



Regional incentives

The ideas and suggestions in this paper stem from suggestions made at a June 10 meeting of local legislative liaisons, and from suggestions forwarded by individual localities. There is probably not complete agreement on many (if any) of these items among all local governments. They are presented below to give suggestions on how the Intergovernmental Relations Committee can proceed to tackle its assignments.

Issue

The state relies on local governments to deliver mandated state services and cooperatively-funded state-local services, but greater efficiencies and economies of scale could be achieved if some services were delivered on a regional basis.

Background

Policymakers in Virginia have often cited intergovernmental cooperation as one solution to the problems of local governments. The functional consolidation of services or total merger of governments has been cited by many as the panacea for stagnating local tax bases and growing citizen demands. Yet, when presented opportunities to increase interlocal cooperation, voters and some local governments have shown little interest.

The General Assembly deserves credit for granting local governments the authority to address almost any issue on a multi-jurisdictional basis. The *Code of Virginia* also includes provisions allowing localities to establish independent authorities to provide water, sewer, solid waste, parks, mass transportation, airports and many other services in a cooperative manner. Besides fostering cooperation through legislation, the Commonwealth also provides some financial incentives, such as support for local jail construction and for libraries, to encourage local governments to work together. Despite this framework, many opportunities for increased cooperation and consolidation remain.

Additional incentives to foster interlocal cooperation are needed, and those do not always have to be in the form of direct dollars. They could be additional legal authority, program flexibility and capital improvements out of state bond issues. The incentives need to be mutually beneficial to the interested localities and of significant magnitude to attract participation.

Possible Approaches

Promote and create incentives for interjurisdictional cooperation and mergers of services.

Short term

- Establish incentives to encourage the consolidation of “back office” operations between school systems and local governments (finance, information technology, human resources, buildings and grounds, communications, legal, procurement, capital project management).

- Extend the “no-loss” period for state funding for functional consolidation from 5 to 10 years (See §15.2-1302, *Code of Virginia*)
- Provide meaningful incentives to localities that address economic development needs and issues on a regional, rather than local basis.
- Waive or relax state mandates for consolidated governments or for services offered cooperatively.
- Give preferential treatment in funding formulas to consolidated activities such as social services, transportation, and waste water treatment.
- Establish a web site of best practices in regional cooperation on the state web site, including access to experts in the field of consolidated service delivery (including mediators and facilitators to help overcome local political barriers).

Longer term

- Remove barriers (such as referendum requirements) to revenue sharing among localities to encourage joint development of infrastructure, sites, and facilities.
- Provide counties access to the same revenue authority as municipalities, although town authority should be protected.
- Link state agencies’ programs such as within DHCD, VDOT and DRPT toward a goal of more efficient and sustainable state development policies.
- Find ways to increase local option taxing authority.
- Look for incentives to reduce infrastructure costs arising from urban sprawl.
- Promote state-level "smart growth" policies to limit congestion, prevent urban sprawl, save open space, and protect the environment.
- Authorize regional taxing authority and tolling authority to localities working in concert on transportation improvements and meeting certain requirements. The General Assembly should set the standards and then allow localities to create the political environment to achieve success.