



TESTIMONY

of the

CONNECTICUT CONFERENCE OF MUNICIPALITIES

to the

GOVERNMENT ADMINISTRATION & ELECTIONS COMMITTEE

March 19, 2010

CCM is Connecticut's statewide association of towns and cities and the voice of local government - your partners in governing Connecticut. Our members represent over 93% of Connecticut's population. We appreciate this opportunity to provide testimony to you on issues of concern to towns and cities.

CCM *opposes* Raised House Bill 5515 "An Act Concerning Government Efficiency Through Regionalization in Connecticut"

This bill would impose state mandated regionalism on local governments. While CCM understands the intention is to make government more efficient overall, the approach in this bill would likely increase costs while harming the tradition of local control and regional consensus that is necessary in Connecticut. We believe there is a better way.

In essence, this bill would be a defacto re-establishment of county government without accountability to the voters - as the "regional council" would at first be made up of "residents" rather than elected officials. In addition to the creation of a new bureaucratic level of government, the bill foresees employees being needed to staff these regional councils and grants them the same protected benefits as currently provided under the State of Connecticut and the State Employees Bargaining Agent Coalition. These costly benefits would be granted without collective bargaining, essentially insuring expensive personnel costs for the new regions in an era when municipalities are negotiating more cost-effective salary and benefit provisions.

Steven Lanza, Executive Director for *The Connecticut Economy*, published by UCONN, disputes that a regional approach is always more efficient and cost effective. He states, in fact, that such efforts can result in large governments that "may behave as monopolist, with bloated bureaucracies that are unresponsive to resident needs." (see attached article) His article, published in the summer of 2008, concludes that while some benefits could be achieved on the educational side of the budget, there are minimal savings on the general government side.

Yet examples of successful regional efforts abound - where local officials worked together and found ways to make them work. The "MORE" Commission's subcommittee on "government functions" heard numerous examples of successful voluntary collaborations. Attached to this testimony is a spread sheet submitted to that subcommittee by Matt Hart, Town Manager of Mansfield (and others), which discusses areas in which regional cooperation is possible, the prospects for savings in each and impediments that exist.

The proposal before you is a blunt instrument where a scalpel is needed to carve something that will truly result in better, more efficient government overall.

To spur successful collaboration, CCM recommends the voluntary transition of all regional planning organizations (RPOs) into regional councils of government (COGs) or councils of elected officials (CEOs) by creating state incentives. COGs (and the similar CEOs) grant decision-making power to elected and accountable mayors and first selectmen. The State should enact an expedited process to encourage this transition.

Because COGs and CEOs comprise municipal officials accountable to the voters, these bodies can be granted more significant authority in an effort to increase regional cooperation and thus improve efficiency. This could provide a real opportunity for property tax relief and reform, as well as joint economic development. To accomplish this, CCM recommends the following:

- Municipalities be *clearly authorized to share local property tax revenue*, particularly when it results from joint efforts at economic development.
- *Allowing COGs and CEOs to share a portion of the existing or increased sales tax generated within their regions.* Sales tax revenues are an ideal funding mechanism for regional cooperation because allocation of funds by the COGs would reflect spending choices by the residents of the region. Also, it has a proven track record: most, if not all, of the other states that have authorized regional 'asset' expenditures use the State sales tax as the funding source.
- Enacting the MORE Commission's *recommendation for a 3% increase in the hotel/lodging tax*, with 1/3 retained by the host community, 1/3 shared by all the municipalities in a host region, and 1/3 to create incentives for regional collaboration.
- The State pay for *one-time capital expenditures for equipment for joint municipal undertakings.* For example, if a group of municipalities wanted to share tax, data and information technology the State could pay for the hardware; the State could also buy fire-fighting equipment when it is to be shared by a group of municipalities, rather than having each municipality (even very small ones) buying their own expensive trucks and other equipment. Similarly, State support for shared capital facilities would be a major incentive (e.g. dog pounds, firehouses, and even schools and sewer treatment projects).
- *COGs and CEOs be authorized to bond for capital projects* that would benefit the entire region.
- COGs and CEOs be granted the *authority to work jointly on planning and zoning issues, and to make regional land-use decisions.*
- Regions be granted *the ability to negotiate master contracts* for their teachers and municipal employees.
- The General Assembly *review collective bargaining and other labor-law impediments to joint service delivery.*

Connecticut can make regional cooperation work for our citizens. But the best way to do this is from the bottom-up, rather than the top-down approach taken in this bill.

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If you have any questions, please contact Kachina Walsh-Weaver, Senior Legislative Associate of
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Town Government: Is Bigger Better, or Is Small Beautiful?

Economic theory is ambiguous about the connection between organizational size and efficiency.

BY STEVEN P. LANZA

Hard economic times are prompting folks in all sectors of the economy to cinch their belts an extra notch or two. Households are driving less and shopping the bargain aisles, while businesses are scotching expansion plans and even paring back existing workforces. State and local governments are feeling the pinch, too. They're trimming budgets, mulling tax hikes and looking for novel ways to economize on service provision. Regional consolidation is one such innovative idea, but can it actually deliver the promised cost savings that its proponents claim?

New Jersey's Governor Jon Corzine made headlines recently with an all-stick, no-carrot plan to reduce state spending and prod localities into operating more efficiently. Corzine has proposed eliminating state aid to towns with fewer than 5,000 residents and halving support to municipalities with populations below 10,000. Small municipalities could dodge the revenue-cutting axe by merging with other jurisdictions or sharing services, under the presumption that these bigger service areas could capitalize on economies of scale and reduce the cost of local government.

In sheer number Connecticut's 169 towns, spread out over 4,800 square miles, pale beside the 21 counties overlapping 566 cities, towns, boroughs, villages, and townships that New Jersey has carved out for itself from just a 50% larger land area. But critics say that Connecticut's fractured system of local government, however modest by New Jersey standards, is no less wasteful and inefficient. Why shouldn't the Nutmeg State follow suit and consider

alternatives—regionalism, municipal consolidation, shared service provision—that could lower costs and boost efficiency?

THEORY 101

The problem is, economic theory is ambiguous about the connection between organizational size and efficiency. On the one hand, large towns might indeed operate at a lower average cost by "spreading the overhead." A town of several hundred residents might require a four-officer police team to provide round-the-clock protection, but if that same force can just as easily serve the needs of several thousand people, the larger town can provide police protection at a lower cost per person.

On the other hand, large governments may behave as monopolists, with bloated bureaucracies that are unresponsive to resident needs. These so-called "leviathans" are motivated to maximize revenue, but lack incentives to keep expenses low if they can simply pass higher costs on to taxpayers. An alternative system of many competing, smaller-sized governments might encourage towns to minimize costs, and also make it easier for people to shop among jurisdictions for their preferred bundle of local public services and other amenities.

Adding to the confusion, shoe-horning a mass of autonomous municipalities into a limited space may bring out the worst in decision makers, encouraging them to behave strategically—free riding on the benefits of adjacent towns' public services or shifting the costs of their own activities to their neighbors. A town might site a shopping center on its border, for

of business property on the grand list also spent more per capita on public services, presumably to provide the necessary infrastructure that commercial activities require.

READING THE TEA LEAVES

The regression results suggest that municipal consolidation or other service-sharing plans offer no silver bullet for the problem of costly local public services. Localities probably could benefit from additional cooperation in the provision of local education. And many towns already do participate in regional school systems—Connecticut has eight regional districts at the high school level and nine districts in the lower grades. The fact that more municipalities do not forge such partnerships may reflect dimly-perceived benefits of cooperation, an inability to negotiate or police the terms of an alliance with neighboring jurisdictions, or a stubborn adherence to home rule and local control of personnel and curricula. To the extent that towns simply prefer to manage their own school programs, the resulting inefficiency can be viewed as the price residents are willing to pay for such autonomy.

Consolidating public services doesn't appear to offer the same economies of scale for public works, safety

and other services that it does for education. Part of the explanation may be that towns have already exploited whatever economies might be gained in these areas, and the cost savings are already reflected in the data. In the Hartford area, for example, the Metropolitan District Commission provides water and sewer service to eight participating municipalities. The sizeable benefits that accompany a large-scale undertaking such as that were probably sufficient to overcome the bargaining and enforcement costs that might easily have scuttled a less ambitious enterprise.

But such economies are probably less characteristic of other public services—safety, health, recreation and the like. There's a good chance towns can add or reduce staff in these areas as needed without affecting the unit cost of inputs. And while there may be some indivisibilities at the "plant" level—eventually a town may have to build or shutter a fire station or police barracks—such adjustments will occur in rough proportion with population, and regionalism won't necessarily forestall the need for them.

One way regionalism might enhance efficiency is by mitigating the kinds of spillover effects that were evident in the non-educational setting.

Why? Benefits and costs can take on a spatial dimension, and their spheres don't always overlap. A municipal library may restrict borrowing privileges to local residents, for example, but it probably can't completely bar (either *de jure* or *de facto*) out-of-towner access to other conveniences such as public reading rooms, restrooms, or WiFi Internet. Where free riding occurs, however, towns have the incentive to under-provide public services. In Connecticut's case these impacts appear moderate. For every ten percent increase in its neighbors' non-educational output, a town's costs decrease by about 1%.

Connecticut's long and strong resistance to regionalism is at least partly justified by an apparent absence of significant scale economies, at least for non-educational services. But evidence of significant spillover effects suggests that more regional cooperation might make good sense. ■

FACTORS AFFECTING PER PUPIL AND PER CAPITA NON-EDUCATIONAL SPENDING

	Coefficient	P-Value		Coefficient	P-Value
Constant	15777.92	0.00	Constant	-839.1034	0.01
Enrollment	-0.159745	0.01	Population	0.006212	0.05
Enrollment Squared	1.04E-05	0.00	Population Squared	-3.35E-08	0.13
Class Size	-323.181	0.00	Books per Capita	34.49757	0.00
Computers per Student	1663.339	0.01	Grand List Business Share	6.003583	0.11
Room Value	0.053329	0.00	Room Value	0.013907	0.00
Female-Headed Households	191.4213	0.00	Female-Headed Households	25.07708	0.01
BA Degrees	35.76427	0.00	Median Age	21.01666	0.00
Debt-to-Income	-7143.167	0.00	Debt-to-Income	2532.297	0.00
Neighbor Class Size	-180.2455	0.01	Neighbor Library Books	-25.05388	0.03

Coefficient values measure the change in per pupil spending (left table) and per capita non-educational spending (right table) associated with a one-unit change in each independent variable listed. The p-values are estimates of the likelihood that these coefficient values occurred by chance. The smaller the p-value, the more statistically significant the result.

Speaker's Blue Ribbon Commission on Municipal State Grants and Mandate Relief (MORE)

Town Functions Subcommittee

Shared Services Feasibility Assessment

February 4, 2010 Draft

General Government (back office)	Challenges	Anticipated savings/ROI	Timeline	Comments	Rating
Assessment	collective bargaining; achieving economy of scale; workload; elected positions; governance differences in local preferences and procurement regulations	Moderate - Significant	Intermediate	Some assessors are elected officials	3
Contractual Services	differences in local preferences and procurement regulations	Moderate - Significant	Short-term		1
Equipment Sharing	differences in local preferences and procurement regulations; access and use	Moderate - Significant	Short-term	See Litchfield Hills COG and WINCOG models	1
Employee benefits (health, life and disability insurance, EAP)	collective bargaining; state regulations; procurement regulations	Significant	Intermediate	Health insurance pooling has greatest potential, with most significant challenges	2
Finance	collective bargaining; achieving economy of scale; workload	Significant	Intermediate	Good candidate for shared Town/BOE service	2
Grant Writing	achieving economy of scale	Moderate - Significant	Short-term		1
Human Resources	collective bargaining; achieving economy of scale; workload	Moderate	Intermediate		2
Information Technology	collective bargaining; achieving economy of scale; workload	Moderate - Significant	Intermediate	Good candidate for shared Town/BOE service	2
Legal	political appointments; procurement regulations	Moderate	Intermediate		3
Purchasing	differences in local preferences and procurement regulations	Significant	Short-term	CRCOG and state collaborative very successful	1
Revaluation	revaluation schedule; collective bargaining; achieving economy of scale; workload	Moderate - Significant	Intermediate	See NECCOG model	2
Revenue Collection	collective bargaining; achieving economy of scale; workload; elected positions; governance	Moderate	Intermediate	Some tax collectors are elected officials	2
Risk Management	achieving economy of scale; workload	Moderate	Intermediate	Many towns use consultant for this service	2

Community Services	Challenges	Anticipated savings/ROI	Timeline	Comments	Rating
Human Services	collective bargaining; achieving economy of scale; workload; governance	Moderate - Significant	Long-term	Distance to service provider could be an issue	4
Library	collective bargaining; achieving economy of scale; workload; governance	Moderate - Significant	Intermediate	Many public libraries are independent associations	3
Parks and Recreation	collective bargaining; achieving economy of scale; workload; governance	Moderate - Significant	Long-term	Many athletic & youth sports leagues closely tied to local dept	4
Public Health	collective bargaining; achieving economy of scale; workload; governance	Moderate - Significant	Short-term	Regional district a great model; per capita grant a strong incentive	1
Senior Services	collective bargaining; achieving economy of scale; workload; governance	Moderate - Significant	Long-term	Many senior centers are independent associations; constituency has strong ties to local services	4
Youth Services	collective bargaining; achieving economy of scale; workload; governance	Moderate - Significant	Intermediate	See Andover-Hebron-Marlborough model	2
Public Safety	Challenges	Anticipated savings/ROI	Timeline	Comments	Rating
Animal Control	collective bargaining; achieving economy of scale; workload; jurisdiction; governance	Moderate - Significant	Intermediate	See NECCOG model	2 to 3
Dispatch	collective bargaining; achieving economy of scale; workload; jurisdiction; governance	Moderate - Significant	Long-term	See Tolland County model	4
Emergency Management	collective bargaining; achieving economy of scale; workload; jurisdiction; governance	Moderate	Intermediate	Function frequently assigned to another position, such as fire marshal	3
Emergency Services	collective bargaining; achieving economy of scale; workload; jurisdiction; governance	Moderate - Significant	Long-term	Many towns have independent volunteer departments with strong ties to local dept	5

Fire	collective bargaining; achieving economy of scale; workload; jurisdiction; governance	Moderate - Significant	Long-term	Many towns have independent volunteer departments with strong ties to local dept	5
Paramedic	collective bargaining; achieving economy of scale; workload; jurisdiction; governance	Moderate - Significant	Long-term	Services in many towns provided by local hospital	4
Police	collective bargaining; achieving economy of scale; workload; jurisdiction; governance	Moderate - Significant	Long-term		5
Public Works	Challenges	Anticipated savings/ROI	Timeline	Comments	Rating
Engineering	collective bargaining; achieving economy of scale; workload; jurisdiction	Moderate - Significant	Intermediate	See NECCOG model	2
Equipment Maintenance	collective bargaining; achieving economy of scale; workload; jurisdiction	Moderate - Significant	Long-term	Good candidate for shared Town/BOE service	3
Facilities Management	collective bargaining; achieving economy of scale; workload; jurisdiction	Moderate - Significant	Long-term	Good candidate for shared Town/BOE service	3
GIS	collective bargaining; achieving economy of scale; workload; jurisdiction	Moderate - Significant	Short term-Intermediate	Many towns contract for this service; some COG's provide. See WINCOG model.	1
Grounds Maintenance	collective bargaining; achieving economy of scale; workload; jurisdiction	Moderate - Significant	Long-term	Good candidate for shared Town/BOE service	3
Leaf Collection	collective bargaining; achieving economy of scale; workload; jurisdiction	Moderate - Significant	Intermediate		2
Recycling	collective bargaining; achieving economy of scale; workload; jurisdiction	Moderate	Intermediate		2
Road Services	collective bargaining; achieving economy of scale; workload; jurisdiction; governance	Moderate - Significant	Long-term		4
Utilities (WPCA and other)	collective bargaining; workload; governance	Significant	Intermediate	Many regional examples exist	2

Shared Town/BOE Services	Challenges	Anticipated savings/ROI	Timeline	Comments	Rating
(employee benefits, facilities mgmt, finance, grounds maint, HR, IT, legal, risk mgmt)	collective bargaining; workload; jurisdiction	Significant	Short term-Intermediate	See East Hampton, Madison and Mansfield models	1 to 3
Legend					
Rating: Rough evaluation, based on assessment of challenges, ROI and timeframe. 1 - 5 scale, with 1 highest score.					
Savings/ROI					
Minimal: less than 25k per annum					
Moderate: 25-100k per annum					
Significant: 100k+ per annum					
Timeframe					
Short-term: 1-2 yrs					
Intermediate: 3-5 yrs					
Long-term: 5+ yrs					
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