



IMPROVING THE COMPETITIVENESS OF HAMPTON ROADS

Case Statement: The Regional Structure Project

Why the citizens and leaders of Hampton Roads should come together to discuss practical improvements to the structure of regional governance:

To accelerate economic development

To achieve economies from additional sharing of public services

To give the region a stronger political voice to pursue its interests

Prepared by Board of Directors of The Future of Hampton Roads, Inc.
Hampton Roads, Virginia
March 2004

IMPROVING THE COMPETITIVENESS OF HAMPTON ROADS

**A Proposal to Explore Alternatives for Stronger Mechanisms
of Regional Cooperation**

The Future of Hampton Roads, Inc.

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IMPROVING THE COMPETITIVENESS OF HAMPTON ROADS
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of Regional Cooperation

Preface

This Proposal has been prepared by the Future of Hampton Roads, Inc. (FHR).

FHR is a nonpartisan, apolitical organization founded in 1982 by Hampton Roads community leaders committed to improving the quality of life for the citizenry of Hampton Roads currently and into the next century.

Recognizing the undeniable benefits of regionalism, FHR has as its mission to encourage, support, and sustain activities which promote regionalism and to work toward achieving the vision of an innovative political union representing the region. This goal does not necessarily imply regional government, which stands at the far end of a spectrum of possibilities beginning with today's institutions of regional cooperation and including authorities and other varieties of quasi-governmental vehicles.

FHR believes that Hampton Roads has accomplished as much through the usual vehicles of regional cooperation as any region in Virginia. Indeed, through such entities as the Hampton Roads Planning District Commission, the Hampton Roads Partnership, the Mayors and Chairs, our public universities, and the several economic development organizations, much progress has been already been achieved in developing and implementing an exciting vision for this distinctive region's economy and quality of life. In addition, many non-governmental organizations share regional objectives, including the various chambers of commerce, the Hampton Roads Educational Television Association, the Cultural Alliance, and many other business, civic, arts and sports organizations.

Nevertheless, as is pointed out convincingly in this report, much more could be done if the people of the region were to seek empowerment through stronger forms of regional governance than any that now exists. One or more structural alternatives are available. Such an entity or entities, for example, might enjoy a devolution of specific powers from the State relative to defined service functions critical to the region's development and promotion. A means would also be created for the region to speak up for itself. Sadly, reform has become urgent because of the inability of the State government to keep up with the region's needs.

This Proposal argues that the region's leaders and citizens should now come together in a deliberative process to identify practical reforms to our regional structure that will accelerate economic development, exploit cost savings through additional vehicles of joint service delivery, and, most importantly, create a strong political voice to advance the region's interests.

A strengthened union in Hampton Roads will lead to strengthened localities and a strengthened State, resulting in benefits all will enjoy and be proud of. We invite your participation.

The Board of Directors
Future of Hampton Roads, Inc.

IMPROVING THE COMPETITIVENESS OF HAMPTON ROADS
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I. EXECUTIVE SUMMARY

1. During Fall 2003, the Future of Hampton Roads sponsored a three-session Forum on “Improving the Competitiveness of Hampton Roads.” All of the speakers recognized that regions are the basic units of competition in the world economy. All indicated that the structure of Virginia local government was one of the principal impediments to more effective achievement of any region’s agenda for improving its economy and quality of life. All recommended similar proposals for reform of the structure of local government. These proposals may be summarized as follows:

- A. Redistribution of government functions among state, regional, and local levels, accompanied by appropriate revenue powers and possible relaxation of the restrictions on local and regional governmental authority.
- B. Consolidation of some local government entities or functions for efficiency and better decision-making.

2. These structural issues concern all regions in Virginia, and to implement any changes of the scope proposed by the Forum speakers would require action by the Virginia General Assembly. However, rather than attempt to organize an overall reform effort statewide, FHR has undertaken only to propose a process for accomplishing minimum necessary reforms for the region it understands best, Hampton Roads.

3. FHR proposes that the leaders and citizens of Hampton Roads come together in a deliberative process to identify practical reforms to our regional structure that will accelerate economic development, exploit cost savings through additional vehicles of joint service delivery, and, most importantly, create a strong political voice to advance the region’s interests.

4. The remainder of this document constitutes the case statement in support of the Proposal.

Section II: The case for Improving Regional Governance in Hampton Roads:

IIA. The problems and opportunities posed by the balkanization of governmental structures within our region are numerous. They may be summarized as:

- (a) low rates of economic growth and levels of income;

- (b) delayed or lost opportunities to implement regional infrastructure improvements because of the inaction of the State legislature or the veto of a single municipality within the region;
- (c) uneconomic duplication of public facilities;
- (d) unequal distribution of the burden of public needs among the municipalities although all are affected by the resulting weaker economic performance.

IIB. Alternative structural solutions fall into three general categories:

- (a) institutions of regional cooperation, which are what we utilize now, and which are not adequately empowered to meet our pressing needs.
- (b) a regional government, with an elected governing body, taxing authority, full power to implement service delivery, and political influence.
- (c) quasi-governmental vehicles of various forms with specified purposes and limited powers. The scope of powers varies, but entities in category © do not involve merger of municipalities and therefore do not raise issues of loss of city or county names, reduction of political offices, or the challenge of harmonizing different tax structures and social preferences.

IIC. Various Virginia statutes affect regional cooperation, especially joint activities not requiring further approval of the State legislature. These include:

- (a) the ability of a locality to exercise jointly with other localities any powers authorized in their individual charters, and
- (b) the power of planning districts to provide multi-jurisdictional services if approved and funded by their member cities and counties.

IID. There are good reasons for improving the region's institutions of regional governance. There are also sound answers to expected objections. In summary:

- (a) Improved decision-making alone justifies reform, and the region also needs an authoritative political voice. In addition, modifications to some functions of the municipalities (and possibly the State government as well) could also realize tax savings and accelerate economic growth.
- (b) Virginia government structures have been altered from time to time in the past as need required. Nevertheless, for the past thirty years or more it has been customary to assume that reforms to the structure of Virginia local government

are impossible. FHR believes there is a less than drastic solution that can avoid most of the problems people may fear.

EXECUTIVE

SUMMARY

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Section III: Economic Data and Analysis

As expressed by all the speakers at the Forum, the shortcomings of our governance structure are one of the principal reasons for the region's relatively weak economic performance, and improvements in the structure should have a long-term economic payoff. Indeed, it is unlikely that the region's leaders and citizens will be motivated to alter our regional institutions unless there are compelling economic reasons for doing so.

IIIA. Various data expose the relatively weak economic performance of the Hampton Roads MSA compared to other metro areas and national averages. Low growth rates and low incomes are reflected in our relatively low spending for education and other public purposes, fiscal stress on our cities, and partial loss of our education investment as many of our brightest youngsters go elsewhere for better-paying employment.

IIIB. Tax savings, economic growth, and other benefits might be achieved by structural reform. Recent research by Old Dominion University on consolidation of services is suggestive. Voters are not likely to back new institutions unless tax savings can be shown from economies of scale and scope.

Section IV: Implementation Plan

IVA. To find the appropriate institutional reforms that will meet the goals of the project and to ensure buy-in for actual implementation, an inclusive process must be designed that involves elected officials, business and civic leaders and their organizations, the media, and the general public.

IVB. Depending on the characteristics of the final structure selected (or, possibly, structures), the approval of the State legislature may be required to charter the desired regional entity. A number of such regional bodies have been chartered elsewhere, with good results. However, there are alternatives available to the region that would not require further action by the legislature.

5. Since the mid-1980s, when The Future of Hampton Roads Inc. undertook the first of several region-wide visioning projects for improving the economic performance and quality of life of the entire region, intense efforts have been made to improve the ability of the people of Hampton Roads to work together. Progress is evident. However, with the continuing lag in the region's growth and income, compounded by fiscal stringency at the State level, it has become ever clearer that an absolute necessity for better performance is to

place adequate power at the regional level to implement key regional initiatives. A regional body of some form—legitimate, accountable, efficient, with limited but effective powers—is now the essential vehicle for facilitating the reasonable aspirations of our citizens for an improved economy and better living. The purpose of this Proposal is to discover how far we can proceed toward that ideal.

II. THE CASE FOR IMPROVING REGIONAL GOVERNANCE

IN HAMPTON ROADS

A. PROBLEMS AND OPPORTUNITIES OF REGIONAL GOVERNANCE

1. The structure of government in the United States exhibits a paradox: (a) Metropolitan regions have been recognized for at least fifty years as the primary units of competition in the world economy. (b) Governments are obviously able to significantly foster economic development. Nevertheless, (c) effective government does not exist at the metro regional level in most of the United States, including Virginia.

2. The response to this paradox has been the nationwide “regionalism” movement. Early on, attempts were made to achieve municipal consolidations. But since the 1970s almost all such initiatives have failed, and so they have been replaced by various forms of regional cooperation based on establishing working relationships and creating shared agendas. In Virginia, these efforts are reflected in the creation of the planning district commissions, various public service authorities, numerous bilateral agreements among municipalities for shared services, and public-private visioning projects.

3. Despite these mechanisms of multi-jurisdictional cooperation, the political decision-making structure of the Commonwealth constrains municipal governments to shift for themselves as they strive to improve the quality of life for their citizens. The relative weakness in decision-making at the regional level is reflected in a number of lost growth opportunities, economic losses, and waste of taxes. Numerous experiences suggest that regional rather than individual city decision-making would be productive and beneficial:

a. Consolidation of certain municipal services could result in tax savings or less loss of tax revenue, as shown by the obvious benefits from prior consolidated services provided by regional authorities.

b. Lake Gaston might be developed as a fully regional water source if there were strong State leadership and the municipalities on both sides of the James River exhibited a willingness to explore a regional approach.

c. Regional facilities, such as a large convention center or football stadium, if constructed in a collaborative fashion, could be of higher capacity and perhaps more profitable than the duplicative smaller facilities built by individual cities.

d. Coordinated regional land-use planning could control undesirable sprawl and prevent uneconomic leap-frogging of development.

PROBLEMS AND OPPORTUNITIES OF REGIONAL GOVERNANCE

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e. As desired by the State, creation of a single economic development agency for Hampton Roads to replace the two Alliances and many of the functions of individual city development departments would avoid duplication of advertising and staffing for this narrow technical function.

f. Similarly, a regional entity could expedite facilities preparation and promotion to assist major new regional business opportunities such as that involved in the selection of Norfolk as a cruise ship port or exploitation of the area's maritime character to attract new firms.

g. A suitably empowered regional body could make more rapid decisions to deal with urgent problems, such as in the current situation where the port cities are suffering a pileup of excess shipping containers and outlying municipalities have open land where the containers might be stored.

h. The political structure of local government that forces municipalities to compete could be counteracted by an effective regional policy that discourages the offering of inducements and other wasteful efforts to move employers from one place to another within the region with no overall benefit to the region.

i. A regional pooling of funds to feed a more rapid expansion of research, development, and commercialization capabilities of the region's universities and labs would stimulate high-value business formation and higher-paying jobs.

j. A more unified political voice could assist area legislators to understand and work for measures that benefit not only their own constituents but are supportive of the regional agenda.

k. Similarly, a more unified political voice would allow the region to compete more strongly for outside investments, such as sports facilities, reimbursements for tax-exempt land used by the State or federal government, or a fair share of indigent funding. It could also act more effectively to protect regional assets against threats posed by the base realignment and closure process, threatened reductions of the NASA/Langley program, or degradation of the environment.

l. With regional decision-making in place, no one city or county could effectively veto decisions that meet with the approval of other municipalities and benefit the majority of their citizens, as has happened in the past to the detriment of all.

It is impossible to estimate the actual dollar losses involved in not having taken advantage of the opportunities outlined above (just as it is difficult to put dollar values on the economic savings from the many examples of success already achieved by regional cooperation and service consolidations in Hampton Roads). Nevertheless, this list suggests that the *cumulative* impact could be substantial. It must be at least part of the explanation for the relatively weak economic performance of the Hampton Roads MSA as compared to other metro areas in the United States.

PROBLEMS AND OPPORTUNITIES OF REGIONAL GOVERNMENT

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4. The lack of effective regional governance in Hampton Roads is also reflected in its low ranking in the national statistics for metropolitan areas. Census figures of the past three decades show a lagging rate of growth and a lower level of income compared to national averages and other MSAs. Since the mid-1980s, Hampton Roads' per capita income has dropped from less than 95% of the national average to 90% today. If regional income were at the national average, our regional income would be higher by \$4.6 billion.

Lack of regional decision-making is not the only reason for this dismal performance, but it is a key contributor. More timely decision-making that reflects majority needs can only be implemented by changing the structure of regional governance.

5. Attitudes also have frustrated regional progress. In Virginia, the primary impediments to effective regional action are:

- (a) the reservation of powers to the State legislature under the Dillon rule combined with the legislature's inadequate response to regional needs,
- (b) the unwillingness of most municipal officials to give up power,
- (c) the sentimental attachment of citizens to their municipalities combined with
- (d) a weak sense of regional citizenship.

These attitudes reflect the fact that individuals loyally defend the perceived interests of whatever turf they are associated with: A State legislator is reluctant to weaken his control of issues and budgets. An elected mayor must necessarily give priority to the parochial concerns of his own city. The opportunity for citizen involvement is limited to the municipal unit, and a natural form of competition arises that colors the thinking of residents as well as government officials. To reorient such loyalties and sentiments and behavior as a way of releasing energy for more effective performance at the regional level is another powerful reason to change structures of local and regional governance.

6. An important caveat: The emphasis in this Proposal on shortcomings in our governance structures should not be interpreted as an indictment of either our elected officials or government managers, many of whom have been in the forefront of efforts at

regional cooperation. “Cooperation” itself is a word with positive value connotations. Therefore, when regional cooperation fails there is a temptation to regard the people responsible as “bad” people. This is unfair. Individuals—whether elected officials, business CEOs, college presidents, or association officers—can only legitimately play the roles assigned to them by the positions they occupy in an institutional structure. Therefore, cooperative arrangements can be made when interests coincide, but not otherwise. This phenomenon suggests that altering regional structures to permit new interests and loyalties to emerge will make a positive impact on regional issues of the sort listed above.

B. ALTERNATIVE GENERIC SOLUTIONS: PROS AND CONS

The effort to deal with the problems arising from the structure of local government in Virginia are conditioned by the fact that Virginia is a strict Dillon rule state, that is, local governments enjoy only such powers as are granted to them by the State legislature. Accordingly, improvements in regional performance are sought in two ways: (a) requests to the State legislature to provide solutions, and (b) self-help initiatives by the region itself. As described in Section A above, the State has been only partially accommodating in meeting the responsibilities it retains under the Dillon rule for improving regional performance. Because of that track record, this Proposal assumes the State’s role is not likely to change significantly. We therefore focus on what might be done in the way of self-help initiatives by the region itself. This category includes three generic structural alternatives: (1) Regional cooperation, (2) Regional government, and (3) Quasi-government, each described below.

1. Regional Cooperation. People in a region who see the value of regionalism for improving the economy and quality of life create voluntary associations to develop proposals. This has happened nationwide. In Hampton Roads such associations include the Hampton Roads Planning District Commission, the Hampton Roads Partnership, and FHR itself, among others. To the extent the proposals for regional improvement require government action, the associations must petition the governments to act. As there is no government at regional level, the local governments themselves must come together voluntarily to decide whether to respond to such requests. (Depending on the nature of the proposal, they in turn may need to petition the State legislature.) This, of course, is the essential character of the current situation in Hampton Roads. Where the benefit of a regional solution has been obvious, plans have often been pushed through to implementation. However, as there is no single entity charged with the responsibility for achieving results nor empowered directly to implement plans, the harder tasks often remain unattended to. There is no effective political union.

2. Regional Government. Directed by an elected body with full power to plan, fund, and implement regional initiatives, a regional government that replaces all the local

governments would appear to be the ideal solution for overcoming current constraints on regional development. It would presumably be less expensive to operate. The difficulty with this model, aside from the difficulty of securing a severe relaxation of the Dillon rule to make it effective, is that it would eliminate many political positions, submerge the identity of famous place names, and present the severe challenge of harmonizing different local tax rates. It would be an excellent political union, but extremely difficult to achieve—as is invariably pointed out in the media every time some version of regional government or local government merger is proposed.

ALTERNATIVE GENERIC SOLUTIONS: PROS AND CONS

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3. Quasi-Government. Examples in this category include authorities, boards, or commissions with limited responsibilities but with powers adequate to implement their plans. Their governing bodies are usually appointed by local or state governments, but they often include elected officials and may include directly elected members to enhance public accountability. Typically, the essential characteristic of each such entity is that it has a clearly defined, relatively narrow mission to deliver a specific service ordinarily provided by government. Within these confines, it is usually permitted to incur debt, and it is allowed to raise revenue usually described as fees rather than taxes.

In Hampton Roads, notable examples are the Virginia Port Authority, Southeastern Public Service Authority, Hampton Roads Sanitation District, Hampton Roads Transit, and the airport authorities. The Virginia legislation based on the Hahn Report permits such public service authorities for multi-jurisdictional purposes.

Variations exist in other states:

* An example of an entity with broad basic powers is the special authority created by the State of Georgia to deal with the aggravated transportation problems of the Atlanta metro area. The Georgia Regional Transportation Authority has power to deal not only with transportation but also with the related matters of land use and environmental protection.

* An example of a regional entity with taxing power is the Tri-County Human Services Inc. that handles human services for Broward, Dade, and Palm Beach counties, Florida.

* An example of an entity that has achieved economies of scope by the elimination of overlapping and duplicative services is the Charlotte-Mecklenburg Government in North Carolina (which of course is something more than a quasi-government).

An important advantage of these organizations is that they do not require the merger of local governments, with all the difficult adjustments that action would require—loss of political positions, loss of city names, and harmonization of differing tax rates and social policies.

Based on the above considerations, perhaps it will be found that the most desirable and feasible next step for improving the governance structure of Hampton Roads is simply some form of quasi-government vehicle empowered, perhaps like the Georgia authority, to deal with several specified regional needs. The following sections suggest some of the possible features of this vehicle and examine arguments for and against it.

C. LEGISLATION AFFECTING LOCAL AND REGIONAL GOVERNANCE

1. Virginia is a Dillon Rule state, such that municipalities may only exercise such powers as are granted to them in their charters by the General Assembly. However, under the *Joint Powers Act* (Virginia Code, Title 15.1-21) municipalities may exercise jointly any powers that their charters allow them to exercise individually without the need to seek further approval of the General Assembly. Under this provision, numerous inter-city agreements have been made in urbanized areas where the need for coordination of police or other services is obvious. This legal capability is an ideal basis on which to build further consolidated service delivery arrangements except when the various charters differ in their provisions. This is especially a problem in coordinating cities and counties. Therefore, to take full advantage of this capability, it would be necessary either to modify individual charters or to develop a model charter for adoption by all cities and counties that wish to consolidate services. Aside from the inherent complexity of accomplishing either of these reforms, they would require approval by the General Assembly.

2. The federal government first promoted regional planning during the 1950s push for the interstate highway system, followed by urban redevelopment and other legislation that called for regional implementation in order to qualify for federal funds. While this federal pressure abated during the 1980s, federal highway legislation still requires that an MSA, in order to qualify for federal subsidies, must establish a Metropolitan Planning Organization (MPO) to prepare regional transportation plans. The MPO for Hampton Roads is managed by the Hampton Roads Planning District Commission.

3. In the U.S. the historical method of extending public services to larger areas of a metropolitan region was accomplished indirectly as a central city annexed neighboring land to increase its tax base. In some regions, duplication caused by the overlapping city and county governments was eliminated by the successful consolidation of the political entities; notable examples of resulting regional governments are Portland Oregon, Indianapolis, and Jacksonville. However, in Virginia, under the *Independent Cities Act*, cities and counties are separate entities, the cities' annexation rights were rescinded, and no voluntary consolida-

tions have been achieved since the 1970s. Thus, political mergers as a method of achieving regionalism goals has been considered “impossible” for many years.

4. Responding to the federal impetus for regionalism, the *Virginia Area Development Act of 1968*, in adopting several recommendations of the Hahn Commission Report of 1967, provided separately for planning districts and service districts. The planning districts were required to prepare regional plans but were not empowered to implement them except to the extent adopted by each member municipality. The service districts, on the other hand, were designed to implement multi-jurisdictional delivery of services. Although 22 planning districts were eventually formed, covering the entire State, only one service district was

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created (in far Southwestern Virginia) because the procedure for doing so was found to be entirely unwieldy.

A 1972 report of the Governor’s Ad Hoc Committee to Review the Virginia Area Development Act therefore recommended various revisions that resulted in elimination of the service district from the law and extension of the powers of planning districts to implement services upon request of the member localities. The planning districts are not allowed to raise taxes to support such services; however, under 15.2-4218, municipalities may appropriate or lend funds to a planning district commission for such purposes. Relatively little use has been made of these provisions. Nevertheless, where the localities decide to act jointly, the planning districts can provide significant support since 15.2-4208 lists their general duties as:

- “1. To conduct studies...;
- “2. To identify and study potential opportunities for state and local cost savings... through coordinated governmental efforts;
- “3. To identify mechanisms for the coordination of state and local interests on a regional basis;
- “4. To implement services upon request of member localities.”

Presumably the Hampton Roads Planning District could be made the vehicle for further consolidations of regional services, without further General Assembly approval, if the municipalities were willing to provide the funds. A showing that offsetting tax savings or other economic benefits were possible could provide the incentive.

5. Given the above history, the preferred methods for implementing multi-jurisdictional service delivery have involved considerable use of inter-city agreements, sale of services by one jurisdiction to another (water is a notable example), or the creation of single-purpose authorities. In Virginia the governing bodies of the authorities have included both elected and appointed citizens, in some cases selected by local governing bodies, in others by the Governor. None has been given general taxing authority, but all have the ability to issue tax-exempt bonds and to collect “fees, rents, and charges” from their public or private customers. Examples include the Virginia Port Authority, Hampton Roads Sanitation District, Southeastern Public Service Authority, Hampton Roads Transit, Hampton Roads Sports Authority, and the airport authorities.

6. The most recent legislative initiative in support of regionalism in Virginia was the 1996 *Regional Competitiveness Act*. An outgrowth of studies by the Urban Partnership, a statewide alliance of central cities and the Virginia Chamber of Commerce concerned by urban fiscal stress, the Act recognized the interdependence of core cities and their outlying neighbors and provided incentive funds for the creation of regional councils required to adopt plans for regional initiatives. Over the first eight years of the Act, the Hampton Roads Partnership (which served as the model for the legislative requirement to set up a governing body including elected officials, business, educational, military, and civic leaders), received over \$11 million from the State to fund a number of innovative programs on the regional

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agenda. Owing to the State's fiscal crisis, funding was discontinued in 2004, but it might eventually resume as the economy improves. Aside from the benefits from its various projects, the Partnership has been invaluable in promoting relationships among regional leaders, a basis for the possibility of proposing further initiatives for improving the economic competitiveness and quality of life in Hampton Roads. The Partnership plans an updating of the regional vision and agenda during 2004.

D. THE CASE FOR AN IMPROVED REGIONAL STRUCTURE

1. SUPPORTING ARGUMENTS

A. Economic Advantages

1. Regionalism is one means of confronting serious problems created by the State's fiscal crisis. So far, the unwillingness of legislators to raise revenues to deal with evident needs in transportation has been accompanied by an unwillingness to allow localities to do the job themselves. A principal function of the regional body could be to allow citizens in the region to decide for themselves how much additional revenue they are willing to provide to meet their own urgent needs.

2. One potential benefit is tax savings achieved by having the municipalities give up overheads related to functions assigned to the regional entity. For example, a study by the Old Dominion University Center for Regional Studies suggested possible savings from consolidation of public schools, fire departments, libraries, and water distribution. Consolidation of economic development marketing is another area of opportunity for savings. Some consolidation of tourism marketing might also result in a stronger presentation of the regional image to national and international consumers.

3. Economies of scope might also be looked for: A specialized unit of a larger city

(such as a special police investigative unit or a computer technology unit) could be shared across municipal lines without adding staff but with a sharing in the expense by the other cities served.

4. Acceleration of economic performance can result from a proactive entity with the power to make infrastructure decisions. A striking example of the actual impact of regionalism is the 1983 unification of the ports of Hampton Roads in the Virginia Port Authority, a consolidation that resulted in a decade of double digit increases in annual port tonnage.

5. Affecting this acceleration of actual performance would be more effective regional

SUPPORTING ARGUMENTS

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promotion that stimulates national recognition that the region is on the move—a new hot spot. The example that comes to mind is the exciting reputation created for itself by North Carolina’s Research Triangle. Hype does generate results.

6. The realignment of responsibilities and powers into a regional entity might also need to be accompanied by a transfer of some of the State’s own bureaucratic work and related funding to the new body, though this is probably less likely to be permitted than transfer and consolidation of municipal functions. Functions where this delegation of State activity might be possible would need to be specifically identified and justified.

B. Political Advantages

1. The governing body of the chosen regional vehicle would likely include a number of sitting mayors. It need not also include a certain number of elected at-large members, but there would be some advantages if it did:

- * Direct elections would automatically allow citizens to be more directly involved in the regional political process than is possible under present arrangements.

- * The provision for elected at-large representatives would not only ensure a regional perspective on the regional body but could also help to reorient loyalties.

- * The election process should stimulate wider discussion and debate of regional issues, thus presumably sharpening public understanding of the need for regionalism.

2. The municipalities would have a stake in the success of the regional body not only

because their mayors would presumably serve on its governing board but also because the administrative expenses of the body (as distinct from program or project outlays) should be paid by the municipalities.

3. Incentive monies on the table to help the cities meet their needs also could be an important motivator, as was seen with the funds provided by the State to the Hampton Roads Partnership under the Regional Competitiveness Act.

4. If the chosen entity did not involve merger of municipalities, no city council positions would be sacrificed and no city identities lost.

C. Other Advantages

1. Even if the savings were meager from consolidating some functions, it may be wise to do so simply because it would facilitate effective decision-making for everyone in the region. For example, the citizens might want to have a major sports franchise that would require a regional stadium. The regional entity could more effectively create this kind of facility than any one of our municipal governments. Coordination of environmental protection is another sensible regional function, economies aside.

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2. The activity of the regional body would receive considerably more media attention than many regional governance processes now do. For example, the regional agenda is now mostly pushed by the Hampton Roads Partnership, which receives next to no media coverage. The substantial activities of the Planning District Commission are also often overlooked by the media. A new regional body designed to act as the region's political voice would no doubt receive more coverage.

2. ANSWERS TO OBJECTIONS

Discussions of regional structures, especially of regional government, invariably elicit objections. At base these concerns deal with possible loss of valued identities, assumed increased costs, loss of political roles, or increased taxation for some municipalities. But these need not be features of an effective regional body. Other objections likely to be heard:

1. "Not today, maybe some day." In all of the discussions about reform of regional institutions, it will be important to counteract the conventional wisdom that "it can't be done." Governmental reforms have been done in the past and there is no reason they cannot be done now. Examples in Virginia include adoption of the independent cities and counties structure earlier in the century and the authorization of regional planning districts and service delivery authorities as a result of the 1967 Hahn Report.

2. "We don't need a fourth level of government." We *already* have entities at the regional level with some of the characteristics of government—the planning district and the service authorities. This objection is really a way of implying that any new regional entity

will simply add expense without providing offsetting economic and financial benefits. An essential part of any case statement will be the demonstration that such benefits can be reasonably achieved.

3. “It will be too inaccessible to citizens.” With respect to the regional issues the new regional entity will handle it will be more accessible than State government, which does not deal adequately with them now. In any case, the current structures of local government were designed decades ago when means of transportation were much more limited and other forms of communication much more unsophisticated. Modern mobility and telecommunications will permit interested citizens to stay in touch with the regional governing process. That the consolidation of functions can be effective from this point of view is demonstrated already by the present regional authorities such as HRSD and SPSA. Finally, most of the functions of local government that concern citizens will continue to be handled by the municipalities.

4. “It’s impractical.” On the contrary, vehicles of regional governance have been well tested in practice. In Hampton Roads alone we have the Virginia Port Authority, the Hampton Roads Sanitation District, the Southeastern Public Service Authority, Hampton Roads Transit, and the airport authorities. The pattern of this effective form of limited governance is well established here and elsewhere.

ANSWERS TO OBJECTIONS

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5. “It’s unprecedented.” Productive regional governments operate in a few regions elsewhere in the U.S., notably Jacksonville, Portland, and Indianapolis. Quasi-government institutions of all sorts exist locally and nationally.

6. “The politicians will be against it.” The assumption that nothing can be done because office holders will see a threat to their power is not only a slur on their objectivity and willingness to meet public needs but is also belied by the numerous actual examples where our elected officials have reached out to create effective institutions of regional cooperation.

7. “The State is supposed to do these things.” Yes, but it doesn’t.

III. ECONOMIC DATA AND ANALYSIS

A. THE RELATIVE WEAKNESS OF THE HAMPTON ROADS ECONOMY

It would be instructive if calculations could be made of the losses or costs associated with failures to implement such regional enhancements as the transportation plan, major league sports, a world-class convention center, and the various other lost opportunities enumerated in Section IIA. Even without such numbers, the relatively weak performance of the Hampton Roads economy over the years is surely attributable at least in part to the lack of decision-making authority at the regional level.

Hampton Roads suffers from low income, slow growth, fiscal stress, and brain drain. The following information is drawn from data furnished by the Hampton Roads Planning District Commission and Hampton Roads Partnership (Annex B).

1. Hampton Roads Per Capita Income Relative to the U.S. Even at the high point in the mid-1980s, when defense spending peaked, regional per capita income at its highest was only 95% of the national average. Following the defense cuts of the first Bush administration, per capita income steadily declined to 87% in 1997. (It returned to 90% in 2003 as we suffered less from the recession than the rest of the U.S.) During the past twenty years, when our economy grew by some 276%, competitor MSAs like Charlotte and Raleigh-Durham grew by 337% and 344%. To some extent our low incomes are mitigated by a lower cost of living. Still, our generally low salary levels induce many of our young people to seek employment elsewhere. If Hampton Roads performed just at the national average, over \$4.6 billion annually would be added to the region's pocketbooks.

2. Virginia's Ranking Among All 50 States in Expenditures. The imperative of dealing with trash and sewage gives Virginia rankings of 14th and 16th in the nation, but in the areas that most influence economic development—education, health, natural resources—it ranks only 39th, 40th, and 43rd. Not surprisingly, Virginia ranks dead last in welfare spending. (The spending is normalized for state size by relating it to per \$1000 of personal income.)

ECONOMIC DATA AND ANALYSIS

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3. Per Pupil Education Expenditure (in Hampton Roads municipalities) as a Percent of the U.S. Average. With an overall state ranking of 39th in education expenditures, it is not surprising that spending in most of the region's cities is well below the national average: Norfolk 92.0%, Portsmouth 85.2%, Hampton 80.1%, Chesapeake 79.4%, Virginia Beach 77.1%,

Newport News 76.5%. Perhaps this reduced expenditure is just as well as we lose the benefit of it when so many of our youngsters leave the region to work in other metro areas.

4. Projected Hampton Roads Total Expenditure Needs and Revenue Raising Capacity. Using forecasts for 2005, the chart shows that every one of our municipalities except James City County expects a shortfall between its tightly budgeted needs and its ability to generate taxes to cover the expenditures. The currently depressed economy must account for a large amount of the problem, but the situation also supports the contention that Virginia, and especially its municipalities, needs tax reform.

5. Composite Fiscal Stress Index in Hampton Roads. It is no secret that the region's central cities—Norfolk, Portsmouth, Newport News, and Hampton—show relatively high levels of fiscal stress, reflecting the extent to which they have the lower average incomes, the higher social welfare expenditures, and more state or federally occupied land exempt from local taxation. More surprising is that Franklin, Williamsburg, Suffolk, Chesapeake, and even Virginia Beach exhibit signs of incipient fiscal stress. Again, the current weak economy no doubt accounts for much of the problem in these municipalities.

B. BENEFITS FROM THE PROPOSED SOLUTION

1. FHR believes that a suitable regional entity would provide numerous benefits: More timely decision-making, effective delivery of services, tax savings, stronger support of the regional economy, the ability to create first class regional facilities, a stronger sense of regional citizenship, and a more effective political voice for the region. Again, it is difficult to associate dollar numbers with these various effects, but they would none the less have real economic consequences.

2. One subject of recent research is the suggestive work on consolidation of service delivery in Hampton Roads published by Old Dominion University's Center for Regional Studies in its 2003 State of the Region report. This research indicates that savings could probably be achieved by multi-jurisdictional consolidation of transportation, education, water distribution, libraries, and perhaps fire-fighting. The research suggests that further work on the feasibility and benefits of such consolidations ought to be part of any serious consideration of a new regional governance entity.

IV. IMPLEMENTATION PLAN

A. STAKEHOLDER PARTICIPATION

In pursuing this initiative, FHR intends to seek wide involvement of all stakeholders:

1. Municipal officials will be consulted to further refine the details of the proposal and to furnish additional supporting data, such as calculations of potential savings from potential consolidation of enumerated functions.

2. Business and civic organizations will be approached to invite their input and support. Additional support will be invited from leaders and experts outside the region.
3. The media will be briefed extensively on the proposal and supporting data, and they will be encouraged to provide extensive coverage.
4. Additional public forums and focus groups will be held to present the case statement to the general public and to solicit comment.
5. The Hampton Roads members of the General Assembly will be asked to give input on the proposal and to work for its adoption by the legislature, if such approval is required by law.

B. REQUIRED LEGISLATION

Whatever the structural reforms the stakeholders eventually develop, their final recommendations will require approval of each of the cities and counties of Hampton Roads that wish to participate. Depending on the specific features and powers of the proposed new regional entity, General Assembly approval may or may not be required. If it is:

1. Hampton Roads should present itself to the legislature as a leading example of regional cooperation that wishes to experiment with a metro vehicle for its own good and sufficient reasons but also as a pilot case that might eventually provide a useful example for reform in other regions.
2. The necessary implementing legislation should be drafted with the assistance of the Hampton Roads legislative delegation.

ECONOMIC TRENDS IN HAMPTON ROADS

The following information is excerpted from a memorandum of the Hampton Roads Partnership entitled “Hampton Roads Technology Issues.”

Ramifications of Hampton Roads not being a technology intense region.

A. When compared against the entire United States, Hampton Roads is a below average performing region in economic terms and has not kept up with most of the rest of Virginia.

Nominal Per Capita Income (\$)

| | <u>United States</u> | <u>Virginia</u> | <u>Hampton Roads</u> | <u>HR as % of VA</u> | <u>HR as % of U.S.</u> |
|------|----------------------|-----------------|----------------------|----------------------|------------------------|
| 1980 | 10,183 | 10,176 | 9,522 | 93.57 | 93.51 |
| 1990 | 19,572 | 20,527 | 18,184 | 88.58 | 92.91 |
| 2000 | 29,760 | 31,210 | 26,288 | 84.22 | 88.26 |

B. Significance: If Hampton Roads’ per capita income was only at national average, there would be over \$4.6 billion more in income for our residents annually. Consider the impact on standard of living and quality of life.

C. Hampton Roads has fallen significantly behind key competitor regions outside the state.

Nominal Per Capita Income (\$)

| | <u>Charlotte</u> | <u>Raleigh Durham</u> | <u>Hampton Roads</u> | <u>HR as % of Raleigh-Durham</u> |
|--------|------------------|-----------------------|----------------------|----------------------------------|
| 1980 | 9,190 | 9,506 | 9,522 | 100.17 |
| 1990 | 19,703 | 20,730 | 18,184 | 88.59 |
| 2000 | 30,993 | 32,681 | 26,288 | 80.43 |
| Growth | 337% | 344% | 276% | |

D. Significance: Hampton Roads’ per capita income in 1980 exceeded both North Carolina regions. If Hampton Roads had kept pace with Charlotte in regard to per capita income, there would be over \$6.4 billion more in income for our residents annually. If Hampton Roads had kept pace with Raleigh-Durham in regard to per capita income, there would be over \$8.7 billion more in income for our residents annually.

E. Decline in per capita income as a percentage of the national average is generally attributed to the following:

1. Loss of 50,000 defense related jobs in last decade.
2. Absence of a national class research university.
3. A geographical location that presents transportation challenges and image of being a land’s end location.
4. Lack of a compelling reason to be here in spite of the region’s [opportunities]

**PROCEEDINGS OF THE FORUM ON
“IMPROVING THE COMPETITIVENESS OF HAMPTON ROADS”**

September – November, 2003

Future of Hampton Roads, Inc.

[See separate web link “Forum”]