



COMMONWEALTH of VIRGINIA

Glen S. Tittermary
Director

Joint Legislative Audit and Review Commission
Suite 1100, General Assembly Building, Capitol Square
Richmond, Virginia 23219

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AGENDA

JLARC Meeting

Monday, December 10, 2012, 10:00 a.m.
Senate Room A - General Assembly Building

- | | |
|-------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|
| 10:00 a.m. – 10:05 a.m. | Appointment of Auditor Pending Election/ Nomination of the Auditor of Public Accounts |
| 10:05 a.m. – 10:50 a.m. | Encouraging Local Collaboration Through State Incentives -- Ms. Tracey Smith, Team Leader, JLARC |
| 10:50 a.m. – 11:05 a.m. | VRS Biennial Status and Semi-Annual Investment Reports -- Ms. Tracey Smith, VRS Oversight Analyst, JLARC |
| 11:05 a.m. – 11:35 a.m. | Technical Report: Cost of Competing Adjustment for School Divisions in Northern Virginia -- Mr. Justin Brown, Division Chief, JLARC |
| 11:35 a.m. – 11:40 a.m. | State Spending on the SOQ: 2012 Update -- Mr. Justin Brown, Division Chief, JLARC |
| 11:40 a.m. – 11:50 a.m. | Approval of Commission Study Topics -- Mr. Hal Greer, JLARC Deputy Director |
| 11:50 a.m. – 12:00 p.m. | Status of JLARC Recommendations for Legislative Action -- Mr. Glen Tittermary, JLARC Director |



Delegate John M. O'Bannon III, Chair
Glen S. Tittermary, Director

Encouraging Local Collaboration Through State Incentives

December 10, 2012

BACKGROUND

Virginia localities can collaborate on local government functions in many ways. They can share staff, jointly operate a program or service, jointly procure goods or services, partner on the construction of new buildings, or consolidate similar functions. Localities that have collaborated to deliver services or undertake projects have in many cases saved money, used funds more efficiently, and improved services for their residents. For example, emergency dispatch centers have been consolidated and education programs such as the regional Governor's schools have been developed.

The regional jails program is an example of the state providing an incentive to encourage local collaboration. Under this program, the state reimburses 50 percent of a locality's costs for the construction or renovation of a regional jail — twice the reimbursement provided if localities construct and operate their own jails. The average cost per inmate per day is \$23 less in a regional jail than in a local jail, and regional jails are better designed and more secure than many local jails.

Regional collaboration does present challenges, however. Each of Virginia's localities is an independent governmental unit and is usually provided funding separately, which provides little incentive to collaborate. Localities also often lack the resources to plan or initiate regional collaboration, lack local leadership or community support for collaborative efforts, or have difficulties merging or coordinating functions across jurisdictions.

KEY FINDINGS

Our review of the costs and benefits of providing incentives to localities that collaborate on capital construction projects or operating services found that:

- There are 13 opportunities for collaboration the state could incentivize that would likely benefit residents, local governments, and to varying degrees, the state. Nine opportunities are in K-12 education and public safety, the two local functions that consume the bulk of state and local spending (\$13.2 billion and \$4.4 billion, respectively, in 2011).
- School divisions and local governments expressed interest in pursuing these opportunities for collaboration if the state would provide financial incentives to help with capital and operating costs. In many cases, interested localities and divisions are in the same region of the state or share a border, increasing the feasibility of collaboration.
- Several types of incentives the state has previously provided could be used. The exact costs and benefits of providing these incentives would depend on the amount of the incentive, number of participating localities, and other factors.
- Collaboration opportunities that would more likely result in state savings or advancement of state policy goals are in K-12 special education and career-oriented education, foster care services, pretrial services, and public safety communications systems. However, all 13 opportunities could benefit local governments and their citizens.

SUMMARY OF RECOMMENDATIONS

We recommend the state consider prioritizing incentives to encourage local collaboration that would most likely result in state savings or the advancement of state policy goals. State agencies that administer the incentives should provide technical assistance to local governments, including school divisions; monitor how the collaboration is implemented; and evaluate its impact on the quality and availability of services and on state and local spending.





Encouraging Local Collaboration Through State Incentives

COMMISSION BRIEFING

December 10, 2012

Research Activities

- Interviewed more than 100 stakeholders
 - State and local agency staff
 - PDC directors
 - Regional program and project staff
 - Governmental associations
- Surveyed PDC directors, school superintendents, local government administrators
- Reviewed State and local spending for local government functions; other states' policies to encourage collaboration

PDC = Planning District Commission

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Study Mandate HJR 570 (2011)

JLARC to study the costs and benefits to the Commonwealth of providing financial and other incentives to localities that collaborate on capital facility construction projects and other operating services

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In Brief

Localities that have collaborated to deliver services or undertake projects jointly have, in many cases, achieved cost efficiencies or service improvements.

We identified 13 opportunities for further collaboration between local governments that the State could incentivize. All of these could benefit local governments and their citizens, and several could also benefit the State.

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In This Presentation

Regional Collaboration Can Result in Benefits for Localities and Their Citizens

JLARC Staff Identified 13 Collaboration Opportunities

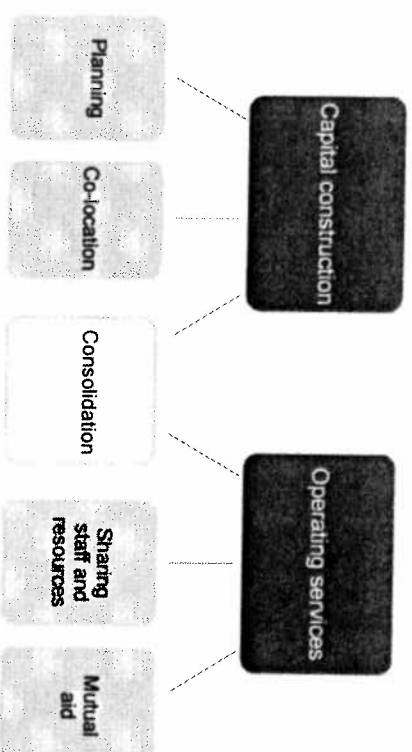
State Could Prioritize Incentives for Collaboration That Would Benefit Both the State and Localities

State Could Incentivize Collaboration Using Several Mechanisms

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Localities Can Collaborate in a Variety of Ways



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Finding

Collaboration between two or more localities can produce financial and other benefits, but it is challenging to initiate and sustain.

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Collaboration May Reduce Costs and Improve Services

- Operational efficiencies achieved by consolidating facilities or staff
- Per-locality costs of projects and operations reduced through economies of scale
- Ability to deliver services enhanced through pooled resources
- Achieve “critical mass” that justifies costs by pooling potential program participants

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State Encourages Regional Collaboration

- Statutes permit and encourage collaboration
 - Joint Exercise of Powers Authority and regional authorities and special purpose districts
 - PDCs created to provide framework for addressing regional issues
- State incentives encourage collaboration
 - Planning and start-up grants to regional Governor's schools
 - Capital funds for regional jail facilities greater than for local jails
 - Operating funds for regional law enforcement training academies

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Regional Collaboration Presents Four Main Challenges

1. Independent units of local government
2. Insufficient resources to initiate or sustain collaboration
3. Logistical challenges, such as timing and technology
4. Community concerns over loss of control, accountability, community identity

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State Support for Collaboration Has Declined

- No State funding for Regional Competitiveness Program since 2002
- State funding for PDCs decreased by 27.5% since 2007
- Incentive programs created, but never funded
 - Regional Cooperation Fund
 - Broadband Infrastructure Loan Fund

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JLARC Staff Identified 13 Collaboration Opportunities

State Could Prioritize Incentives for Collaboration That Would Benefit Both the State and Localities

State Could Incentivize Collaboration Using Several Mechanisms

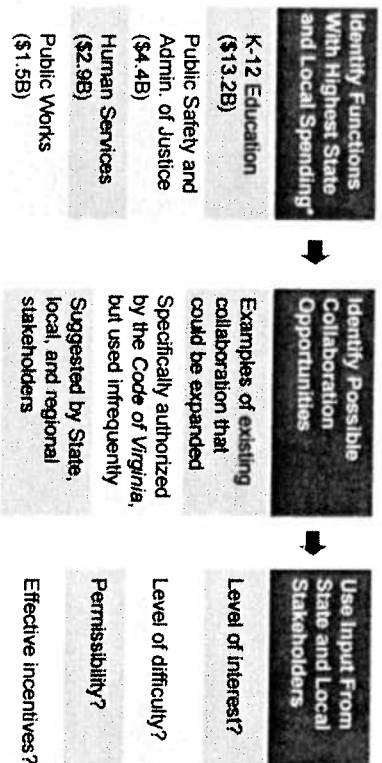
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Finding

Thirteen opportunities for collaboration were identified that would likely benefit residents, local governments, and to varying degrees, the State. Many school divisions and local governments expressed interest in pursuing these opportunities.

Opportunities for Collaboration Identified by Cumulative Process



* Auditor of Public Accounts, FY 2011

Seven Opportunities Could Primarily Benefit Localities

| K-12 Education | |
|------------------------------------------------|--|
| Shared instructional staff | |
| Professional development and recruitment | |
| Public Safety | |
| Consolidated 911 dispatch centers | |
| Joint courthouse construction | |
| Other Local Government Functions | |
| Regional water supply and wastewater treatment | |
| Regional solid waste disposal | |
| Cooperative procurement | |

Six Opportunities Could Benefit Localities and the State

| Opportunity | State Benefit |
|--------------------------------------------------|---------------|
| K-12 Education | |
| Regional special education programs | \$ |
| Regional career and technical education programs | NF |
| Regional STEM academies | NF |
| Public Safety | |
| Regional emergency communications | NF |
| Pretrial services programs | \$ |
| Human Services | |
| Regional foster family recruitment and support | \$ |

\$ = Potential savings. NF = Non-financial benefits
STEM = Science, technology, engineering, and math

In This Presentation

Regional Collaboration Can Result in Benefits for Localities and Their Citizens

JLARC Staff Identified 13 Collaboration Opportunities
State Could Prioritize Incentives for Collaboration That Would Benefit Both the State and Localities

- K-12 Education
State Could Incentivize Collaboration Using Several Mechanisms

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Finding

The General Assembly could incentivize school divisions to collaborate on the development of regional special education programs, which could produce financial benefits for both the State and localities.

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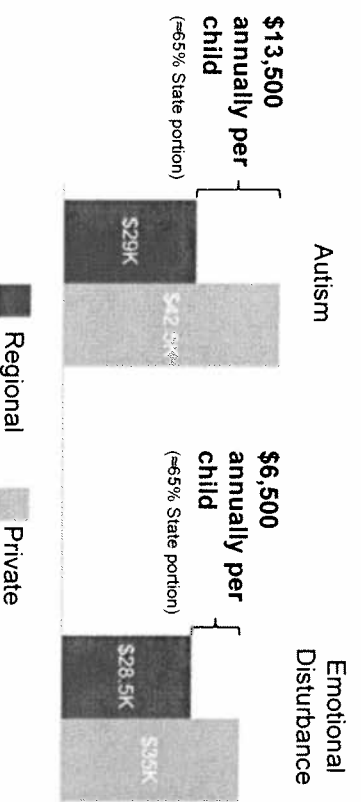
Regional Special Education Programs Reduce Use of Higher Cost Services

- School divisions required to provide special education services to students with disabilities
- Half of divisions participate in a regional special education program
 - Pooled resources improve schools' ability to meet special education needs within public school system
 - Less reliant on more costly private programs than divisions not participating in a regional program

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Regional Special Education Programs Can Be Less Costly Than Some Private Programs

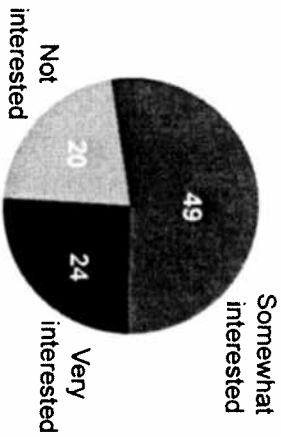


Rates reported by selected regional programs and private providers.

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73 School Divisions Interested* in Further Pursuing Regional Special Education



Potential for Regional Partnerships
66 interested divisions have interested neighboring divisions

* "Very interested" and "Somewhat interested" combined

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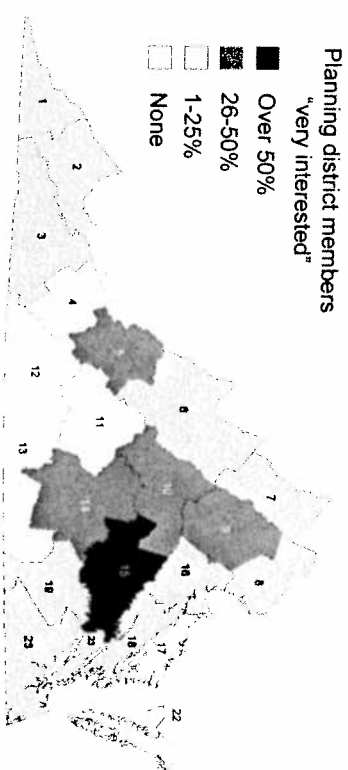
Regional Special Education Programs Could Be Encouraged Through Incentives

- Planning grants
 - Conduct feasibility studies
 - Solicit input from existing regional programs
- Additional operating funds for new regional programs
- Assistance with one-time costs, such as new equipment purchases or facility construction

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Interest in Regional Special Education Programs Concentrated in Central Virginia



Numbers on maps correspond to planning district numbers.

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Finding

The General Assembly could incentivize school divisions to collaborate on the development of regional career and technical education programs, including STEM programs, which could advance the State's workforce development goals.

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Career and Technical Education (CTE) Programs Help Develop Future Workforce

- CTE and STEM programs advance State's workforce development goals
 - Provide K-12 students with knowledge and skills for careers in high-demand fields
- Current and prior Governors have emphasized CTE and STEM programs as key to preparing students for high-demand careers

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1/4 of School Divisions Have Collaborated to Develop Regional CTE Centers

- Participating divisions offer 8 more courses than other divisions (on average)
 - Pooling resources allows divisions to hire more instructors, purchase needed equipment, and achieve "critical mass" necessary to expand array of courses
- Regional centers also used for adult workforce training programs

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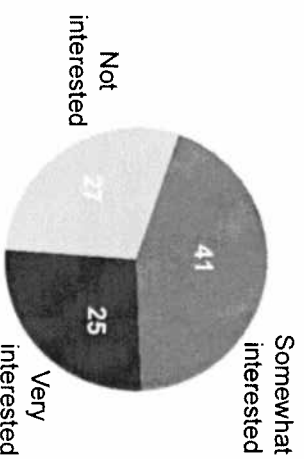
Example: Regional Center Provides Members With New Courses in High-Demand Careers

- 5 rural school divisions collaborate on regional CTE center (opened Sept 2012)
 - 7 CTE courses not previously provided by member divisions, such as pre-engineering technology, health science, computer modeling
 - Members say center is most cost-effective way to provide new courses

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66 School Divisions Interested* in Developing Regional CTE Centers



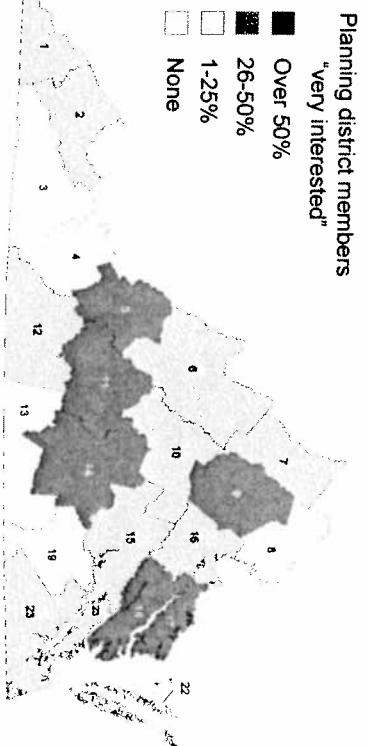
Potential for Regional Partnerships
55 interested divisions have interested neighboring divisions

* "Very interested" and "Somewhat interested" combined

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Statewide Interest in Regional CTE Centers



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Regional Centers Could Be Encouraged Through Incentives

- Planning grants
 - Conduct feasibility studies
 - Address administrative and logistical challenges
 - \$200,000 planning grant helped establish example center
- Additional operating funds for new costs, such as salaries of additional staff
- Assistance with one-time costs, such as new equipment purchases or facility construction

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In This Presentation

Regional Collaboration Can Result in Benefits for Localities and Their Citizens

JLARC Staff Identified 13 Collaboration Opportunities
State Could Prioritize Incentives for Collaboration That Would Benefit Both the State and Localities

- Public Safety
State Could Incentivize Collaboration Using Several Mechanisms

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Finding

The General Assembly could incentivize local governments to collaborate on the development of regional radio systems, which could advance State and federal emergency communications goals.

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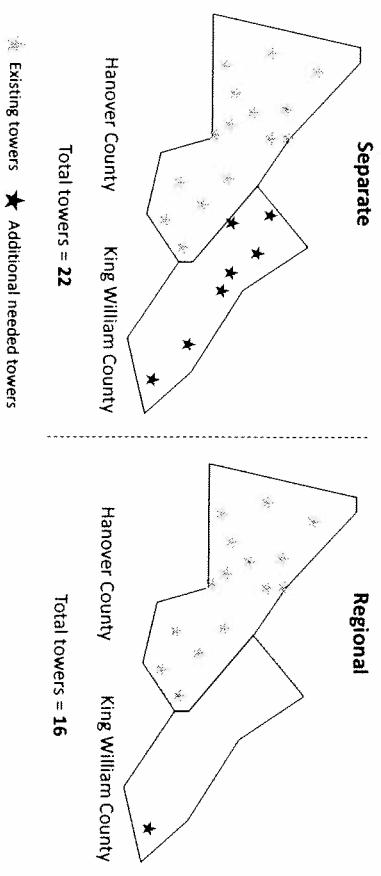
Regional Radio Systems Can Improve Emergency Communications

- State requires all public safety agencies to be "interoperable" by 2015
- Specialized radio equipment / infrastructure is necessary to achieve interoperability
- Regional systems improve localities' ability to communicate across agencies and localities
 - Sharing radio towers eliminates redundant infrastructure and improves signal quality
 - Joint systems create economies of scale that reduce costs of equipment/infrastructure

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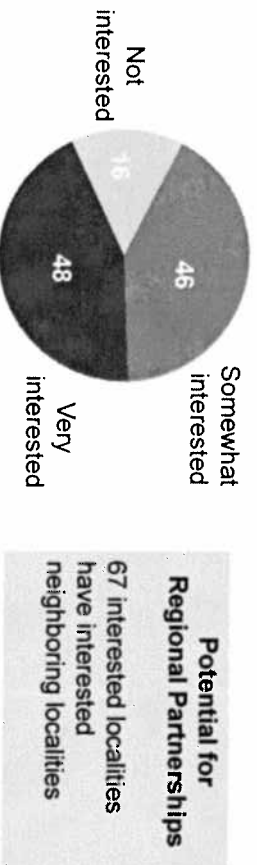
Example: Collaboration Eliminated Need for 6 New Towers, Saving \$8M



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94 Localities Interested* in Developing Regional Radio Systems

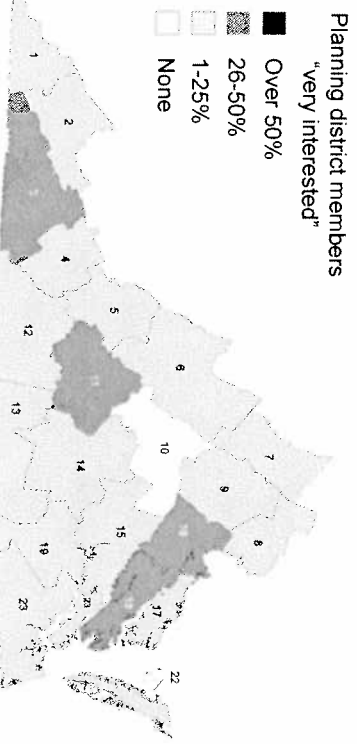


* "Very interested" and "Somewhat interested" combined.

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Statewide Interest in Regional Radio Systems



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Regional Radio Systems Could Be Encouraged Through Planning Grants and Capital Funding

- Planning grants
 - Conduct feasibility studies
 - Address technical and logistical challenges
 - Start-up grants to supplement declining federal grants for radio communications, which have been instrumental to collaboration
- Assistance with one-time costs, such as new equipment purchases or tower construction

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Finding

The General Assembly could incentivize local governments to collaborate on the development of regional pretrial services programs, which could produce financial benefits for both the State and localities.

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Pretrial Services Programs Can Reduce Public Safety Costs

- Pretrial services programs used as an alternative to jail detention for persons awaiting trial
 - Judges screen individuals for release based on risk, pretrial programs result in more informed decisions
- Pretrial programs less costly than jail stays
 - \$7/day for pretrial supervision vs. \$72/day for jail detention

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Regional Approaches Can Be Used to Implement New Pretrial Programs

- 1/4 of Virginia cities and counties do not participate in a pretrial program
- Regional collaboration has been an effective way to implement pretrial programs
 - Pool resources and share costs
 - Better coordinate with existing regional jails
 - Take advantage of existing administrative structures for community corrections

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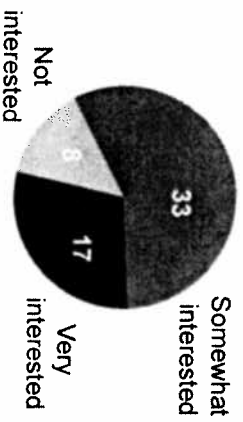
Collaboration to Recruit and Support Foster Families Could Reduce State Costs

- State pays substantial portion of foster care costs
 - \$216.7 M in FY 2011
- Some foster children receive more costly services due to lack of foster families
- Collaboration for better recruitment and support could increase supply of foster families
 - Placement in regular foster family, when appropriate, vs. more expensive setting could save the State \$14,182 – \$28,682 / year per child

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50 Local Governments Interested* in Foster Family Collaboration



Potential for Regional Partnerships
41 interested localities have interested neighboring localities

* "Very interested" and "Somewhat interested" combined

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Example: 5 Localities Collaborate to Improve Foster Care Services/Reduce Costs

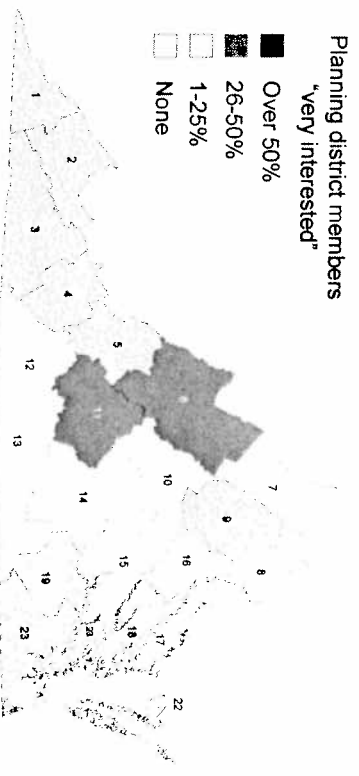
- LDSS in New River Valley PDC increased supply of regular foster families through regional program for recruitment, training, and support of families
 - 13 children placed in regular foster homes, avoiding more costly care
- Annual savings about \$300,000 to \$600,000

LDSS = Local departments of social services

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Eastern and Western Localities Are Most Interested in Foster Family Collaboration



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Foster Family Collaboration Could Be Encouraged Through Operating Funds

- State could compensate regional programs for each additional family recruited
 - Funds could partially offset costs of recruitment
 - Similar to model for encouraging family partnership meetings
- State could offer competitive grants to help fund staff for regional recruitment programs
 - Grants could require evidence-based recruitment
 - DSS regional permanency consultants could assist

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In This Presentation

Regional Collaboration Can Result in Benefits for Localities and Their Citizens

JLARC Staff Identified 13 Collaboration Opportunities

State Could Prioritize Incentives for Collaboration That Would Benefit Both the State and Localities
 State Could Incentivize Collaboration Using Several Mechanisms

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Most Opportunities in Report Could Be Encouraged With Planning Grants

| Opportunity | Potential Cost of Planning Grants | Potential Benefits |
|-------------------------------------|-----------------------------------|----------------------------------------------------------|
| Regional special education programs | \$100K - \$3.3M | Lower costs, expanded services |
| Regional CTE centers | \$100K - \$2.8M | More career-oriented courses |
| STEM academies | \$100K - \$3.6M | More career-oriented courses |
| Regional radio systems | \$100K - \$3.4M | Lower equipment costs, improved emergency communications |

Assumes planning grant of \$100,000 awarded to groups of neighboring localities interested in each opportunity

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VRA, TCR, and Private Businesses Could Be Sources of Incentives

- VRA capital construction loans could encourage initiation of regional projects
 - Regional projects could qualify for lower interest rates
- Private businesses could partner with the State to incentivize regional CTE or STEM programs
- Tobacco settlement funds could encourage regional CTE or STEM programs

VRA = Virginia Resources Authority
 TCR = Tobacco Indemnification and Community Revitalization Commission

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Regional Competitiveness Program (RCP) Could Be a Source of Financial Incentives

- 19 regional partnerships formed (1996-2002) to take advantage of RCP funds for regional initiatives
 - \$47.5 M in grants awarded
 - 69 regional activities implemented
 - Partnerships leveraged \$700 M in additional funds
- Revived RCP could focus on collaboration to produce cost efficiencies or service improvements
 - Ohio's Local Government Innovation Fund is similar

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Recommendation

The General Assembly may wish to provide financial incentives to encourage local governments, including school divisions, to voluntarily pursue collaboration opportunities that have demonstrated the potential to yield State benefits.

See page 82 of the written report for full recommendation text.

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Several Factors Will Determine Net Costs and Benefits of State Incentives

- Effective incentive amounts could vary depending on local circumstances, priorities, such as size of locality
- Factors are unique to each collaborative endeavor
 - Number of participating localities
 - Approach to implementation
- Lower cost incentives, such as planning grants and low-interest loans, may be more prudent in the short term
 - Minimize potential for net increases in State costs

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Key Findings

- State could incentivize 13 specific opportunities for local collaboration, 6 of which would benefit both the State and localities.
- Many school divisions and local governments expressed interest in pursuing collaboration, and there are many potential regional partnerships.

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Key Findings

- Incentives could be targeted at projects' capital needs, operating costs, or planning activities, and most opportunities could be encouraged through one-time planning grants.
- Exact costs and benefits of incentives for collaboration would depend on amount of individual incentives, level of participation, and other local factors.

JLARC Staff for This Report

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For More Information

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