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MEMORANDUM

To: CMAP Board

Date: March 3, 2010

From: Matt Maloney, Senior Manager Program and Policy Development

Re: *GO TO 2040* Policy Briefing: Coordinated Investment

From fall 2009 to spring 2010, CMAP staff will brief the Board on key policy areas that are recommended to be among the priorities of *GO TO 2040*. At the March 2010 meeting, one of the key policy issues discussed will be **Coordinated Investment**. Please note that this is a multi-dimensional issue that affects many aspects of the plan.

Summary

GO TO 2040 will emphasize effective, collaborative approaches to common problems. With a region as large and diverse as northeastern Illinois, CMAP has chosen to pursue a policy plan (dealing with the investments and high-level policies that shape our region) as opposed to a land use plan (planning for specific land uses in specific locations). This is an important distinction in terms of the plan's focus, the agency's future role, and overall implementation. As outlined in its 2006 Strategic Report, CMAP was created to change the nature of planning in northeastern Illinois by providing a policy framework that identifies and promotes regional priorities. In developing *GO TO 2040's* recommendations, we will emphasize the need for prioritized investments and for a plan to guide such decisions.

GO TO 2040's success will hinge on its implementation. Implementing the plan's recommendations will require leaders to recognize the interdependence of our communities and to work across political boundaries on issues that affect multiple jurisdictions. To achieve real sustainability, the region's leaders must examine how major investment decisions are currently made. Many of our most pressing problems -- mobility, housing, climate change, economic vitality, and environmental quality -- are beyond the ability of any one government level to solve individually. These types of issues truly cross jurisdictional borders, and their solutions demand coordinated investment by all levels of government.

“**Coordinated investment**” includes several different dimensions:

- *A Regional Approach.* Federal and state investments should be scaled to the appropriate size of the problem. For many issues, the appropriate scale for policy leadership and/or programming decisions is regional.
- *Investment Linked to Comprehensive Planning.* Develop more comprehensive solutions to problems by removing barriers that currently separate federal, state, local, and regional priorities and programs. Make more of the kind of investments that support policy and investment goals in comprehensive plans like *GO TO 2040*.
- *Increased Coordination or Consolidation of Local Services.* At the local government level, pursue efficiencies through increased *coordination, communication, and where appropriate, service consolidation.*

Importance of Coordinated Investment

A Regional Approach

Metropolitan regions like northeastern Illinois drive the U.S. economy. They are home to 80 percent of the nation’s population and generate 85 percent of the gross domestic product. With all its remarkable diversity, our region also has the important capacity to act as a single unit. While its residents retain other strong allegiances -- including to their local communities and the state -- in practice, people increasingly live on a regional scale. A vast network of open space, the transportation system, water resources, retail, cultural activities, and, yes, sports teams can combine to unite us all.

While its interrelated geography shapes a metropolitan region’s overall economic prosperity, most investment decisions are made using different frameworks. Federal and state systems for allocating funds sometimes reflect a powerful incentive to disburse investments widely rather than to pursue particular goals -- such as economic impact -- that are best maximized through a regional focus. Alternatively, many investment decisions by the federal and state governments may flow directly to local governments with little consideration of regional economic benefits, equity concerns, or the additional efficiencies that could be gained through intergovernmental coordination.

For some types of investments, the most appropriate geographic scale for policy leadership and/or programming decisions may be regional. CMAP has an opportunity to prove the effectiveness of regional decision-making beyond the types typically handled by most MPOs. In the past several months, CMAP has taken the lead in submitting two major applications, both regional in scope, to the U.S. Department of Housing and Urban Development (HUD) and the U.S. Department of Energy (DOE) for, respectively, Neighborhood Stabilization Program 2 (NSP 2) and Energy Efficiency and Conservation Block Grant (EECBG) funds. While the NSP 2 activities exemplify “regional leadership” by CMAP in organizing multiple entities around a specific funding opportunity, EECBG also demonstrates not only regional leadership, but also CMAP’s ability to establish a framework based on clear criteria for programming federal funds in northeastern Illinois.

Through these efforts, CMAP is positioning itself as a regional leader for increasing the efficiency and effectiveness of public investments -- federal and otherwise. By applying state-of-the-art analytic, modeling, and mapping tools, CMAP is ideally suited to predict and measure the success of investments, while demonstrating how barriers to collaboration at all levels of government can be surmounted to benefit communities, regions, and the nation alike. While effective long-range planning is essential, such plans may not succeed without the proper incentives for implementation. In partnership with local governments and other agencies, CMAP should take a greater role in the actual implementation of *GO TO 2040's* regional strategies for transportation, land use, and other issues.

To support the plan, CMAP should also realign its current programmatic, review, oversight and monitoring responsibilities, both in transportation and non-transportation areas. Specifically, CMAP should review the evaluation criteria currently used in programs like the Unified Work Program (UWP), Congestion Mitigation and Air Quality (CMAQ), water quality management plan amendments (the Facility Planning Area or FPA process) and Developments of Regional Importance (DRIs). The current criteria should be further evaluated and applied to ensure consistency with the preferred scenario and recommendations of *GO TO 2040*.

Investment Linked to Comprehensive Planning

The problems faced by regions like metropolitan Chicago demand comprehensive solutions that are often hindered by the lack of coordination among disparate goals, priorities, and grant requirements of federal and state agencies. In terms of planning, different federal agencies mandate different requirements that are typically carried out by different jurisdictions or agencies within the same metropolitan region. As the designated MPO for northeastern Illinois, CMAP fulfills federal transportation planning requirements. In contrast, the region has 21 separate Community Development Block Grant (CDBG) entitlement communities and 39 Energy Efficiency Conservation Block Grant (EECBG) entitlement communities, each of which holds responsibility for preparing its own plan or strategy. The State of Illinois and various counties also receive federal funds for transportation, CDBG, and EECBG funds as part of a decentralized patchwork of jurisdictional responsibility.

Workforce development is a broad area that is ripe for increased coordination and streamlining at various levels of government. At the federal level, six different cabinet-level departments (Agriculture, Education, Energy, Labor, Health and Human Services, and Housing and Urban Development) administer 15 separate programs for workforce development. Similarly, at least four different state agencies provide their own workforce programs and services. Furthermore, Regional Workforce Investment Boards (WIBs) were created by the federal government under the now-expired Workforce Investment Act (WIA) of 1998, yet they still serve as regional intermediaries for some federal funds. Given the private sector's dependence on a skilled workforce for economic development, the public sector must make it a priority to bring about a more coherent and collaborative system. *GO TO 2040's* standalone recommendation on education and workforce, which will be presented to the Board in April, will discuss some of these potential actions in more detail.

Regarding capital investments, sometimes environmental protection and affordable housing development face competing regulations and objectives. For example, HUD policy on the construction of multifamily housing at former brownfield sites (where remediation is typically the responsibility of the Environmental Protection Agency (EPA)) has historically stipulated “dig-to-clean” or complete removal of contamination to a level above and beyond what is already stipulated by EPA policy. While obviously well-intentioned from a public health perspective, some brownfields practitioners consider the policy language overly stringent and costly, particularly on the margins. While that is just one example, the bigger picture is that many comprehensive reinvestment efforts can be plagued or stopped altogether by such regulatory barriers. To the extent possible, entities like HUD and EPA should work in tandem to identify reinvestment opportunities and to ensure sustainable cleanup and redevelopment within specific sites.

Investment criteria across different agencies are also often at odds with one another. While the USEPA’s priorities include clean air, clean water, and climate change mitigation, the majority of U.S. Department of Transportation (USDOT) highway program dollars are allocated using the criteria of road mileage and vehicle miles traveled. These USDOT criteria may not be intended as incentives for states to expand their road networks, but neither does the policy provide an incentive for states to promote maintenance and enhancement of their current system before expanding it, actions which may help to protect air and water and mitigate greenhouse gas emissions.

Recently, however, the federal government has demonstrated a new potential for solving these types of problems through increased interagency coordination. CMAP is encouraged by the recent USDOT, HUD, and USEPA interagency agreement to implement joint transportation, housing, and environmental initiatives in communities across the U.S. The resulting “Partnership for Sustainable Communities” will help the federal government to speak with one voice on matters of housing, environmental, and transportation policy. A primary focus of the partnership is to support comprehensive planning -- like *GO TO 2040* -- that can improve investment decisions in metropolitan areas. CMAP has engaged these federal agencies about how to maximize the benefits of this partnership, and we are strongly urging USDOT, HUD, and USEPA to use *GO TO 2040* as a blueprint for the types of federal investment necessary to enhance regional economies and to support the development of more livable communities.

Local Service Consolidation

The seven-county region of northeastern Illinois has 1,226 different units of government that provide services to residents, businesses, and visitors. No region in the U.S. has anywhere near as many units of government. Highly localized provision of services like education, fire, and police is a tradition in our region. While efficiency and accountability often result from highly localized service provision, in some cases the results are inefficient and duplicative, with many missed opportunities to achieve economies of scale by sharing responsibilities to reduce funding burdens. Many local governments are now experiencing significant fiscal stress resulting from factors such as declining tax revenues due to the recession, political opposition to (or caps on) property taxes, or the rising costs of labor, capital, and pensions. In this fiscal

environment, it is prudent for some local governments to consider sharing or consolidating services, where appropriate. At the extreme, some local governments may find it in their fiscal interest to fully consolidate all government functions.

CMAF should be prepared to lead by providing the best available information about how to overcome challenges and capitalize on opportunities presented by local service consolidation. The Metropolitan Mayors Caucus recently completed a report specifically addressing the potential for consolidating fire and police services. As the report highlights, many local governments across the country, including some right here in the Chicago region, have experimented with consolidation of services. In southern Lake County, the villages of Kildeer and Deer Park have combined policing services. The Will County Sheriff provides policing for the Village of Homer Glen. In nearby Milwaukee County, Wisconsin, seven formerly separate fire departments merged in the early 1990's to form a consolidated North Shore Fire Department. All of these efforts have demonstrated favorable results, both in terms of increasing service effectiveness and saving costs. Some other states, most recently New Jersey and Rhode Island, have taken this idea further and introduced legislation that would fully consolidate a number of local governments.

Notwithstanding the multiple barriers to this kind of change, it is important to recognize that not all services are created equal and that no consolidation is without trade-offs and risks. Greater economies of scale are realized in consolidating highly capital-intensive services, such as water or sewer. On the other hand, less capital-intensive services such as schools and police could present more challenges. Opponents of consolidation may argue that such action will result in a loss of both local control and efficiency, since the level of demand for services becomes more diffuse and varied across wider populations. Proponents of consolidation argue that public safety, for example, knows no jurisdictional boundaries. As the issue does not lend itself to simple conclusions, it is important for local governments to analyze these issues intensely and to coordinate and communicate with each other regarding potential consolidation opportunities.

Recommended Direction for *GO TO 2040*

GO TO 2040 should support the increased targeting of federal and state investments within metropolitan regions. While developing the region's comprehensive plan, CMAF should also foster inter-jurisdictional collaboration and measure the success of investment decisions. Following adoption of the plan, CMAF should also seek a greater role in leading regional responses to some funding opportunities and, where appropriate, driving more efficient, effective, and collaborative programming decisions. Project investments should be prioritized using evaluation criteria based upon the plan's recommendations. The plan should also emphasize the importance of inter-agency collaboration, particularly at the federal and state levels. Different agencies should continue to work to align their goals, use consistent criteria, and streamline grant requirements, where appropriate. The concept of "livable communities," an overarching focus of *GO TO 2040*, truly cuts across a variety of policy areas and different public sector agencies. Realizing the potential of "livable communities" requires not only increased coordination, but also new innovative ways of governing and making investment

decisions. Lastly, the plan should promote discussion -- and, when appropriate, action -- toward consolidation of government services, while also stressing that these decisions should be made collaboratively and responsibly at the local level.

Potential Recommendations

A Regional Approach

- Support efforts by the federal and state government to devolve more programming and project selection authority, where appropriate, to metropolitan regions. Types of funds could include transportation, housing, environmental, energy efficiency, and economic development. For many public sector programs, CMAP believes that more effective and efficient investment decisions can be made at the regional level.
- CMAP's programming activities should, as far as possible, be oriented toward implementing *GO TO 2040*. CMAP should realign its current programmatic and review responsibilities to support the plan. These responsibilities now include staffing project selection committees and selecting criteria for the allocation of Unified Work Program (UWP) and Congestion, Mitigation and Air Quality (CMAQ) funds, oversight and monitoring of the Surface Transportation Program (STP), and an advisory role in reviewing water quality management plan amendments (the Facility Planning Area (FPA) process) and in reviewing Developments of Regional Importance (DRIs).

Investment Linked to Comprehensive Planning

- Continue to support inter-agency agreements like the joint DOT, HUD and EPA Partnership for Sustainable Communities, which seek to implement joint transportation, housing, and environmental initiatives in communities across the U.S. However, the *GO TO 2040* plan should also stress that these types of initiatives should not simply provide funds for more planning. Specific funding should be set aside in these types of investments to implement policies and capital investments at the local level that support the policies of adopted regional plans. CMAP should prepare the region to receive funds from the federal Sustainable Communities Initiative and assist its communities in obtaining Community Planning Challenge Grants.
- Along these lines, the federal government should award metropolitan regions "Sustainability Challenge Contracts" to transcend the "siloing" of disparate programs that might be leading to undesirable outcomes. Challenge grants could incentivize regions to create partnerships across state and local governments, business and civic organizations, and other groups for strategic implementation or capital investment activities. Strategies could include: energy efficiency retrofit projects, brownfields remediation, mixed-use development, regional workforce initiatives, or congestion pricing schemes.
- Support efforts of the State of Illinois to follow the lead of the federal Partnership for Sustainable Communities and to harmonize certain State grant and program

requirements to support more comprehensive approaches to policy decisions and capital investments.

- Support a more robust investment in comprehensive planning by the federal government. Currently, MPOs receive only transportation planning funds from the USDOT. If comprehensive planning is truly a federal priority, it requires involvement from other agencies, like EPA and HUD, in providing MPOs additional funds to do comprehensive planning and implementation.
- Support interdisciplinary efforts by federal and state agencies to modify certain apportionment formulas, project selection criteria and grant requirements that may be having unintended outcomes. For instance, the Federal Highway Administration apportions many of its programs to States based in part on lane mileage. This may incent road expansion relative to maintenance, even though that may not be a desirable strategy from the context of regional planning. Federal transportation money is also apportioned among many different programs with varying criteria, which may not maximize regional planning goals. On the environmental side, the Clean Water State Revolving Fund was created to help pay for improvements to publicly owned wastewater treatment plants. While it has been successful in this regard, it also subsidizes the construction of wastewater capacity to support new development on greenfield sites, which tend to degrade the very water resources that the CWSRF is meant to protect. The CWSRF does not give priority to wastewater projects that would tend to reduce overall environmental damage. The preceding are only some preliminary examples. More detail will be given in the full *GO TO 2040* plan.

Local Service Consolidation

- Support efforts by local governments in the Chicago region in analyzing the fiscal, efficiency, and other consequences of sharing or consolidating some local services. Both *horizontal* and *vertical* service consolidation should be considered. *Horizontal* consolidation refers to non-overlapping units of government, such as two municipalities. *Vertical* consolidation refers to overlapping units of government, such as a county and township (or municipality).
- CMAP may be able to add value to this area by conducting research and analysis on local services and highlighting where these types of possibilities may exist. CMAP is already studying state and local tax policy. Extending staff work to the consolidation issue may be logical if it promises to be of assistance to local governments in making informed decisions about service coordination and consolidation.

ACTION REQUESTED: Discussion and direction to staff.

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