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The Real Merger Lessons from Metro Louisville

The report of the Citizens Advisory Committee on the Efficiency and Effectiveness on City-County Government has caused quite a stir by calling for the merger of City and County governments. Unfortunately for their case, they offer no evidence that merging the two governments will offer substantial savings for taxpayers. Instead they rely on the example of the Louisville-Jefferson County, Kentucky merger (now called Metro Louisville) to show that combined governments can produce economic success.

But the Metro Louisville story offered is suspect. Rather than providing clear cut data on jobs, population or business starts they rely on an unsubstantiated statement by the former Deputy Mayor of Metro Louisville. The following statement is reported by the committee: "From 2003-2007, Louisville has been ranked first nationally in small business growth…first in the Southeast for manufacturing growth…. Merger cannot be given all the credit, but before our governments came together … it was difficult to achieve focused economic development and "big vision" projects."

Here are the facts. In 2003, Entrepreneur Magazine, in conjunction with Dunn and Bradstreet, released a ranking of the nation's best areas for entrepreneurs. And while the Louisville area did rank first in small business growth (companies with fewer than 20 employees) it is important to keep two facts in mind. One, the rankings were for metro areas, not cities. Thus, the Louisville ranking is really for a thirteen-county area covering parts of two states and not the city proper or Metro Louisville (Jefferson County). The second inconvenient fact is that the ranking covered employment gains at small businesses from 2002 to 2003, the year before the merger took place and certainly did not reflect any merger impact.

What's more, Entrepreneur Magazine, in partnership with the National Policy Research Council, released another ranking of entrepreneurial vitality in 2006. In the 2006 ranking the Louisville metro area fell from 15th in 2003 to 33rd. By comparison the Pittsburgh area ranked 48th overall.

Adding to the questionability of the claim of Louisville's high ranking from 2003 to 2007, Bizjournals.com (parent of the Business Times) ranked the top 75 markets for small business growth. The criteria included among others the number of small businesses, the change in the number of small businesses, and the number of small businesses per 1,000 persons.

Using data for 2005, Bizjournals.com ranked the Louisville area 62nd overall out of 75 markets. Ironically the Louisville rank was below the 56th ranking posted by the Pittsburgh market. This readily available information was ignored by the Citizens Advisory Council who chose instead to include the former deputy mayor's statement with no caveats.

In sum, the facts show the claim that the newly merged government, Metro Louisville, ranked first nationally from 2003-2007 for small business growth is disingenuous at best.

The second assertion that Louisville ranked "first in the Southeast for manufacturing growth" is equally misleading. In the first place, Metro Louisville is not considered part of the Southeast but part of the Midwest (the metro area includes two counties in Indiana). Moreover, data from the Bureau of Labor Statistics show the Louisville metro area *losing* more than 6 percent of its manufacturing jobs since the 2003 start of the merger through the end of 2007 with the trend continuing through the most recent data. While many, if not most, metros in the Midwest, as well as the Southeast lost manufacturing jobs during the period, the Citizens Advisory report clearly implies that the Louisville area experienced manufacturing job *growth*—a claim manifestly refuted by official jobs data.

Further, the notion that "it was difficult to achieve focused economic development and "big vision" projects" may have been true for the former City of Louisville and Jefferson County, but certainly is far from true in Pittsburgh and Allegheny County. One needs look no further than the north side of the Allegheny River to see three "big vision" projects: two new ballparks and the extension of light rail under the river. Other big vision economic development projects include the new convention center, the Southside Works, Lazarus, and the PNC tower.

All of these projects have been heavily subsidized by taxpayers and have yet to be the predicted economic catalyst or provide the city with enough revenues to climb out of distressed status. Big vision projects have not been a problem in Pittsburgh and Allegheny County. If more big vision projects are expected as a result of a city-county merger, then citizens of the City and County should run, not walk, away from any attempts to merge the two governments.

In brief, the case for merging governments offered by the Citizens Advisory Committee was short on facts and long on rhetoric. It is a classic example of beginning with a conclusion and looking for evidence to support the conclusion, discarding or ignoring any facts that do not fit the desired result.

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