


# Municipal Restructuring in Québec: Some Lessons for Maine

by David F. Wihry



*With the push to consolidate municipal and school administrative functions growing stronger in Maine, David Wihry draws upon the recent government consolidation experiences of the Province of Québec to point out some “lessons learned” with applicability to Maine. He notes that any push for substantial municipal restructuring in Maine will depend on the intensity of public concern over issues such as tax burden and economic development, and on the strength of opposing political influences. Wihry suggests that the local impetus to consolidate may never be strong enough without vigorous state leadership and incentives to advance either the discussion of options or the implementation of consolidations in Maine. *

## INTRODUCTION

Budget problems at the state and local levels in Maine have stimulated discussions about regionalizing local governmental services. While much of the discussion has focused on primary and secondary education (for example, see Trostel 2003), the hope that regionalization might help ease Maine's fiscal problems has extended to general-purpose local government services as well (O'Hara 2004; Richert 2003). In the last year, the *Portland Press Herald/Maine Sunday Telegram* (2005a) editorialized in favor of municipal consolidation, and Governor John E. Baldacci and the state Legislature have supported policies to encourage regionalization.<sup>1</sup>

There are many forms and degrees of regionalization, such as joint purchasing agreements, the practice of "tuitioning" students to nearby public or private schools, regional planning councils, and regional development agencies. Regionalization also may be characterized by the degree of state involvement. On one extreme, the state can rely solely on voluntary cooperation among local governments. Much has been done in Maine in this regard. For example, most Maine municipalities, defined customarily in New England to include towns and cities, have reciprocal aid agreements in the area of fire protection. Several groups of communities have set up regional solid-waste-disposal systems. And, in a few instances voluntary consortia of adjoining municipalities manage regional public transportation systems. The Maine Municipal Association has reported numerous instances of inter-municipal cooperation (Laberge 2003; Maine Municipal Association 2002; Rooks 2002a,b), and Frank O'Hara (2004: 3) has highlighted what he refers to as "a veritable swarm of regional public purpose organizations" that now coexists in the Portland area. In the other extreme, the state could require the consolidation of current municipalities into larger units. One can imagine, for example, Bangor and its neighboring communities being required by the state to re-incorporate as a single general-purpose municipality.

Many observers believe that expanding the geographic scope of the governmental units providing traditionally "local" services can enhance both efficiency and equity. However, in Maine, the state

generally has taken a hands-off approach to local government structure (with the exception being the Sinclair Act, which led to a wave of school district consolidations). This is in sharp contrast with our neighbor, the Province of Québec, which has a long history of altering both first- and second-tier governance structures. (See Sidebar, page 42 for a glossary of terms.) This article examines Québec's recent history of municipal restructuring and extrapolates what Maine can learn from Québec's experience as the state considers various regionalization options.

The article focuses primarily on consolidation or, as it is often referred to in Canada, "amalgamation." The logical impetus for renewed interest in consolidation is straightforward: if increasing the scale of local general-purpose government by combining governmental units can generate reductions in expenditures per unit of service with no deterioration in quality, demands on the property tax might be moderated and political pressure for increasing state aid to local governments and school districts might abate. The argument for consolidation turns primarily on the concept of scale economies. Intuition suggests that cost savings are likely to be available from spreading administrative and political decision-making overhead over larger populations. This argument, in its most general form, is sufficiently appealing that consolidation has long been advocated on efficiency grounds alone.

Supporters also have argued that municipal fragmentation leads to inequities in service levels and tax burdens, especially for residents of central cities relative to residents of suburban hinterlands. Most recently, fragmentation is being seen as a contributor to urban sprawl by inhibiting region-wide planning, land use regulation, transportation coordination, and economic development activities. In Canada, an additional rationale has been stressed: that larger, more geographically

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## GLOSSARY OF TERMS

**AGGLOMERATION:** as distinct from “Census agglomeration,” a municipal unit in Québec consisting of pre-existing units linked for the purpose of providing municipal services in previously consolidated municipalities in which at least one unit voted to de-consolidate.

**AMALGAMATION:** combining pre-existing municipalities, which then cease to exist. The term is used synonymously with “consolidation” and “merger.”

**ARRONDISSEMENT:** a sub-unit with limited functional responsibilities within the municipalities of Montreal, Québec, Longueuil, Lévis, Saguenay, and Sherbrooke.

**CENSUS AGGLOMERATION:** Canadian Census unit of analysis: one or more adjacent municipalities centered on an urban core of at least 10,000 persons, where component municipalities are linked by commuting flows to the core.

**CENSUS METROPOLITAN AREA:** Canadian Census unit of analysis: one or more adjacent municipalities centered on an urban core of at least 100,000 persons, where component municipalities are linked by commuting flows to the core.

**FIRST-TIER GOVERNMENTAL UNITS:** units such as Maine’s municipalities (comprised of cities and towns) and Québec’s municipalities consisting of cities, towns, parishes, and cantons, all of which are traditionally multi-function governments.

**METROPOLITAN COMMUNITY (MC):** governmental units that overlay multiple municipalities in the Montreal and Québec City areas.

**MUNICIPALITY:** a local (first-tier) general-purpose unit of government.

**REGIONAL COUNTY MUNICIPALITY (RCM):** governmental unit in Québec that overlays multiple first-tier units, analogous in this respect to Maine counties, but with broader responsibilities.

**SECOND-TIER GOVERNMENTAL UNITS:** Maine’s counties and Québec’s metropolitan communities (MCs) in the Montreal and Québec City areas and regional county municipalities (RCMs). Second-tier government units typically have a more limited range of functions than first-tier government units.

encompassing urban areas would reduce some of the negative effects of inter-municipal competition for economic development, such as implicit and explicit subsidies to businesses (Perritaz 2003). One might question, for example, how many adjoining communities should have industrial or “technology” parks and economic development staffs, when the jobs they might create accrue to the entire local region.

## STATE AUTHORITY VERSUS LOCAL INITIATIVE

One issue of key significance to the future of regionalization is the relative roles of state authority and local initiative. Municipalities in the United States are creatures of state government. (Substitute “provincial” for “state” and the same is true of Canadian municipalities.) In Maine, as in the other states, the powers of local governments are defined by the state. But Maine, like a number of other states, has granted local units a substantial degree of “home rule”: the authority to make laws “on all matters...which are local and municipal in character,” as long as those laws do not conflict with the Maine Constitution or state law (Maine Constitution, Article VIII, Section 1). Thus, in principle, both state government and local governments can take or at least initiate actions relating to regionalization. More specifically, although municipalities are generally free to enter into cooperative arrangements amongst themselves, they may not combine into geographically larger units (or secede, for that matter) without legislative approval.

Nonetheless, there is no legal impediment to municipalities seeking state approval to de-organize, or secede. Even sub-sections of municipalities can seek such approval; some of the Casco Bay islands are such a recent example. Likewise, there are no legal or constitutional impediments to the state’s encouraging or even mandating cooperative arrangements or the consolidation of existing municipalities into larger units. In effect, the playing field is wide open in Maine to either state or local action—subject to state approval, in some instances—affecting municipal organization. This fact raises the obvious question, which will be discussed later: if regionalization is desirable, which level of government should take the initiative?

## COMPARING MUNICIPAL STRUCTURES IN MAINE AND QUÉBEC

Are Québec and Maine sufficiently similar in government structure to warrant looking to the province for insights? On balance, the answer is yes, although in some respects the two entities differ significantly.

While Québec's population is nearly six times that of Maine, the province has only somewhat more than twice the number of general-purpose local governments. Local governments in Québec serve an average of 6,700 persons, while Maine's cities and towns serve an average of only 2,587 persons (Tables 1 and 2). However, Québec's relatively high average is heavily influenced by the presence of nine cities with populations in excess of 100,000 persons and seven cities with populations between 50,000 and 100,000.

Maine has only one municipality with a population in excess of 50,000, and nearly 95 percent of Maine residents live in communities smaller than 50,000 persons. In Québec, units in this size category serve only 41 percent of the province's total population. In Maine, about 70 percent of the population is located in municipalities with populations less than 10,000. In Québec, the comparable figure is 24 percent. By these measures, smaller communities play a significantly larger role in Maine than in Québec. Yet in one regard, smaller communities in Maine and Québec are similar: the average population size for municipalities under 50,000 is 2,780 for Québec and 2,461 for Maine. Furthermore, as will become clear later in this article, a significant amount of structural realignment in Québec in recent years has been in communities with populations of from 10,000 to 100,000 persons.

In addition, Maine and Québec both have what are referred to in the Canadian literature as second-tier municipal governments, what we refer to as "counties." While the structure of county governments in Maine—their geographic scope and functional responsibilities—has been stagnant, second-tier units have played a substantial role in the re-structuring of responsibility for municipal functions in Québec.

The range of services delivered by general municipal (first- and second-tier) governments in Québec is similar to that of Maine's cities, towns, and counties, including expenditures on general government, police and fire protection, roads and public transportation, health and social services (a relatively minor item), resource conservation and industrial development, water supply, sewerage, and solid waste disposal, and miscellaneous other expenditures.<sup>2</sup>

TABLE 1: **Distribution of Municipalities by Population, Maine, 2002**

	Number of Municipalities	Population*		
		Number	Percentage of Total	Mean
Under 2,000	326	247,138	19.5%	758
2,000 to 9,999	145	630,447	49.8%	4,348
10,000 to 49,999	17	323,394	25.6%	19,023
50,000 to 100,000	1	64,249	5.1%	n.a.
100,000 and over	0	0	0.0%	n.a.
Total	489	1,265,228	100%	2,587

\*Population as of 2000.

Source: U.S. Bureau of the Census, Census of Governments 2002. [http://harvester.census.gov/gid/gid\\_02/asp/results.asp](http://harvester.census.gov/gid/gid_02/asp/results.asp).

TABLE 2: **Distribution of Municipalities by Population, Québec, 2005**

	Number of Municipalities*	Population**		
		Number	Percentage of Total	Mean
Under 2,000	752	642,447	8.6%	854
2,000 to 9,999	283	1,143,157	15.4%	4,039
10,000 to 49,999	59	1,255,716	16.9%	21,283
50,000 to 100,000	7	476,336	6.4%	68,048
100,000 and over	9	3,921,143	52.7%	435,683
Total	1,110	7,438,799	100%	6,702

\*Number of municipalities on January 28, 2005.

\*\*Population estimates as of December 2004.

Source: Québec Ministère des Affaires Municipales et Régions.

General local government in Québec (which does not include primary and secondary education) relies heavily on the property tax and intergovernmental transfers. In 2004, revenue from “property and related taxes” accounted for about 75 percent of the own-source revenue of general local governments (first- and second-tier) in Québec (Statistics Canada 2004). This included substantial provincial payments in lieu of taxes, which Maine does not use, and a substantial contribution from land transfer taxes, which are less significant in Maine. In Maine in 2004, 78 percent of total own-source revenue of local governments, including counties, as in the case of Québec, but also including local schools, was accounted for by the property tax (U.S. Bureau of the Census 2005). In Québec, in the same year, “general and specific transfers,” excluding federal and provincial payments in lieu of taxes, amounted to 13 percent of total revenue of

education alone, transfers from state and federal governments accounted for 44.2 percent and 8.2 percent of revenue in 2002 (U.S. Department of Education 2004). The current goal for state funding is, of course, 55 percent, still well below the percentage of school funding in Québec derived from the province.

## THE QUÉBEC EXPERIENCE

### 1960 to 2000

Québec has had considerable experience in altering the geographic scope and functional portfolio of municipal governments. In fact, the Canadian provinces at large have shown much more interest in reshaping the geographic boundaries and governance structures of local and regional multi-purpose governments than have American states. Outside of Québec, notable examples of consolidation include the creation of Unicity in Winnipeg, Manitoba (1972), which combined the former city of Winnipeg with 11 other municipalities; the establishment of Halifax Regional Municipality (1995), which combined Halifax with neighboring Dartmouth and three other municipalities; and the creation of the Toronto megacity (1998), which encompasses seven pre-existing municipalities, including the former city of Toronto (Sancton 2001; City of Toronto 2000). Closer to home in geography and scale, New Brunswick in 1995 created the City of Miramichi by combining eleven pre-existing municipalities (Vojnovic 1998). But the Province of Québec has been, by far, the most inclined to re-structure local government boundaries and functional roles.

Québec’s active approach to municipal restructuring extends back to the 1960s, with the creation of the City of Laval, an amalgamation of 11 pre-existing municipalities. Provincial legislation forming the new city followed the recommendation of a report commissioned by the provincial Ministry of Municipal Affairs (City of Laval n.d.). In 1970 the Union Nationale government formed three “urban communities”: the Montreal and Québec Urban Communities and the Outaouais (Hull-Gatineau) Regional Community. These second-tier entities, roughly analagous to Maine’s counties, did not entail municipal amalgamations, but rather constituted an overlay relative to the pre-existing



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general local government. If payments in lieu of taxes were to be treated as transfers, the figure would rise to 18 percent. For school boards, which administer and support primary and secondary education, property and related taxes amounted to 53 percent of own-source revenue, and transfers (overwhelmingly from the provincial government) accounted for 76 percent of total revenue (Statistics Canada 2006). In Maine, transfers are a more important source of funding for local government in general than in Québec and a less important source of funding for schools. In Maine in 2004, intergovernmental transfers amounted to 32 percent of total local (including schools) general revenue (U.S. Bureau of the Census 2005). For primary and secondary

municipalities (Cournoyer 1998). The urban community's range of functions included public transportation, regional planning, property assessment, uniform construction standards, and traffic regulation (LeSage and Garcea n.d.).

In 1979, the province extended second-tier restructuring well beyond the three major population concentrations by creating some 95 "regional county municipalities" (RCMs) to replace the system of relatively weak counties. As in the case of the urban communities, creation of these larger geographic entities involved no municipal amalgamations; the pre-existing municipalities continued to function as the first tier of municipal government. The portfolio of the new regional units was initially narrow, focusing largely on land use planning, but provision was eventually made for the RCMs to expand their range of services with the consent of two-thirds of the constituent first-tier units (O'Brien 1993). The governance bodies of the three urban communities and the RCMs consisted of representatives of the constituent municipalities, not of directly elected legislators such as Maine's county commissioners (Tindal and Tindal 2000).

While these developments were occurring, the province was pursuing the amalgamation agenda—the actual merging of pre-existing first-tier municipalities into larger units, with the pre-existing units ceasing to exist—only sporadically and in somewhat tentative ways. Municipal amalgamation had become a priority of the Ministry of Municipal Affairs when the Liberal government assumed power in 1960 after nearly 20 years of what is regularly portrayed as the tradition-bound and rural-oriented rule of the Union Nationale (Hamel and Rousseau 2005). The province authorized voluntary amalgamations beginning in 1965. However, even with the provision of some financial incentives, the impact on the total number of municipalities was negligible, with a reduction of fewer than 100 municipal units between 1965 and 1971 (Tindal and Tindal 2000). During the 1970s, an additional 100 or so municipalities were merged at the initiative of the provincial government, most on an *ad hoc* basis in conjunction with various economic development projects (Cournoyer 1998).

The 1980s were characterized more by rhetoric and exhortation than by action with regard to amalga-

mation. The early part of the decade saw the implementation of the new regional county municipalities noted above. The encouragement of first-tier municipal amalgamations has been seen as a hidden agenda in the creation of the RCMs, but the impact of second-tier restructuring on first-tier organization has been slight (Cournoyer 1998), with few first-tier amalgamations taking place during the 1980s. Amalgamation activity accelerated somewhat in the 1990s in the context of steps taken by the province to decentralize government by "downloading" some expenditure responsibilities to the local level. Financial incentives to encourage amalgamation were expanded, and the pace of amalgamation accelerated (Cournoyer 1998).

When the Parti Québécois took over the government in 1994, the amalgamation agenda moved to the forefront. A report sponsored by the Ministry of Municipal Affairs led to far greater provincial involvement in stimulating amalgamations, especially among the smaller units, which were considered to be economically inefficient (Quesnel 2000). A newly devised program identified candidates for merger, boosted financial incentives, and added a stick to accompany the carrot: reductions in provincial grants for recalcitrant targeted units. The renewed emphasis on municipal mergers in the late 1990s appears to have had an impact, with 103 municipalities melding into 49 new units (Quesnel 2000).

### *2000 to the Present Day*

The groundwork for a quantum leap in provincial efforts to change municipal structures was laid in a 1999 commission report (the Bédard Commission) and a subsequent Ministry of Municipal Affairs white paper outlining specific structural adjustments and corresponding processes. The minister's plan and subsequent legislation led to actions affecting both the first and second tiers of municipal government

#### **First-Tier Amalgamations**

Legislation authorizing the government to force municipal amalgamations was passed in 2000. The legislation established processes whereby municipalities or the province itself could initiate consideration for amalgamation. In either case, the province was granted the ultimate authority to require amalgamations to

occur in accord with the judgments of the Ministry of Municipal Affairs, regardless of local sentiment. In 2001 and 2002, amalgamations were mandated for 205 pre-existing municipalities, resulting in the creation of 40 new municipalities, with a net reduction of 165 first-tier entities (Perritaz 2003; Soucy 2003). These amalgamations occurred in all population size categories. Ten new units were created in Census metropolitan areas (defined as urban agglomerations with core city populations greater than 100,000), including the new cities of Montreal (incorporating 28 municipalities) and Québec (incorporating 13 municipalities), in total eliminating 90 pre-existing municipalities. Fifteen new municipalities were created in areas the Canadian Census refers to as “census urban agglomerations” (with core city populations between 10,000 and 100,000), replacing 75 units. Fifteen new units replaced 40 existing units in areas outside of the Census urban agglomerations. In general, these newly consolidated municipal governments were intended to assume the full range of functions previously carried out by their component entities.

### Second-Tier Amalgamations

Changes implemented at the supra-local level were more complex. Two major steps were taken.

First, provincial legislation created two “metropolitan communities” in the Montreal and Québec City areas. In both cases, the previously extant “urban communities” were displaced by units encompassing larger proportions of the Census metropolitan areas in which they are located, including 64 municipal units in the Montreal area and 26 units in the Québec City area. The apparent rationale was that even the newly consolidated cities of Montreal and Québec City would still not be sufficiently encompassing to efficiently or effectively address some local functions (Perritaz 2003). The metropolitan communities were assigned jurisdiction in several areas, including “land use planning, public transportation, economic development (including international economic promotion), supply and financing of metropolitan facilities and infrastructures, supply and financing of metropolitan services and activities, sharing out the growth of the property tax base” (Perritaz 2003: 23; see also Québec Ministère des Affaires municipales et des Régions 2005). It is

worth noting that the new metropolitan communities were permitted to out-source the management of any of these functions, including to municipalities within their jurisdiction, but would retain planning and financing responsibility (Canadian Legal Information Institute 2005a). A council made up of representatives (not directly elected) of the participating municipalities governs the metropolitan communities.

Second, the province also restructured and re-defined the responsibilities of the pre-existing regional county municipalities (RCMs). Prior to the reforms, all RCMs had compulsory (although not necessarily exclusive) responsibilities in the following areas: land use planning; funding of local development boards and participation in their management; management of local rivers and streams; management of unorganized territories; and property assessment, in some instances (Perritaz 2003; Soucy 2003). The RCMs had optional responsibility in other areas, among them establishment of regional parks; technical assistance for businesses; development of an airport or port facility; and regulation of taxis.

The reforms expanded and restructured RCM responsibilities. Added to the list of compulsory activities were planning and coordination with respect to fire safety and public security; planning the management of waste materials; and development of a strategic plan for economic, social, cultural, and environmental improvement. Added to the list of optional activities were regulation of timber harvesting in private forests; establishment and management of regional parks; management of waste materials, local roads, public transportation and public housing; financing of public housing; designation of equipment, infrastructure and services that are supra-local and determining their corresponding means of management and finance. The authority, existent prior to the reforms, for constituent municipalities to withdraw from regionalized services in some fields of jurisdiction was revoked. RCMs located in the Montreal and Québec urban communities were assigned somewhat more limited responsibilities. The reforms authorized RCMs to choose to elect the RCM *préfet* (administrator) by direct popular vote.

Finally, 14 of the newly amalgamated cities were granted the authority to function as RCMs, having been deemed geographically comprehensive enough to

carry out regional responsibilities that otherwise would have been assigned to an overlying, therefore redundant, RCM.

### Backlash and De-Amalgamations

The prospect of forced amalgamations was very unpopular in some quarters. It was vigorously opposed by Québec's two municipal affairs organizations, was challenged in the courts, and became part of the political debate that led to the replacement of the Parti Québécois by the Liberal government of Jean Charest in April 2003. Following through on its campaign promise to provide the opportunity for citizens to act directly on the amalgamations, the Charest government set up a process that led to province-wide referenda that permitted component municipalities to vote on whether to stay with their newly formed consolidated units.

The de-amalgamation process had two stages. In the first stage, citizens in component municipalities were offered the opportunity to partition for a referendum on de-amalgamation, with the signatures of 10 percent of registered voters needed to trigger a vote. In the second stage, referenda were held simultaneously throughout the province, on June 20, 2004. The referenda asked citizens to vote yes or no on the question:

Are you in favour of the de-amalgamation of [the amalgamated entity] and the constitution of a municipal entity for the sector of [the component entity], in accordance with the Act respecting the consultation of citizens with respect to the territorial reorganization of certain municipalities? (Québec, Bill 9)

For the proposition to succeed, yes votes would have to be at least a simple majority of those voting and equal to or greater than 35 percent of registered voters.

Prior to the vote, the provincial government sponsored the development and distribution of consultants' reports on the expected fiscal impact of de-amalgamation on each component municipality. The impact was expressed as a projected dollar amount and translated into a projected change in the tax bill for a single-family home of average value. It is important to understand that a favorable vote in any one municipality

would not lead to the dissolution of the entire unit in which it had been incorporated, but rather only to the individual unit's withdrawal from the merged entity.

It also is important to understand that the de-amalgamation of a unit would not fully restore the *status quo ante* in regard to the regional division of functional responsibilities, however much it would appear to do so on the surface. The legislation initiating the referendum process, while enabling the re-constitution of municipalities that approved the proposition, specifically reallocated significant functional responsibilities away from the reconstituted municipalities and up to an agglomeration consisting of all units within the previously consolidated group. For example, the municipality of Saint-Lambert had been incorporated by provincial action into the newly created municipality of Longueuil, along with seven other pre-existing units, including the pre-existing municipality of Longueuil. More than enough Saint-Lambert residents (31 percent) signed the referendum register, triggering a vote. Nearly 70 percent of the voters, equal to 41 percent of registered voters in Saint-Lambert voted in favor of de-amalgamation. The amalgamated city of Longueuil would still exist, but Saint-Lambert would be re-incorporated as a separate municipality, as would three of the other pre-existing municipalities that had been incorporated into the new Longueuil. Yet Saint-Lambert would not regain all of the functions for which it was responsible prior to the amalgamation.

The prospect of forced amalgamations was very unpopular in some quarters.

A wide range of traditionally municipal functions would now be carried out at the level of a newly formed agglomeration consisting of all of the previously amalgamated units. The agglomerated unit would assume responsibility for most local services within its pre-referendum boundaries, including police and fire protection, emergency dispatch (9-1-1), property valuation, public transportation, municipal courts, public housing, agglomeration-wide roads, water treatment,

and solid-waste-disposal services (Québec 2004). The services to be provided by the de-amalgamated units such as Saint-Lambert would be limited to a narrow list, including construction permits, neighborhood improvement projects, local water and sewer systems, trash collection, management of local streets, libraries, local parks, animal and bicycle licensing, and local power production and distribution systems (Québec 2004).

Governance at the agglomeration level would be by a council with municipal representation proportionate to the populations of the component municipalities. A veto is maintained for the core municipal entity that consists of units that did not choose to de-consolidate. All of the above conditions were spelled out in documents provided by the province to each voting municipality. Thus, voters are likely to have been aware that a positive vote would not completely restore the organizational structure and distribution of functions that they had experienced prior to the amalgamation/de-amalgamation process.

### The forces operating against spontaneous municipal mergers are very powerful.

Overall, the outcome of the referendum process was mixed. Of the 213 municipalities in which registers were opened, only 89 (42 percent) generated enough signatures to trigger a referendum. Of the 89 units holding referenda, 58 (65 percent) emerged with majority *yes* votes. But of these, only 31 units had more than the 35 percent turnout of registered voters required for the proposition to succeed. Thus, of the total number of amalgamated units, fewer than 15 percent ultimately qualified for reconstitution. In the end, 11 agglomerations resulted from the referendum process. Transition committees have guided adjustment to the new configuration in each case. The new agglomerations were scheduled to begin functioning on January 1, 2006.

The balance between centralization and decentralization after the shakeout also is affected to a limited

degree by the creation of sub-units referred to as *arrondissements* in six of the province's largest cities. The *arrondissements* generally coincide with the boundaries of the pre-existing municipalities and are assigned management responsibilities for a number of services that are distinctly local in character, such as licensing, local roads, parks and cultural and recreational resources, local zoning, and trash removal (Québec Ministère des Affaires Municipales et des Régions 2005).

Since only 15 percent of the communities were ultimately deconsolidated, it is tempting to interpret the outcome of the referendum process as an endorsement of amalgamation and, by implication, as an endorsement of the activist provincial policy of mandating amalgamations. While this interpretation is fair overall, some caution is in order. Although not explicit in the wording of the referendum question, it should have been clear to voters that a decision to deconsolidate would not re-establish the municipality as it had previously existed. The reconstituted municipalities will have a greatly attenuated role in service provision, with most of the important local functions to be carried out by the agglomeration of which they have become part. Thus, voters were not presented with a clear-cut alternative of supporting either full amalgamation or full autonomy. Some citizens, both those in favor of amalgamation and those opposed, may have chosen not to take the trouble to sign a referendum register or to vote, on the assumption that de-amalgamation would make little or no difference in their lives and that, in fact, amalgamation to a substantial degree would be the outcome regardless of the vote count.

The vagueness of the alternative possible outcomes might explain why only a minority of those communities eligible for a referendum chose to hold one, and why so few of the municipalities that did hold a referendum reached the 35 percent participation threshold required for a majority *yes* vote to be decisive. On the other hand, those who did go to the polls surely felt strongly either in support of or in opposition to de-amalgamation. The bottom line seems to be that only a small percentage of communities that could have chosen de-amalgamation did so, either because the status quo was seen as the preferred outcome by voters or because the 35 percent threshold was not met.

## LESSONS FOR MAINE?

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### *Efficiency versus Equity*

What aspects of Québec's experience are noteworthy from Maine's perspective? One key question is, of course, whether local government in Québec will be more efficient and equitable as a result of the steps the province has taken. If so, then Maine might consider following Québec's example. Prospectively, the consultants' studies estimated that if all of the forced amalgamations were undone, on average the affected communities would experience an 8.5 percent increase in local taxes. However, retrospectively, it is difficult if not impossible to determine whether the consolidations and agglomerations will have had any net impact on the cost of local government. Ideally, consolidation would decrease the cost per unit of the services supplied by the participating municipalities. However, a decrease in *cost per unit* of a service will not necessarily lower total expenditures on that service. In fact, municipalities might even raise their total spending on a specific function if unit cost were to fall,<sup>3</sup> and an increase in total spending with population and property values constant would increase per capita spending and raise property tax rates. The relationship between unit cost and total spending is difficult to sort out empirically because the factors influencing local spending are so complex. Even the impact on unit cost is hard to discover, since public service outputs are notoriously difficult to measure.

Moreover, even if consolidation were to decrease unit cost and lower total local spending without impairing the level and quality of local public services, this would not necessarily mean that consolidation would leave all taxpayers in a region better off. Consolidation can hurt those citizens whose preferences for public services differ significantly from that of the typical (technically, the median) voter in the amalgamated entity. In Maine, we see this phenomenon at work in the desire on the part of high-property-value segments of communities such as the Casco Bay islands (*Portland Press Herald/Maine Sunday Telegram* 2005) to secede from their respective municipalities. This is one reason why those economists who focus

solely on the matter of efficiency, ignoring the equity implications of fragmented local government structures, often argue for maximum decentralization in the provision of government services, especially if no scale economies are available at the regional level.

Decentralization ensures "local control" and permits spending and tax levels to match local preferences. Unfortunately, the value foregone from a loss in local control is intangible; its magnitude is known only to the voters. If efficiency is the only goal in play, Québec's approach of permitting local referenda on imposed consolidations might make sense for Maine, since referenda are one way to get an expression of the value that citizens place on local control.

### *State Authority/Local Initiative*

In interpreting the consolidation/deconsolidation process in Québec, it is important to understand that none of the forced consolidations that received the *post facto* support of the voters would likely have occurred spontaneously. The forces operating against spontaneous municipal mergers are very powerful. Principal among these is the inhibiting influence of local political and appointed officials who stand to lose their jobs were a merger with neighboring communities to occur. Since it is they who would have to initiate and conduct negotiations with potential municipal partners, it is unlikely, although not impossible, that the consolidation issue will be raised locally at all.

This factor is less of a barrier to negotiations for regional provision of selected services, such as dispatch services, since fewer local interests are affected. Despite showing virtually no interest in outright mergers, Maine municipalities have a significant history of developing cooperative agreements and hybrid means of delivering specific services regionally. (See, for example, the Maine Municipal Association's publication, *Maine Townsman*, for discussions of cooperative regional arrangements in the areas of regional economic development and police and fire protection.) Also significant are the costs in time and effort associated with reaching voluntary agreements among communities, especially if a large number are involved. These kinds of structural obstacles to spontaneous mergers are likely to be prohibitive, even if a merger

would otherwise confer net benefits on citizens. For this reason, a case can be made that it is up to the central government, the province or the state, to act. By this reasoning, if the central government is sufficiently powerful, it can force consolidations that would yield net benefits to the communities involved, but that would not occur spontaneously.

### WHAT CAN MAINE DO?

It seems reasonable to conjecture that there are probably consolidations in Maine that should occur, i.e., consolidations that would lead to more efficient production of local public services and would also win the support of voters. With these considerations in mind, the Québec experience suggests a course of action for Maine that has, not surprisingly, both strengths and weaknesses.

#### *Local Initiative*

First, the state could commission studies aimed at identifying potential municipal amalgamations and estimating their possible impacts on the cost of public services.<sup>4</sup> A look at the methods used by the several consultants who carried out Québec Province's impact studies might be in order. Certainly there should be a complete review of existing evidence on the optimal scale for delivering municipal services, and attention should be paid to special characteristics of local government in Maine, such as the prevalence of volunteerism in the delivery of some local services in small towns.

After identifying areas where it is apparent that a regional approach to providing local services might be more cost-effective, the state could sponsor referenda to gauge the level of local support or resistance. This process could be ongoing and incremental, one target area at a time; there is no need to undertake consolidations across the board and all at once.

The strength of this study/referendum approach is that it takes into account both measurable and non-measurable impacts of consolidation on citizen welfare. However, the weakness of the approach is that it provides communities with a chance to opt out of agglomerations simply because they expect an increase in their *share* of the cost of services in the region,

regardless of whether the unit cost of services could be lowered overall. This is a serious conundrum. One good reason to consolidate municipalities is to spread the cost of shared services over a more comprehensive tax base. This argument is particularly compelling in the case of municipal service centers, where suburbanites work and shop in the core but are taxed in their own jurisdictions. Yet if communities are given a chance to forego joining a consolidated unit, some will opt out, regardless of efficiency considerations. The reality seems to be that if greater equity in the distribution of tax burdens is the goal, consolidation by referendum probably is not a workable means of achieving it. Redistribution would have to occur through some other mechanism such as state grants-in-aid to municipalities.

#### *State Authority*

Alternatively, Maine could consider duplicating the Québec model by first requiring consolidations and then giving communities the chance to opt out. Whether the political will exists at the state level to impose, without up-front local consent, consolidations that threaten vested interests and disadvantage taxpayers in some municipalities depends on the historical and current political environment. Québec and Maine differ significantly in this regard. Forced consolidation by provincial action was not politically popular in Québec, but not sufficiently unpopular either to prevent it from happening or to cause the consolidations to be totally rolled back.

Forced consolidation is likely to be even less popular in Maine. Maine has a long and entrenched history of home rule, to which residents and local officials have adjusted and with which they feel comfortable. Moreover, Maine lacks some of the ideological and cultural characteristics that seem to have led to a greater tolerance for central government in Québec.

Québec's emergence from a rural-dominated economy, in which the Catholic Church played a major role in the delivery of public services, into a modern, more secular society was seen as a revolution, not a gradual transformation, and seems to have led to greater tolerance of or even preference for substantial centralized authority. Québec's bold approach to municipal restructuring also was probably furthered

by the province's parliamentary form of government, which makes it more likely that a particular government's agenda would be backed up by legislation enacting it into law (Sancton 2001). Finally, there seems little doubt that none of the Québec experience would have happened in the absence of a Ministry of Municipal Affairs and without the vigorous management of the Minister at the time, Louise Harel (Perritaz 2003; Quesnel 2000).

The broad historical, political, and governmental context that shaped Québec's actions in relationship to its local governments has no counterpart in Maine. Nor does the executive branch of government in Maine have the legislative clout that the parliamentary system confers on the government in Québec.

### *Restructuring Maine's Counties*

Of particular interest to Maine is the fact that municipal restructuring in Québec involved second-tier as well as first-tier governments. The province seems to be comfortable manipulating the role of county-equivalent entities by expanding the number of functions they perform and by creating new units with broader geographic scope. The phrase "regional county municipality" suggests that the province tends to think of what we call counties as providing essentially local services. In fact, provincial laws relating to local government treat both first- and second-tier units as "municipalities" (Canadian Legal Information Institute 2005b). The division of local responsibilities between the first and second tiers of government and the geographic compass of the second-tier units are seen in Québec as essentially malleable.

This definitely is not the case in Maine, where county boundaries are not tampered with and where counties generally perform a narrow range of services, essentially law enforcement through sheriff's offices and county jails. (There are exceptions, of course, such as county involvement in emergency dispatch and the construction of the Cumberland County Civic Center.) The functional equivalent of Québec's actions with respect to second-tier governments would involve adjusting county boundaries and the total number of counties to better fit patterns of economic interdependence and expanding the number and kinds of

functions assigned to counties. The state's labor market areas, of which there are more than thirty, come to mind (Maine Department of Labor n.d.). The state would need to put in place a process for reassessing county boundaries, a change which is likely to meet resistance, although fewer actors have vested interests in county than in municipal structures, and there is no legal foundation for county home rule (Maine Municipal Association 2005).

Whether Maine government will push for substantial municipal restructuring will depend on the intensity of public concern with the relevant issues and on the strength of opposing political influences.

Following the Québec example, new functions might include the planning, financing, and management of any services that have a region-wide impact or which require region-wide cooperation in order to avoid duplication of resources. Careful research would need to be done to identify those functions that could be carried out more efficiently and effectively at a regional level. There is clearly room in Maine for re-thinking the role of counties, their number, and their geographic structure. While Québec's experience is instructive, Maine need only look elsewhere in the United States for models that rely much more heavily on counties to provide local and supra-local services. Alternatively, Maine could follow the lead of Connecticut, whose counties have no governmental functions. The state could then create a set of supra-municipal governmental units to which functions of appropriate scale could be assigned. If a radical re-structuring of second-tier government in Maine is not politically feasible, a re-definition of the role of the existing counties is an alternative. This has been suggested by Frank O'Hara who has gone as far as to



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list a set of practical steps that might move the state incrementally in that direction (see O'Hara 2004).

### *Moving Forward*

There seems to be widespread agreement in Maine that many municipal problems require regional solutions. Whether Maine government will push for substantial municipal restructuring will depend on the intensity of public concern with the relevant issues and on the strength of opposing political influences. The most powerful environmental factors that might bolster an activist state approach to municipal consolidation in Maine are the state's relatively high tax burden, suggesting

some inefficiency in the delivery of government services, and the state's concern with economic development. There seems little doubt that efficient and responsive local government is important to creating a public sector environment that is supportive of economic growth. Controlling the principal negative impact of economic growth—suburban sprawl—also provides an impetus in Maine to look for regional solutions that might include selective consolidations. It remains to be seen whether these interests are sufficient to over-ride sources of resistance to the consolidation of municipal governments in Maine.

Finally, if Maine is serious about improving the efficiency and equity of local and county government, the relationship between efficiency and governmental structure needs far greater visibility at the state level. Change will require vigorous leadership. It is evident that Québec's Ministry of Municipal Affairs played a central role in defining the re-structuring agenda and in furthering its implementation. Maine, of course, has no comparable agency. The creation of the new Maine Intergovernmental Advisory Commission is a step in the right direction, but the Commission is far

from being the functional equivalent of a cabinet-level agency. At the very least, the Commission should be provided with a full-time executive director and additional staff support. At best, the director should hold a cabinet-level position. Given the inevitable resistance to significant changes in the structure of sub-state government in Maine and given the absence of the supportive cultural and ideological climate that seems to have prevailed in Québec, it seems appropriate to address restructuring incrementally—so that success can be demonstrated—but with vigorous leadership from the highest levels of state government. 

## ENDNOTES

1. In 2003, Governor Baldacci proposed a set of financial incentives to encourage the voluntary formation of “municipal service districts,” but the proposal did not gain legislative approval. The Governor included \$1 million in his FY05-06 budget to fund grants to localities to plan and implement cooperative public service delivery arrangements. The Maine Development Foundation administers the program under contract with the state. (For the current status of the grant program see Maine Development Foundation 2006.)
2. A direct comparison of functional shares between Maine and Québec would be difficult based only on published data, since the composition of the individual expenditure categories may differ between the U.S. and Canadian Census protocols.
3. Buyers normally respond to a decrease in price by buying more units of a product or service. An increase in quantity may be so large relative to the decrease in price that total expenditure goes up. There is no reason to believe that possibility does not exist for public services just as it does for privately produced goods and services.
4. A report issued by the New England Environmental Finance Center (2005: 2) suggests the development of “a hypothetical multi-community service area model, projecting likely per capita costs assuming shared services and facilities, and comparing those costs with the actual per capita expenditures of the individual communities that comprise the service area.”

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