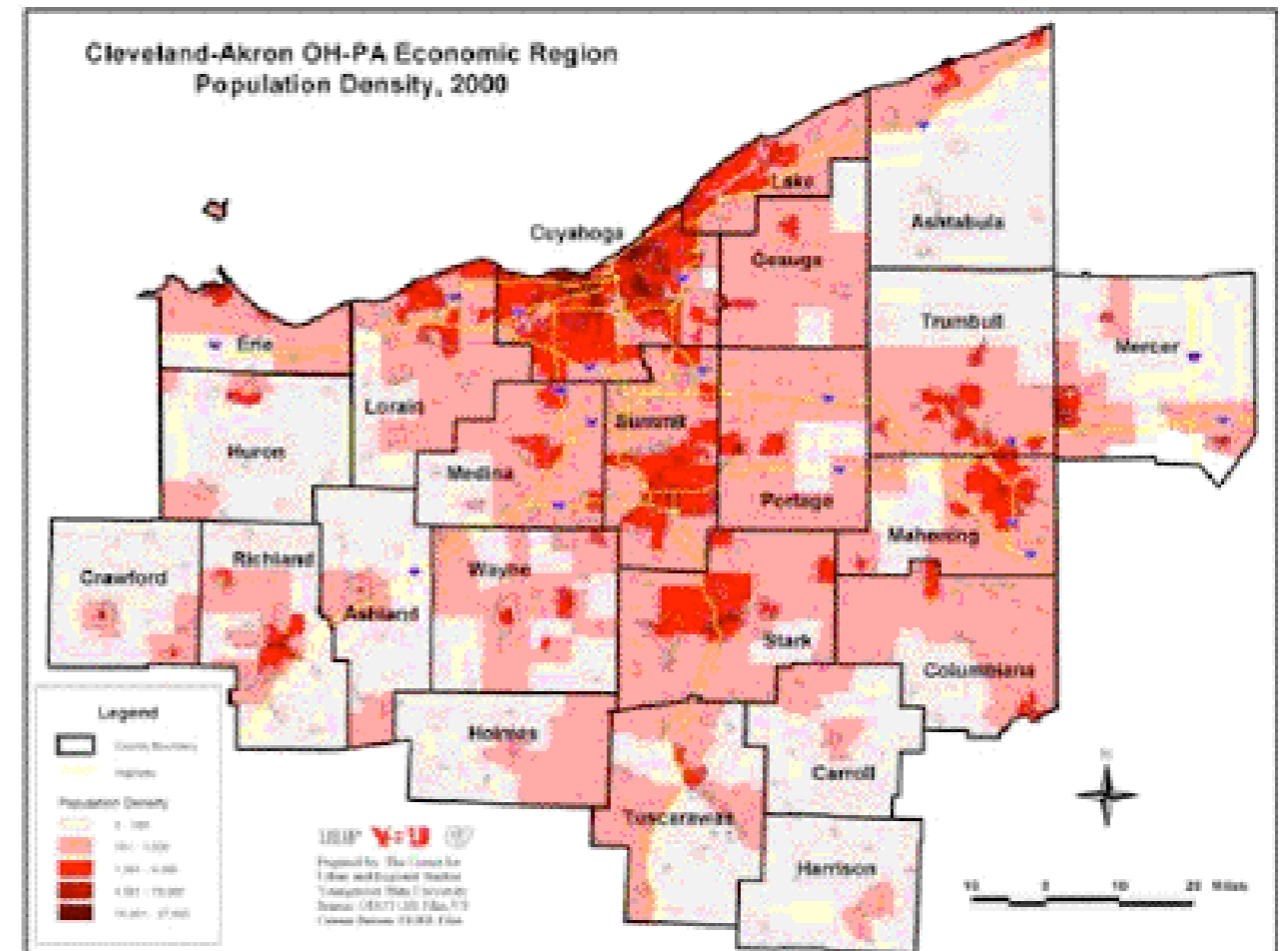
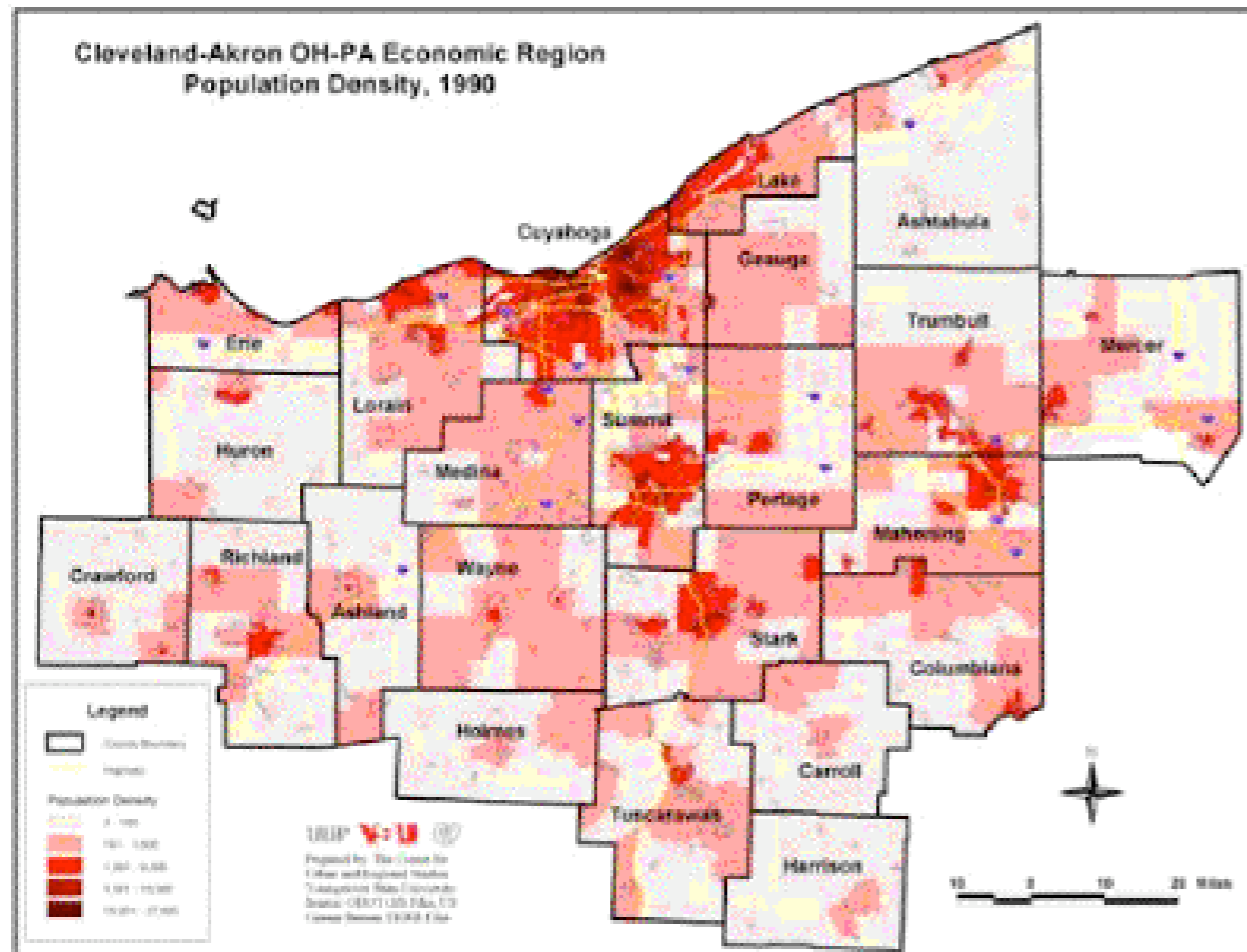
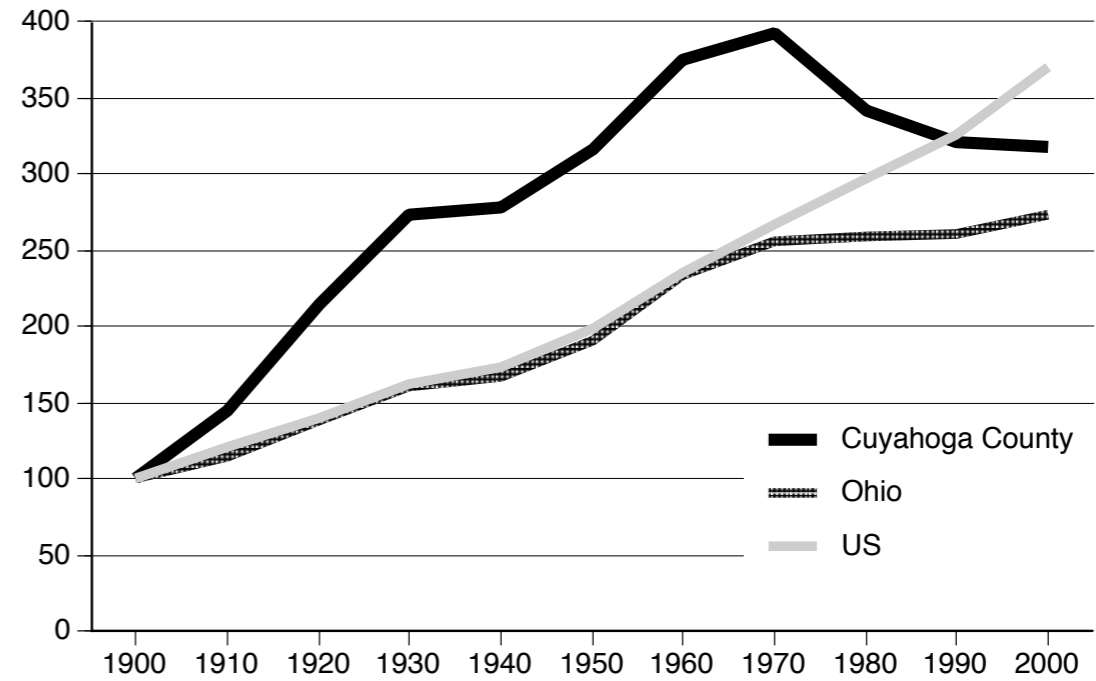
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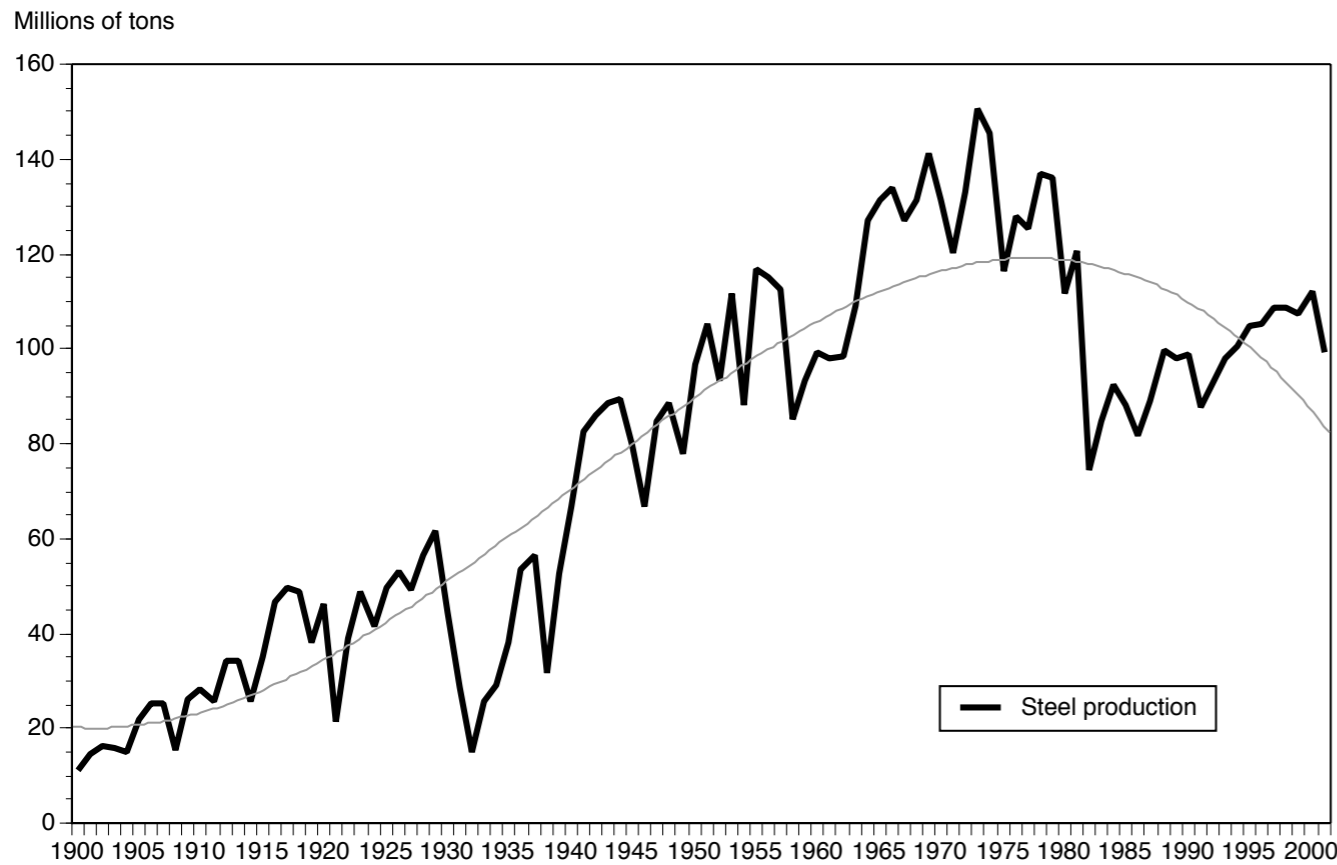


Now we turn our attention to Cuyahoga County.

As a consequence of the globalization pressures we outlined earlier, coupled with suburban sprawl, Cuyahoga County's population has declined.

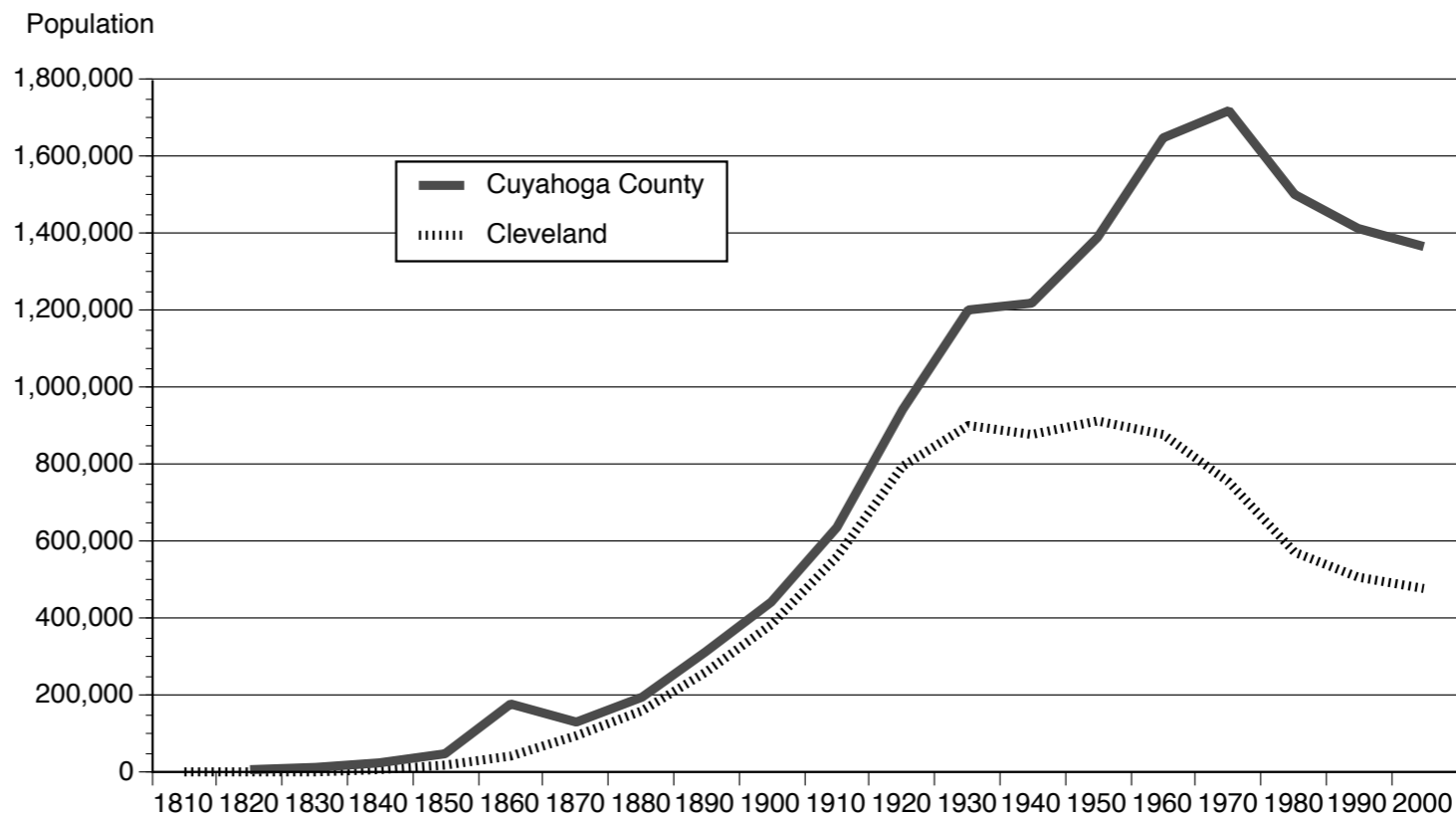
Population growth index (1900=100)





Our economic base erodes...

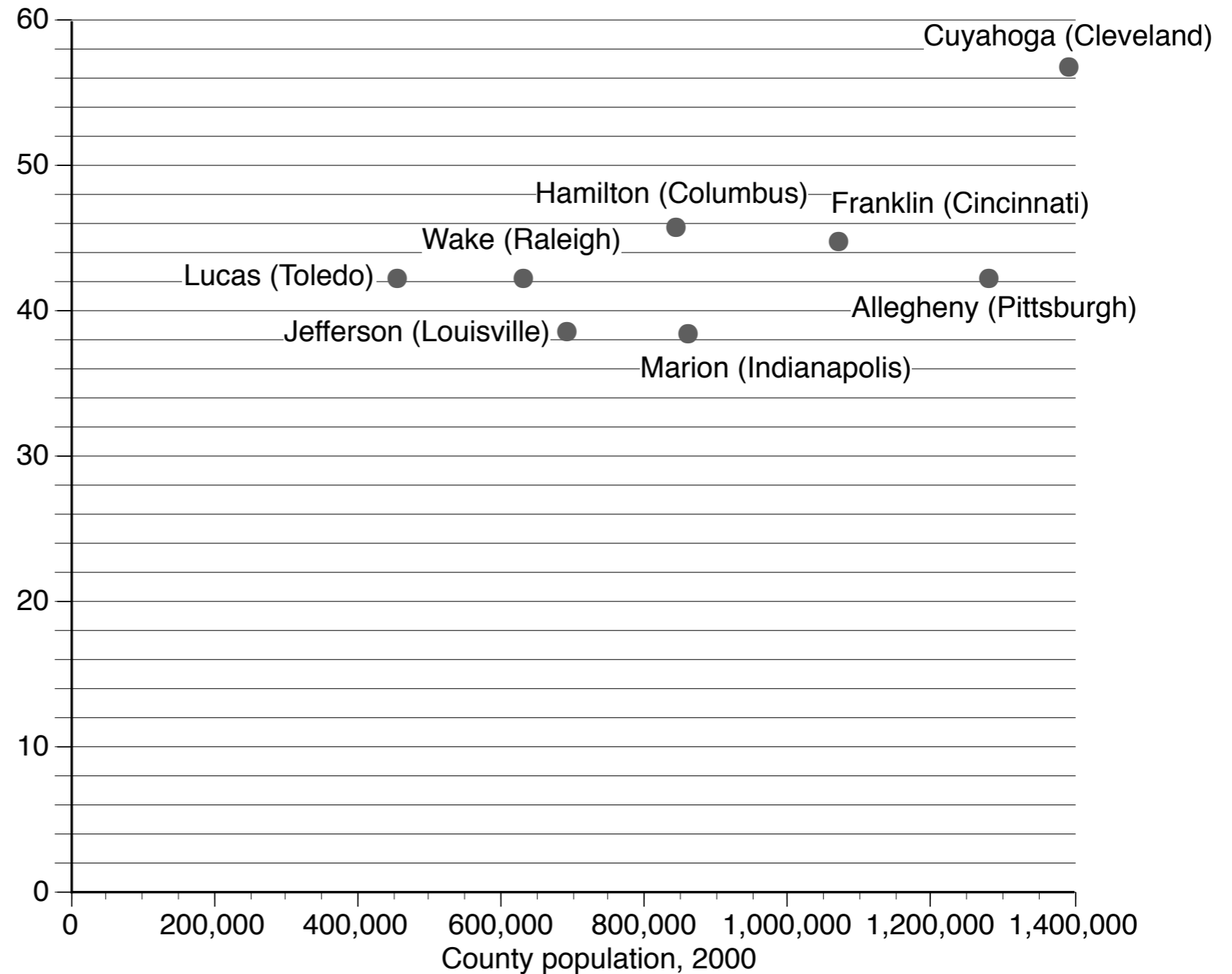
Our population declines...



Cuyahoga County suffers from the same problem as Ohio: a relatively inefficient public sector.

Cuyahoga County is a relatively large county, but generally speaking, the costs of local employment are far higher than in comparable counties.

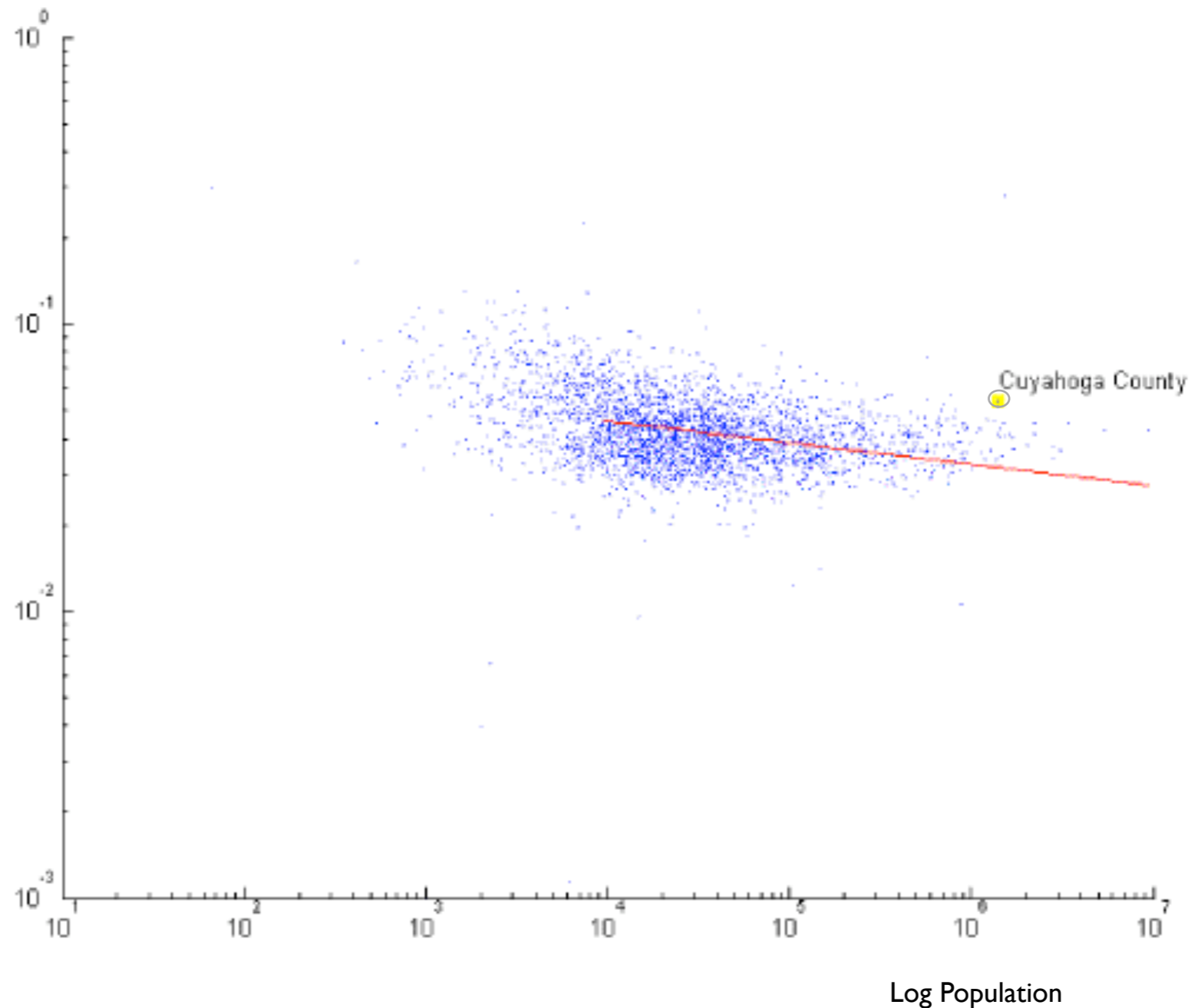
Local government employment per 1,000 residents, 2000



Log Per Capita Public Employment

If we compare Cuyahoga County to all counties nationwide, we see that Cuyahoga County does not generate any of the efficiencies in public employment one would expect with a larger count

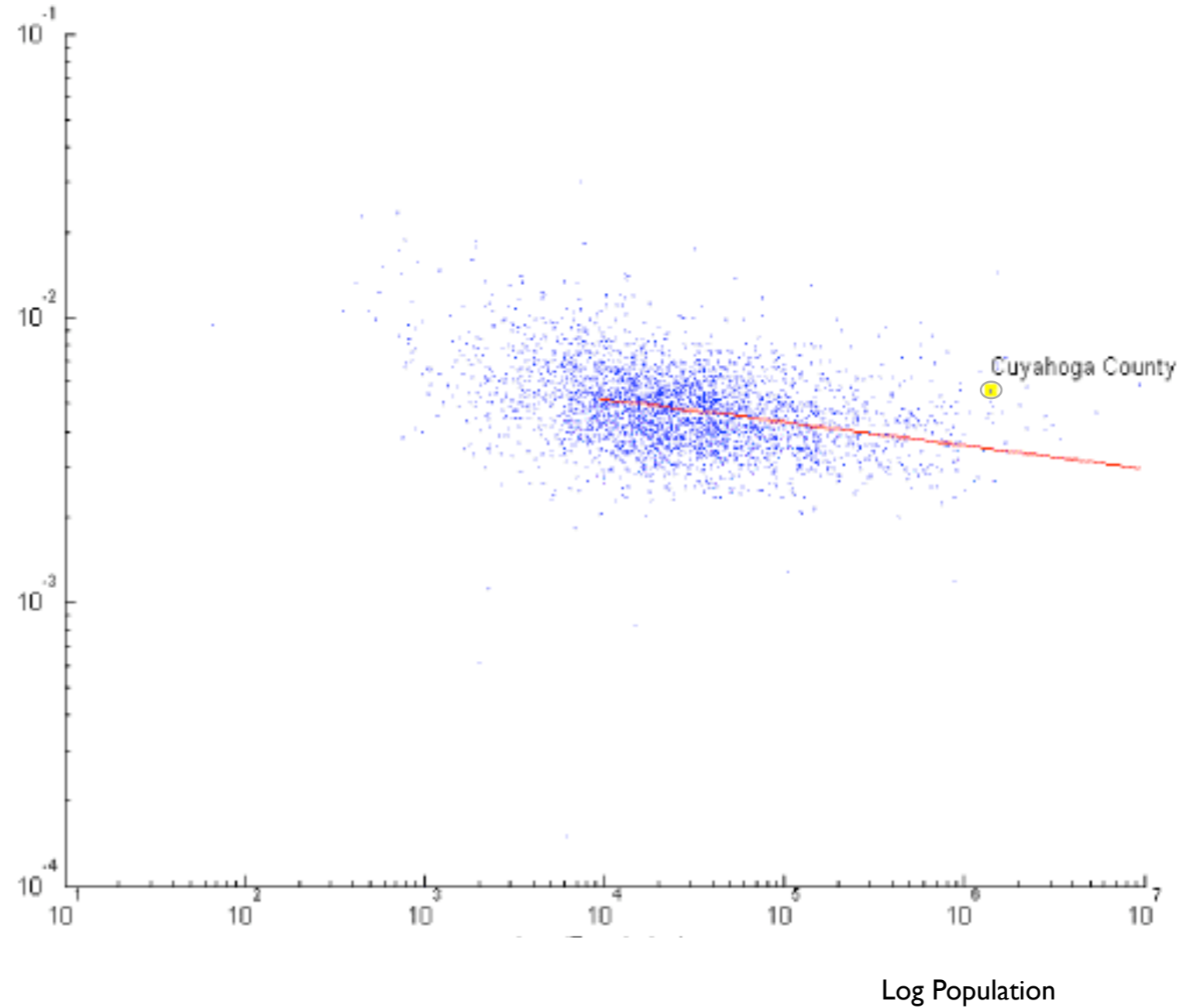
As the size of a county increases, per capita public employment generally decreases to reflect efficiencies.



source: REIS Database, analyzed by REI

Log Per Capita Income Spent on Public Payroll

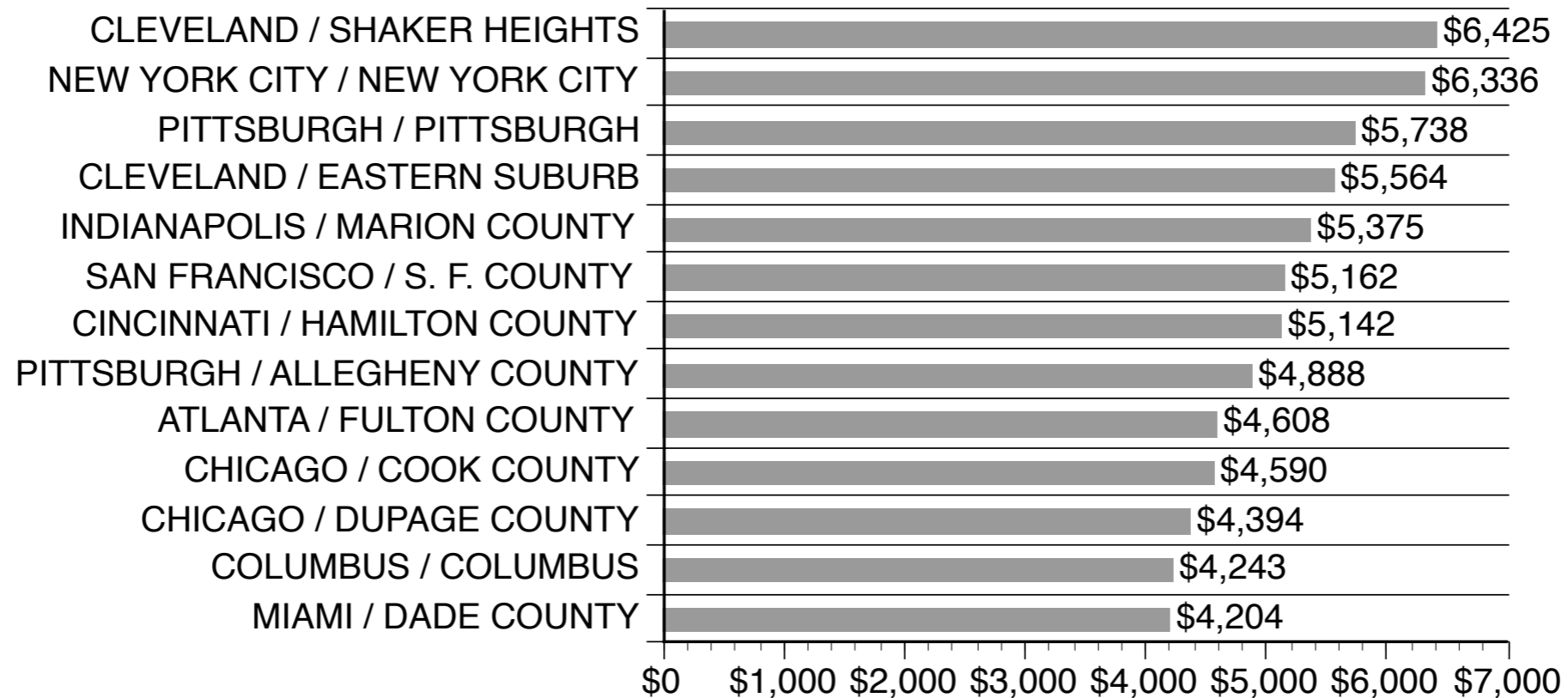
Generally speaking, Cuyahoga County is paying a higher proportion of its per capita income to support local government employment, compared to counties of comparable size.



Source: REIS Database, analyzed by REI

In part as a consequence of relatively low productivity, Cuyahoga County taxes are relatively high.

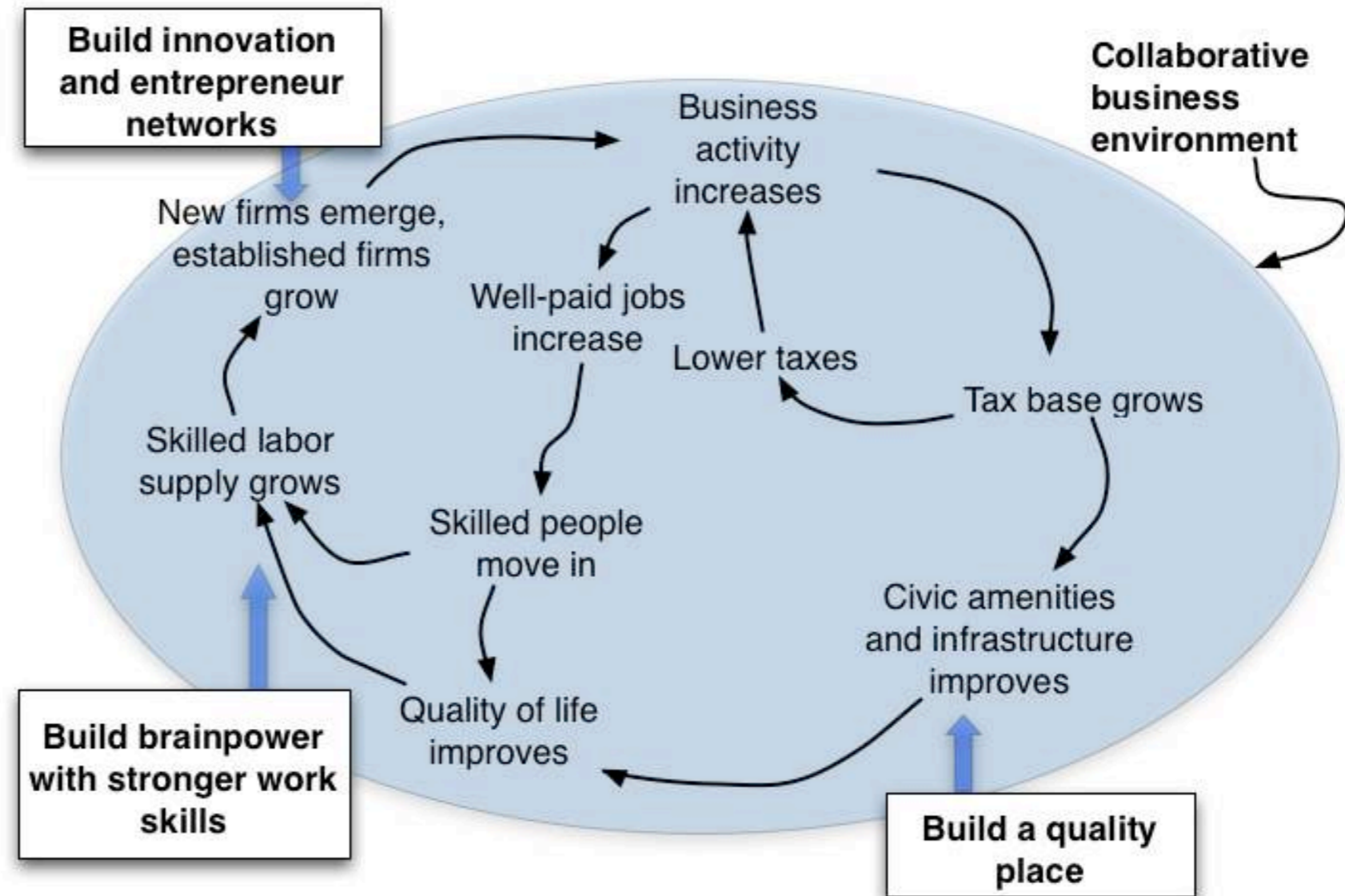
Tax burden for a family of four at \$50,000



Source: Greater Cleveland Partnership, preliminary estimates

The productivity of the public sector matters. Prosperous economies are able to support higher levels of public services and investment through a “prosperity cycle” of growth and investment

The Prosperous Cycle of Economic Development

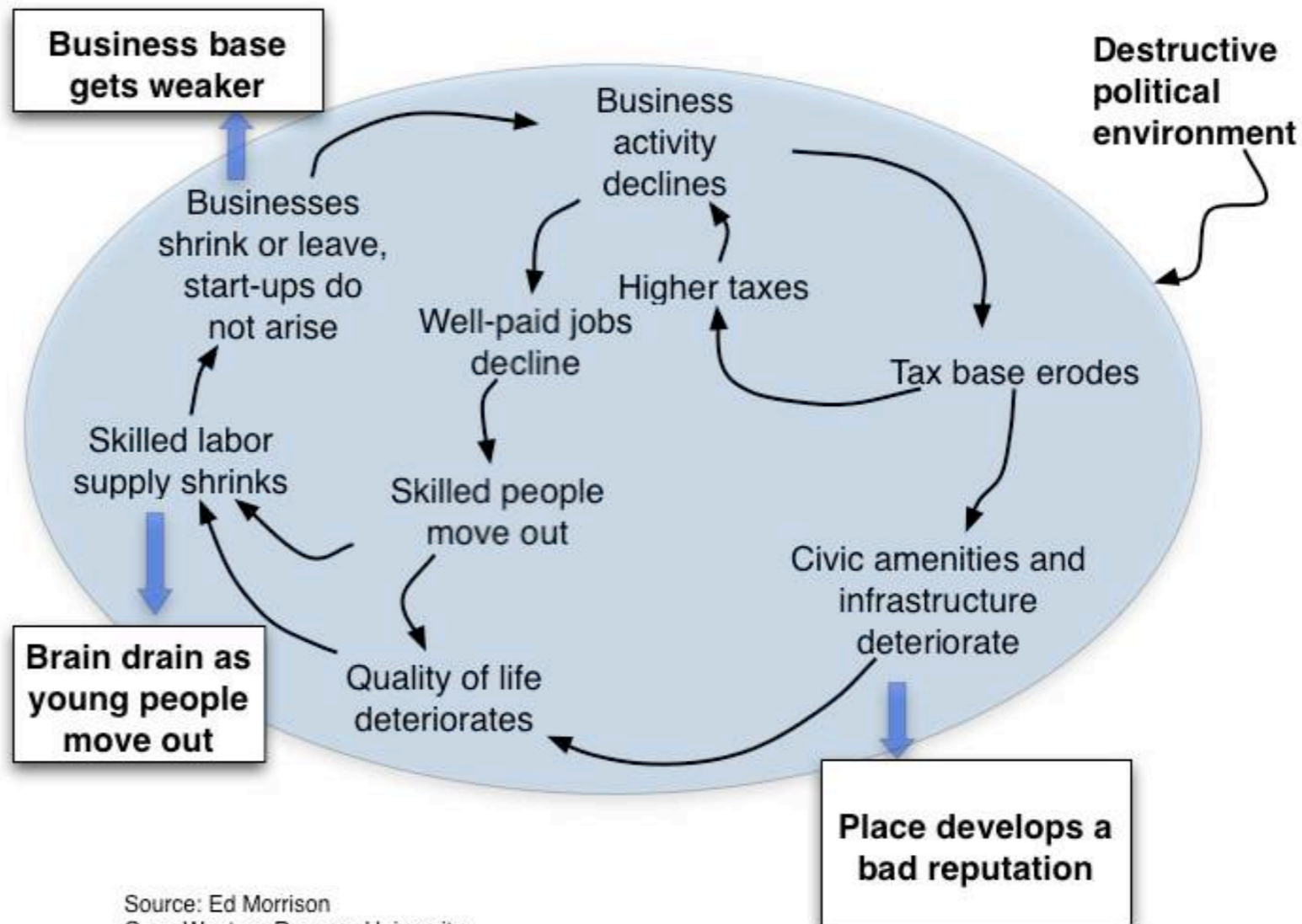


Source: Ed Morrison
Case Western Reserve University

The Downward Cycle of Economic Development

In downward economies, the opposite happens. Public investments erode and taxes tend to increase.

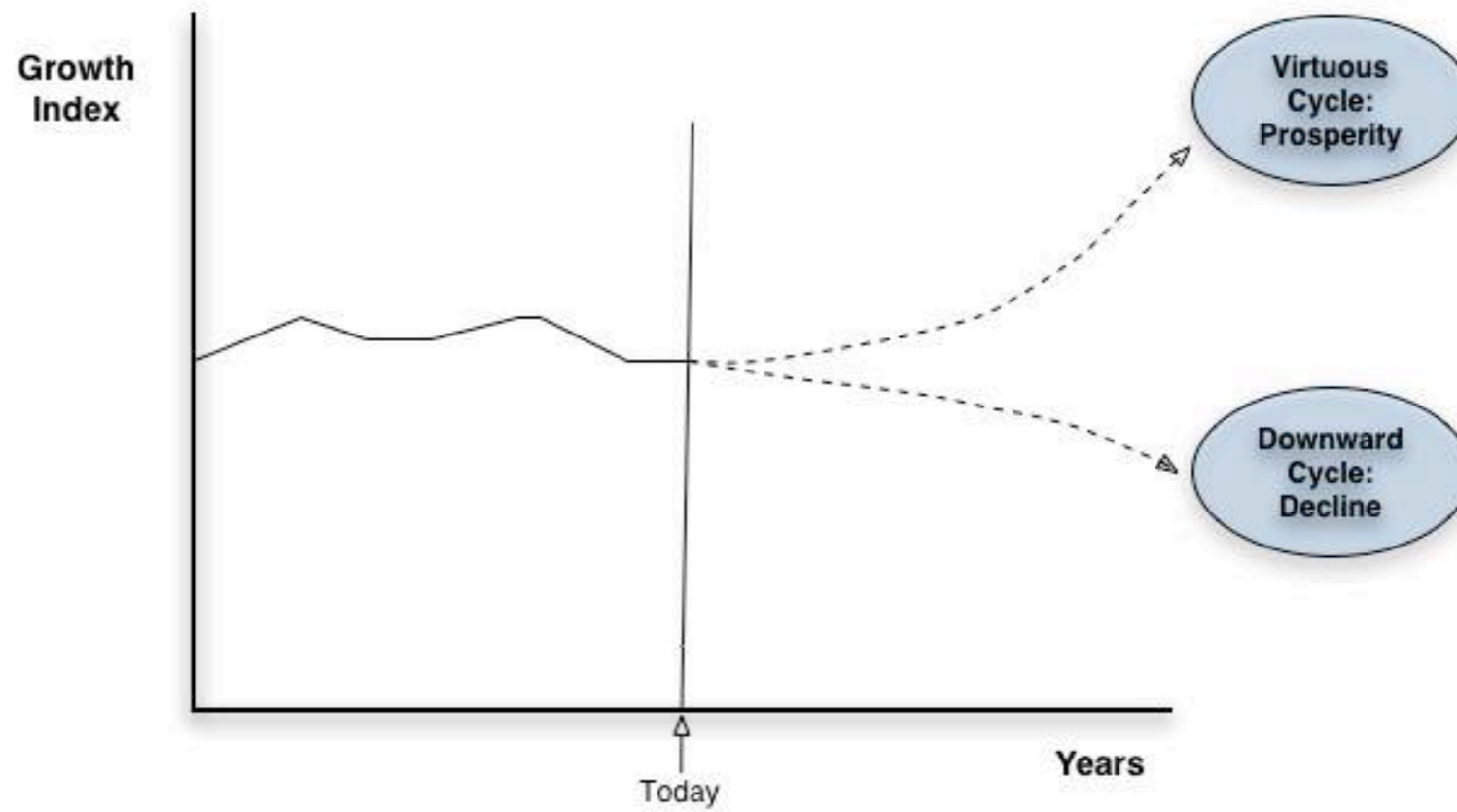
As taxes rise and public service deteriorates, the climate for private investment worsens.



Source: Ed Morrison
Case Western Reserve University

Northeast Ohio's civic leadership now faces a choice of whether to innovate or fall farther behind.

Consequences of different cycles of economic development



Source: Ed Morrison
Case Western Reserve University