

Local Government of the Future Subcommittee Advisory Commission on Intergovernmental Relations

Tuesday, November 29, 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/16536>

The meeting recording is available at:

https://portal.ct.gov/-/media/ACIR/Meetings/2022/2022-11-29_ACIR_LGF_Audio.mp3

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

Other participants: Rebecca Dahl, Laura Francis, Sheila McKay, Rick Porth, Troy Raccuia, Margaret Wirtenberg

ACIR staff: Bruce Wittchen

1. Call to order

Commission chair Sharkey called the meeting to order at 12:07.

2. Review of [11/22/2022 LGF notes](#) and [draft 11/10/2022 ACIR minutes](#), if helpful

There were no comments or questions about the minutes.

3. Local Government of the Future (LGF) Initiative

- Property Tax Restructuring

Commission chair Sharkey introduced the topic and Commission member Heft said the details of [yesterday’s draft proposal](#) will require further discussion and consideration. He agrees with the approach of not reinventing things but noted that some of the things proposed have already been done, such as [PA 22-35](#)’s changes to the [Municipal Accountability Review Board](#) (MARB). He suggested that the full ACIR go through each of the recommendations and discuss them further on Friday without voting yet.

Commission chair Sharkey said the goal is not to issue a full report on what the ACIR has studied; he envisions an executive summary-level report of a few recommendations. It would be a summary of where the ACIR wants to go. He complimented Commission vice chair Filchak’s work on the draft proposal and suggested the group decide what to choose from it and outline that for the administration and legislature.

Commission vice chair Filchak said he had tried to fully reflect recent discussions to provide a starting point. It is far too long and specific and the ACIR should focus on a few achievable recommendations. Margaret Wirtenberg agreed the proposal is excellent work and, since some of the recommendations have already been accomplished the ACIR can leverage that in showing the legislature how to do more.

Commission member Raccuia also complimented the work and said it is further along than he had thought. He mentioned the proposal's reference to [CT Municipal Employees Retirement System](#) (CMERS) portability and said it already is portable among CMERS municipalities. Commission chair Sharkey said the group had discussed broader portability but has not fleshed it out yet. Commission member Raccuia asked what is intended by the proposed expansion of MARB, noting his previous experience with it, and Commission chair Sharkey said that also is not fully fleshed out. The thought is to provide for early intervention when there are signs of trouble, but the concept needs more work.

Commission member Hart agreed with the approach of focusing on a few recommendations and suggested that two of them be (1) remove barriers to and incentivize service sharing; and (2) provide new municipal revenue options and restructure state formula grants. Brian O'Connor suggested adding a second tier to CMERS with a shared contribution. He also noted that other issues to consider include retirement age and about the inclusion of private duty in pension calculations.

Brian Greenleaf agreed that CMERS requires further consideration and highlighted the substantial increase in the municipal contribution rate in recent years. He said there is a need for greater flexibility and added that the ACIR should also look at the state's [education cost sharing](#) (ECS) and [special education excess cost](#) funding. Brian also said that the state should cover the costs imposed due to Dept. of Children & Families placements.

Laura Francis listed some of the report's recommendations that she said are doable, including having more services be provided by councils of governments (COGs), which would require an increase in COG capacity, and also providing education regionally without having to regionalize school districts. She also noted the potential benefits of creating new ways to share local officials and said it would also be beneficial if municipalities could adopt the regional plan of conservation & development, with an annex specific to them.

There was a discussion of narrowing the report to a small number of the high priority recommendations for 2023 and Rick Porth complimented Commission vice chair Filchak's report for being true to the range of topics discussed at recent ACIR, subcommittee, and book club meetings. He agree with the focus being on a few topics now but recommended this effort be seen as a longer-term living process for meaningful change.

Commission chair Sharkey pointed out the ACIR's window of opportunity resulting from the interest of that [Dept. of Revenue Services](#) (DRS) Commissioner Boughton and a Governor beginning a new term. It can be a legacy initiative for the Governor. Some are big items, such as special education, and are an opportunity for big, bold change regarding things that drive municipal costs.

There was a discussion of various topics mentioned in the draft report, including municipalities with toxic debt, the potential for regional solutions, the state being an outlier regarding local dependence on property tax revenues, potential tax revenues not collected according to the [CT CREATES](#) report, and the needs/cost capacity gaps described in 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>

There was a discussion of the need to consolidate the work and Commission vice chair Filchak, recommended including a description of how to pay for changes, noting that one regressive tax should not be replaced with another and also mentioning the benefits of potential efficiencies gained through regionalized services. It should be a basket of options.

Commission member O’Leary said the report is too granular now and should be simpler with a few points of focus that are achievable. Keep it simple and allow time for the political process. The special education and retirement changes are very costly and where will the funding come from? There was a discussion of the recommended shift of costs from the local to the state level being at a time of large state surplus and using this as an opportunity to re-set how things are done. We will not have this chance again.

Commission vice chair Filchak said this is a tremendous opportunity for a transition but the state cannot depend on a continuing surplus. Commission chair Sharkey recommended the focus be on using available state funds to restructure a few areas that can produce future efficiencies. There was further discussion of the approach, including the need to avoid creating a free-for-all, to minimize complexity, and to avoid further fracturing the state. It’s a small state and revenue can appropriately be generated at the state level.

Commission chair Sharkey itemized possible priority spending and revenue recommendations:

- Special education
- Fulfill state grant commitments with equitable formulas
- Regional efficiencies
- Pensions
- Revenue diversification
- Maximizing federal revenue

Commission chair Sharkey recommended against including the MARB concept for now and there was general agreement to proceed with those topics. He said he would have some time to put something together and there was further discussion of possible approaches for the ACIR to consider.

4. Next meetings

Upcoming meetings will be:

12/2/2022	ACIR
12/27/2022	LGF Subcommittee

5. Adjourn

The meeting adjourned at 1:11.

Notes prepared by Bruce Wittchen, OPM