

# Local Government of the Future Subcommittee Advisory Commission on Intergovernmental Relations

Tuesday, February 21, 2023

*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/17146>

The meeting recording is available at:

[https://portal.ct.gov/-/media/ACIR/Meetings/2023/2023-02-21\\_ACIR\\_LGF\\_Audio.m4a](https://portal.ct.gov/-/media/ACIR/Meetings/2023/2023-02-21_ACIR_LGF_Audio.m4a)

**ACIR Members present:** John Filchak, Brian Greenleaf, Jim O’Leary, Francis Pickering, Brendan Sharkey

**Other participants:** Rick Porth, Anna Shugrue, Margaret Wirtenberg

**ACIR/OPM staff:** Christine Goupil

## 1. Call to order

Commission chair Sharkey called the meeting to order.

## 2. Review of [draft 11/29/2022 LGF notes](#) and [draft 1/6/2023 ACIR minutes](#), if helpful

There were no comments or questions about the notes.

## 4. Local Government of the Future (LGF) Initiative

- [Report on Property Tax Restructuring](#)

Commission chair Sharkey recommended reversing agenda items 3 and 4 to begin with the property tax restructuring proposal and there was no opposition. He mentioned discussions he has had or intends to have with legislative leaders about scheduling an informational hearing regarding the ACIR’s recommendations. He provided an overview of the ACIR’s previous discussions of the approach to take with this and decision to focus on the legislature, where there is interest in crafting a multi-year implementation concept.

Commission chair Sharkey noted that there is a lot of interest within the education committee and House leadership is willing to move this forward. He outlined a possible approach and mentioned the commonality between aspects of [SB 1, An Act Concerning Transparency In Education](#), and the ACIR’s proposal for property tax restructuring. He hopes to schedule to schedule an informational hearing soon. He noted that the ACIR’s recommendations probably are better suited to legislative negotiations informed by the informational hearing.

There was a discussion of the approach and legislative committees potentially involved. Commission vice-chair Filchak noted that little legislation has been proposed regarding the property tax and there was a discussion of the administration’s focus being on the income tax. Commission chair Sharkey said property tax restructuring can have more significant results. Commission member Pickering mentioned two proposals regarding property taxation that do not restructure.

Commission member Filchak mentioned the report CHICAGO and described its findings, and Commission member Pickering said CT actually performs well in the regard and he and Commission vice chair Filchak discussed the meaning of the reported numbers and Commission member Pickering said annual revaluation would address much of that problem.

There was further discussion, with Commission member Pickering highlighting that the market can pivot more quickly than our system of assessment is able to respond. He mentioned people in Waterbury whose taxes doubled in a year because the revaluation was done during the recent spike residential property values. Values are likely to fall but high property taxes are locked in for five years. He said one solution would be annual revaluation and Commission vice-chair Filchak said the state of MA does an annual adjustment and that could be considered here.

Commission chair Sharkey recommended focusing on the ACIR's broader recommendations regarding property tax restructuring and proceeding with the informational hearing as discussed. Commission member Pickering noted the simplicity of the administration being able to adjust income taxes whereas changing property taxes would require a coalition. Commission chair Sharkey noted that the legislature is the place to start with something like this.

Commission vice chair Filchak said there is an equity issue that will not change with the administration's proposed change to income tax. People having lower incomes, including renters, are more affected by the property tax than income tax. Commission member Pickering pointed out that renters do not see the property tax included in their rent and are not allowed to deduct it as property owners can. Commission chair mentioned the increase in fair rent commissions and rise in rents and said there is an increased interest in tenants' rights.

There was a discussion of CT Conference of Municipalities' (CCM's) recent consideration of potential sources of alternative revenue sources and that there was not a consensus among CCM board members that such sources would be adequate to compensate for lower property tax yields. Commission member O'Leary said the revenue issue must be addressed and recommended considering how new revenue could be phased in and describe the amounts needed.

Commission chair Sharkey said the ACIR has deferred on that revenue question, as have others. He pointed out the significance of special education and payment in lieu of taxes (PILOT) grants education and asked if the ACIR should piggyback on other efforts in those areas. Commission member O'Leary said the ACIR should consider more than those and recommend multiple approaches for raising revenue, with other revenue sources being added incrementally by increasing existing sources creating new ones.

Commission chair Sharkey acknowledged the potential significance of such revenue streams but noted the ACIR's limited bandwidth and recommended collaborating with others, such as people at the General Assembly, who are also working in this area even if their focus is different than the ACIR's. Commission member O'Leary agreed and added that Dept. of Revenue Services could also contribute to a five-year plan for change also involving the legislature.

Rick Porth said the ACIR should frame its report as a guidance document for a multiyear effort. It can begin with education funding in the current session. Margaret Wirtenberg pointed out the significance of special education costs and noted that it is a statewide issue and the state should level the playing field by doing more to address it on a statewide basis.

Rick Porth said that, in his opinion, the burden of the state's debt cuts into what the state can spend for other purposes and this is a factor in the high reliance on local property taxes. He said the ACIR should continue reminding leaders of the state's over-reliance on property taxes. DRS's tax incidence studies show that people and businesses in CT pay more property tax than other tax and CT is an outlier in this regard.

Commission member Pickering mentioned recent reporting of low utilization of affordable housing vouchers in CT and said one of the reasons is that we have an unnecessarily complicated system for making use of them. He said we have done the same with property tax relief, carving out a variety of abatements, exemptions, and rebates each requiring taxpayers to go to the town or state to access them. He does not know what they add up to but the system is baroque and said an automated system could simplify the process of getting that relief.

Commission chair Sharkey said property tax restructuring will be a multiyear discussion and the first step to find legislative and organizational champions for it. Commission vice chair Filchak noted that education accounts for 75-85% of local budgets even as student populations decline. He highlighted the significance of special education and transportation costs, noting that buses are going all over his region. He mentioned the work of the [Commission on Municipal Opportunities and Regional Efficiencies](#) (MORE Commission) and noted that there has not been a new regional school district since 1987; something is wrong with that. Commission vice chair Filchak agreed with focusing the ACIR's efforts on finding allies. Commission member O'Leary said the problem in government is that it is necessary to tax properly to have good programs but people and politicians do not want to pay for the programs they want. There was a discussion of exemptions from property and sales taxes and Commission vice chair Filchak said every exemption has a constituency and a lot of those have lobbyists.

### **3. Reading assignment (optional)**

[Governance Study Committee Report](#) – Town of Chester (2/9/2023)

Commission member Filchak provided some background regarding the report, which describes the Town of Chester's self-evaluation of its governance. The state should encourage municipalities to evaluate how they function, deliver services, and keep themselves healthy.

Commission chair Sharkey asked Christine Goupil if she had any insight regarding the report and Christine explained that she had been interviewed during preparation of that report because of her experience while first selectman of her nearby town, which changed its form of government to a town manager and council, replacing the former boards of selectman and finance. She noted that a number of positions at Chester are filled on a part-time basis and it faces the typical issues of finding qualified staff and having many positions being appointed or elected. She said the study used a highly collaborative approach. There was a discussion of the potential for some problems to be addressed by shared services and Christine described services already being shared within the [RiverCOG](#) region.

Commission member Pickering said the report described the report's focus on filling out volunteer commissions and noted issues with volunteer fire departments but highlighted the difficulties many towns experience providing adequate management capacity. He said there is considerable turnover with a 2-year election cycle and pointed out that our usual forms of small town government are in the minority nationwide. He added that the council-manager form is more common and seems to lead to a more professionalized local government, but it is not known if that leads to superior outcomes.

Commission vice chair Filchak pointed out that every town in MA is required to have a charter and either a town administrator or manager, depending on the town population. We do not know if outcomes are superior to what many of our towns have. He added that MA and Maine do more sharing, which can provide significant efficiencies for small towns and he would like to see that explored here. Commission chair Sharkey noted the segue into the next topic on the agenda.

### **5. Future topics/initiatives, if any**

- Engagement with RESC and COG directors/chairs re LGF initiative roles

Commission chair Filchak said there has been only one meeting of all COG and RESC directors, but he believes they are the foundation for sharing municipal functions. The discussion should begin again to decide how to implement new approaches. It would vary by region, because they are different, and he noted that RESCs are much larger organizations than any COG and they already have capacity to do things COGs might have to hire staff to do. The ACIR can facilitate this by bringing them together and asking about or recommending potential approaches. He noted that individual COGs have relationships with individual RESCs.

There was a discussion of COG and RESC boundaries not being aligned and of the larger capacity of RESCs. Commission chair Sharkey said there is not a lot of collaboration between COGs and RESCs; they are in two different worlds. Commission vice chair Filchak mentioned a discussion he is having with a RESC about collaborating for a micro-transit grant, noting that that the RESC has more vehicles than his COG's transit district. Given the magnitude of education in local budgets, there should be more collaboration.

Margaret Wirtenberg said special education is a natural place for COGs and RESCs to collaborate. Commission chair Sharkey described the history of RESCs, which had been formed to handle federal special education funding in the same manner in which COGs originated as regional planning organizations intended to handle federal highway funding. Other states have counterparts to RESCs, all originally intended to handle special education on a regional basis. Since then, they've expanded into other areas but special education was the core mission.

Commission member Pickering said such collaboration would require more resources from COGs and Commission vice chair Filchak said each COG will have to make a decision and phase it in. There was further discussion of convening the groups to discuss what is possible and what makes sense. Commission member Pickering said we will have to find out what RESCs are willing to consider. He noted that education tends to be parochial in CT and the focus will have to be on non-education functions such as transportation, especially for special education, information technology, finance, and other functions. Commission member Filchak noted RESCs' strong capacity in seeking and managing grants. Are we tapping that resource?

Commission chair Sharkey recommended including this on next month's subcommittee agenda and seeking to convene the RESCs and COGs after the end of the session. That would provide time to prepare and he noted that COGs and RESCs are represented on the ACIR. There can also be some discussion of consolidation of other regional entities that might be better suited to have a COG or RESC managing it. Commission vice chair Filchak mentioned issues regarding the appointment of people to regional health districts and the disconnect between them and elected officials. He noted they had a similar experience with a transit district and said there is too much at stake to have those disconnects. Commission chair Sharkey left the meeting for another at this time.

Commission member Pickering said he would like to see Commission vice chair Filchak's regional atlas again. We keep seeing small regional entities that lack capacity and are duplicative of COGs but keep going to the legislature for funding. He provided some examples and said bringing them into COGs would enable them to function rather than continuing to be impoverished stand-alone organizations. He added that the atlas could help in identifying the organizations we should look at and Commission vice chair Filchak agreed that many are struggling and hard to keep track of, mentioning tourism organizations. He said it has been several years since they last looked at the atlas.

Commission member O'Leary asked if any municipal CEOs are represented on RESC boards and Commission member Filchak said they have the option to attend in his area but most do not. Commission member O'Leary said he is in favor of further collaboration, but it will require a sense of trust and control. Otherwise turning over a function could lead to higher costs. Commission vice chair Filchak mentioned doing an audit of a small town having a staff of ten and recommended sharing back-office work with the school but the town would not even though they had made mistakes. Some towns

do collaborate and he highlighted Mansfield, where the town and school staff have been working together on back-office functions for close to 30 years.

There was further discussion of COG and RESC boundaries and of how to encourage collaboration. Commission vice chair Filchak mentioned workforce investment boards being another regional entity to consider and said there are many other groups that provide services regionally and, as Commission member Pickering mentioned, there is a question of whether some of them should remain independent.

[Note: The meeting recording ended at 1:16:37]

*Notes prepared by Bruce Wittchen, OPM*