CAPITOL REGION COUNCIL OF GOVERNMENTS
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Testimony for

Appropriations, Commerce, Finance and Planning and Development Committees Public Hearing Re: Report of the Commission on Fiscal Stability and Economic Growth

Capitol Region Council of Governments

Marcia Leclerc, Mayor East Hartford, Chair CRCOG

Lyle Wray, Executive Director, CRCOG

March 23, 2018

CRCOG **supports** the good work of the Commission on Fiscal Stability and Economic Growth that has provided an important framework for "diagnosis" of our fiscal state and for actions to accelerate economic growth in the state.

CRCOG believes the report's analysis of the problem is an honest view of the critical economic crossroads Connecticut faces and supports the commission's view of the need to act to stabilize Connecticut's economy and enable Connecticut to once again be a strong, vibrant state.

The Commission proposes substantial and significant structural changes and CRCOG believes these would be "game changers" that would offer the framework needed to help Connecticut's economy grow and develop.

There are several recommendations by the Commission that we would like to spotlight.

Strengthen metropolitan regions in Connecticut. CRCOG provided testimony to the Commission on January 23, 2018 to strengthen the ongoing capacity of metropolitan regions through their Councils of Governments to provide effective and efficient public services and to propose a revenue neutral rebalancing of the overall state and local revenue portfolio that would stimulate economic growth. The follow up memo to that testimony provided below offered comments in three areas: encouraging regional service delivery, providing resources and flexibility to municipalities, and accelerating transportation infrastructure investments.

Invest in transportation to accelerate economic growth. Getting our transportation system up to a state of good repair and selective investments in new capacity are critical for our state's economy. The 9 million rides on CTfastrak in three years shows that there is pent up demand in this area.

Revitalizing our cities. Property tax relief, and accelerated redevelopment are two core elements to be supported.

Invest in our future workforce. Make sure that we have produced the skilled workers to replace those leaving the workforce and prepare for new emerging opportunities in the economy going forward.

Economic development. Make sure that we are doing enough to accelerate the growth of high-potential sectors in advance manufacturing, business services, and healthcare. CROCG is partnering with other regional organizations this year to develop a comprehensive economic development strategy with this goal in mind.

Again, we support the framework of the Commission's report. We urge action to respond to the issues so clearly raised in the Commission report. While some of the overall revenue framework may bear some additional review, the overall report is worthy of serious consideration and action. The report addresses Connecticut's structural deficit and is a first and right step towards a better future for Connecticut.

M E M O R A N D U M

DATE:	January 31, 2018
TO:	**CT Commission on Fiscal Stability and Economic Growth**
FROM:	Lyle Wray, Executive Director, Capitol Region Council of Governments
SUBJECT:	**Follow Up to January 23, 2018 Testimony**

On January 23 three members of the Capitol Region Council of Governments Policy Board, and myself testimony to your commission. After our testimony we were asked to provide some additional information on priorities which we are doing here.

Encourage Regional Service Delivery

Councils of Governments in Connecticut currently provide many services on behalf of their municipalities. They do not, however, have a reliable source of funding that they can control. In times of fiscal instability, it is all too easy for the state or individual municipalities to pull funding due to competing needs. Two priorities for addressing this issue are:

- **Authorize COGs to raise funds by direct taxation to provide shared services**. While COGs are the beneficiaries of local dues paid by member municipalities, they have little leverage to require that these dues be paid. Direct taxation would allow COGs to directly raise funds. All expenditures would still be overseen by municipal leaders through the COG's policy board, which, by state statute, is comprised of the chief elected officials of each municipality in the region. This ensures accountability and provides a stable revenue stream for shared services.
- **Permit COGs to initiate, manage, and raise funds for special projects within their boundaries and permit consortia of COGs to act as one in doing so**. In order to increase the capabilities of COGs to undertake significant projects that are too big for individual municipalities, they need to be given the authority to raise funds through taxes (as noted above) and through borrowing.

- **Exempt shared/merged services from municipal collective bargaining processes.** Currently, when towns elect to merge an existing service, negotiations with each town's collective bargaining units are necessary. This can be a cumbersome process and discourages municipalities from pursuing shared services.

Provide Resources and Flexibility to Municipalities

Municipalities, especially our larger cities and inner ring suburbs, lack the funding tools and authorities enjoyed by peers in many other states. Their ability to control costs and adopt stable budgets is severely hampered. The following will help alleviate these issues:

- **Fully fund State funding commitments** such as PILOT, Education Cost Sharing, Town Aid Roads, and programs reimbursing municipalities for Manufacturing Machinery and Equipment and Enterprise Zone tax exemptions.
- **Authorize flexibility in collective bargaining** particularly as it relates to employee benefits.

Accelerate Transportation Infrastructure Improvements

Transportation infrastructure is critical to our economic growth. Our state's economic growth in turn is critical to our fiscal stability. The following priorities will help stabilize transportation funding and accelerate the delivery of projects:

- **Fully fund the Local Transportation Capital Improvement Program (LOTCIP)**. This state-run program was designed to substitute state funds (through bonding) for federal transportation funds. It allows smaller municipal projects to be shifted to the more flexible state program where there is less overhead and delay. Federal funds are then freed up for larger projects where they can be more efficiently deployed. LOTCIP funding needs to be stable in order for regions, the state, and municipalities to adequately plan for future needs.
- **Implement a transportation funding lock box**. To accept increases in taxes and fees, the public needs assurances that revenues will be spent on the transportation projects they are intended for. A lock box will provide that assurance and guarantee a revenue stream that will permit greater long-range transportation planning.
- **Restore gas tax over 3 years in 4 cent, 5 cent, 5 cent increments**. The Special Transportation Fund (STF) is in dire need of a revenue infusion. The current gas tax is not sufficient to cover debt service on existing obligations and allow the state to pursue bonding for much needed projects. Restoring some of the 14 cent gas tax cut done in 1997 will provide short-term relief.
- **Implement a system of highway tolls**. In the long run, gas tax receipts will continue to erode as cars become more efficient or transition away from gasoline. A system of tolls charges all vehicles regardless of fuel source. It also captures the significant through traffic our state receives. The revenue generation is expected to be in the 600 to 800 million dollar range per year.
- **Accelerate inclusion of new car sales tax into the STF**. There is an approved phasing plan to place more sales tax into the STF. Moving this phasing up will help shore up the STF.

- **Learn from competitor metropolitan regions.** Responses to Amazon's HQ2 competition are enlightening in this regard. The proposal from Denver is available online (https://assets.documentcloud.org/documents/4249229/AmazonHQ2-DenverPost.pdf) and highlights that region's $7.4 billion investment in transit, as well as its statewide youth apprenticeship programs and large skilled workforce within commuting distance. Connecticut cannot afford to fall behind our competitors.

Thank you for this opportunity to provide additional details on our submitted testimony. We are happy to discuss these priorities in more detail or answer any questions you may have.