

Local Government of the Future Subcommittee Advisory Commission on Intergovernmental Relations

Tuesday, November 22, 2022

Note: This document is ACIR staff notes written during this subcommittee meeting. It is a public document and has been provided to meeting participants for their review and revised in accordance with any comments received but is not approved minutes of the meeting.

The agenda is available at:

<https://egov.ct.gov/PMC/Agenda/Download/13609>

The meeting recording is available at:

https://portal.ct.gov/-/media/ACIR/Meetings/2022/2022-11-22_ACIR_LGF_Audio.mp3

ACIR Members present: John Filchak, Matt Hart, Martin Heft, Jim O’Leary, Francis Pickering, Brendan Sharkey

Other participants: Sheila McKay, Rick Porth, Denise Raap, Margaret Wirtenberg

ACIR staff: Bruce Wittchen

1. Call to order

Commission chair Sharkey called the meeting to order at 10:35.

2. Review of [10/25/2022 LGF notes](#) and [draft 11/10/2022 ACIR minutes](#), if helpful for discussion

There were no comments or questions about the minutes.

3. Local Government of the Future (LGF) Initiative

- Property Tax Restructuring

Commission chair Sharkey provided an overview of this group’s and the ACIR’s recent discussions of property tax restructuring options. The goal is to focus on a few feasible recommendations and there was a discussion of highlighting just a few high priority recommendations, similar to the approach of [2020 Task Force report](#). Commission member Hart recommended the report would get greater bipartisan support if it describes potential improvements in efficiency and effectiveness. It was agreed that less will be more and Commission vice chair Filchak mentioned the [presentation of the Task Force report to legislators](#).

On the cost side, Commission Sharkey suggested developing a recommendation for each of the three biggest municipal cost drivers, which he said probably would be education, employee costs, and debt service. He noted that the group has already chosen to focus on special education. He said pension reform could be a good choice regarding employee costs, mentioning the potential benefits of a statewide municipal pension system. The efficiency improvements available through regional service delivery can also be considered part of the employee cost category.

Regarding debt service, Commission chair Sharkey mentioned Commission member Pickering previously saying that the goal should be to reward the good management without incentivizing bad management. He added that he thinks the state’s [Municipal Accountability Review Board](#) (MARB) steps

in too late, noting that only three municipalities are currently under scrutiny, yet others are spiraling. Municipalities need early intervention.

On the revenue side, Commission chair Sharkey suggested creating dedicated groups at OPM and towns focused on maximizing federal funding. Another recommendation should focus on equity in state funding for municipalities. This would yield three recommendations on the cost side and two on the revenue side for municipalities.

Commission vice chair Filchak said towns in his region often have large public works needs; debt service is not as big of a problem. He also mentioned increasing problems with volunteer fire and ambulance services. Commission chair Sharkey asked if that should be added to the employee cost category and Commission vice chair Filchak said the portability of benefits discussed earlier is important. He also mentioned the magnitude of revenue left on the table according to the [CT CREATES](#) report's description of taxes not collected.

Commission member O'Leary agreed that volunteer emergency services are in crisis. Regarding the earlier suggestion to try to attract bipartisan support, he added that there should be a significant review of how the state does business. Commission chair Sharkey agreed with that thought but pointed out that some of the recommendations are less supportive of Democratic cities than of Republican towns, perhaps attracting bipartisan support. Margaret Wirtenberg pointed out the advantages of a shorter report identifying the first steps of solutions.

Commission member Pickering said the group should avoid being punitive in its recommendations. Local mismanagement might extend back many years. He agreed that MARB might not be the best mechanism for this and recommended annual benchmarking. The approach should be to reward positive changes and he noted that we do not have the solution yet; a commission or task force should look into it. Commission chair Sharkey agreed that good management is key and that it would be good to have a more robust engagement with municipalities and incentivize good management. Commission member Pickering noted that implementing a single, state-wide municipal pension system would eliminate the current double-dipping.

Commission vice chair Filchak suggested a 2-tier approach. He pointed out that small towns lacking professional management often defer tax increases. We need benchmarking. Newly elected local officials often come in without qualifications to manage their towns. A 2-tier system with education and other services for them can get them on track. Brian O'Connor pointed out that some municipalities are in their situation because of the magnitude of their tax-exempt property and social service burdens. Those must be assessed and addressed state-wide.

Commission member Pickering pointed out that some municipalities whose setting suggests they should be thriving but instead are struggling. The incentives experienced by municipal leaders do not lead to solving problems. He mentioned a town that has had six consecutive tax cuts and said others have other post-employment benefit (OPEB) issues that should be reported. Commission chair Sharkey said concerns like that are supposed to be addressed by the state's [uniform chart of accounts system](#) (UCOA). There also was a discussion of the [CT Municipal Employees Retirement System](#) (CMERS) and Commission member Hart suggested the state consider creating new, hybrid tiers and that there might need to be a grand bargain in which additional state funding must be balanced with service sharing and pension changes.

Commission chair Sharkey recommended that the group be specific about the costs of its recommendations. How much more, for instance, will the state be asked to contribute towards special education? All recommendations for action in the coming year must be specific. Go bold, but with thorough vetting. Rick Porth said he agrees with the five recommendations and likes the outline approach. He also agrees with framing this as a grand bargain and that less is more when it comes to the size of the report. Rick added that it will be important to be specific about expectations for 2023;

costs and benefits of later years do not need to be so specific yet. He also noted the uncertainties of some proposals, for instance, does anyone know the costs of the uniform personal property tax rate?

Commission member O’Leary asked how the ACIR can propose changes that would benefit municipalities without also saying how the state will fund those. He noted that the state pulled back from previous funding commitments. Commission chair Sharkey said the state currently has funds, but added that the state should not pay 100% of special education costs. He agreed that the expectation had been for the state to provide a higher level of funding for [payment in lieu of taxes](#) (PILOT) and special education; the starting point should not be the currently underfunded level of support.

There was a discussion of not setting the state funding level too high, which would not be sustainable, and Commission chair Sharkey noted that [Dept. of Revenue Services](#) (DRS) Commissioner Boughton has said this could be a legacy initiative for the Governor. Commission member O’Leary said we cannot sacrifice the future for the present, pointing out that people do not want to pay for the future but must. Commission member Pickering said children are the future and volunteered to put together bullet points.

Commission member Pickering mentioned municipal budget bifurcation, which can support multiple goals, and Commission chair Sharkey said CT and MA are the only states that do not separate the municipal and education budgets. He said board of education members do not feel the cost pressure as directly. There was a discussion of different municipalities handling education capital budgeting differently. Margaret Wirtenberg said her former town of Weston has low levels of infrastructure and services but has high education costs and a high mill rate. Moving some costs from property tax to income tax would be fairer. Francis Pickering noted that Weston has a population of only 10,000 but has its own high school.

John Filchak mentioned this year’s [DRS tax incidence report](#), which he said was not the best, and mentioned the [State of MN’s better approach](#). He also mentioned the Federal Reserve Bank of Boston’s recent reports of municipal and education needs-capacity gaps:

<https://www.bostonfed.org/publications/new-england-public-policy-center-research-report/2015/measuring-municipal-fiscal-disparities-in-connecticut.aspx>

<https://www.bostonfed.org/publications/new-england-public-policy-center-research-report/2021/reforming-connecticuts-education-aid-formula-to-achieve-equity-and-adequacy-across-school-districts.aspx>

They estimate a gap of \$500 million for municipalities. We cannot expect to get everything, but we need to work with the real number. We cannot solve this without defining the problem. There was further discussion of the approach to take with the ACIR’s report.

Referencing to the discussion of bifurcation Commission member Hart mentioned that there is a concern that voters will be more likely to approve the education budget and reject the municipal budget. He also asked what the specific recommendations will be for the broad policy goals such as revenue diversification. Commission chair Sharkey suggested the ACIR frame this as a set of overarching goals that will guide towards specific recommendations.

Commission chair Sharkey asked if this group should put something together and meet again to prior to the 12/2 meeting of the full ACIR. The goal is for the ACIR to issue its recommendations before the legislative session. He suggested putting together a 5-pg summary and meeting again next week. There was general agreement to meet at noon on 11/29. Commission vice chair Filchak to send things to him and he will compile them for the group.

Commission member O’Leary mentioned the opposition that prevented the [CT Conference of Municipalities](#) (CCM) from issuing a report earlier this year, as discussed in previous meetings, and

asked for a synopsis of the objections, which might be relevant to this work by the ACIR's. Rick Porth said different municipalities have different needs, so pushed back against different things. He recommended that this group go into next week's meeting knowing everyone won't agree with every single recommendation and Commissioner chair Sharkey agreed.

Commission vice chair Filchak recommended the report be more specific and more aggressive regarding shared services. He also mentioned that, despite the state's regionally-oriented comprehensive economic development strategy system, the Dept. of Economic & Community Development (DECD) work is town-by-town. He also pointed out that the state went through the pandemic with 73 health districts and there was a discussion of interest in increased regionalization of the state's health districts, possibly aligned with COGs, and Commission vice chair Filchak noted that not all COGs welcomes such initiatives. Commission member O'Leary asked if there have been discussions of local departments of public works (DPWs) sharing services with the state Dept. of Transportation and Commission vice chair Filchak highlighted how limited staffing is at some DPWs. He also noted the back office and human resources capacity of the RESCs.

4. Next meetings

Upcoming meetings will be:

11/29/2022 (at 12:00)	LGF Subcommittee special meeting
12/2/2022	ACIR
12/27/2022	LGF Subcommittee

5. Adjourn

The meeting adjourned at 12:01.

Notes prepared by Bruce Wittchen, OPM