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## **OLR Bill Analysis**

**sHB 7192**

### ***AN ACT CONCERNING MUNICIPAL AND REGIONAL OPPORTUNITIES AND EFFICIENCIES.***

#### **SUMMARY**

Among other things, this bill:

1. adds to the circumstances under which the Office of Policy and Management (OPM) secretary must refer entities subject to the Municipal Auditing Act to the Municipal Finance Advisory Commission (MFAC) (§ 1);
2. modifies the Advisory Commission on Intergovernmental Relations (ACIR) charge and membership and expands ACIR's reporting requirements (§§ 2, 3 & 7);
3. beginning in FY 20, changes how OPM funds regional councils of governments (COGs) (§§ 4 & 5);
4. appears to give the OPM secretary broader authority to determine how to distribute Regional Performance Incentive Program (RPIP) grants (§ 6);
5. requires OPM to spend \$250,000 from the municipal reimbursement and revenue account to promote and facilitate implementing shared or regional government services (§ 8);
6. requires municipalities to (a) conduct revaluations pursuant to an OPM-designated regional revaluation schedule and (b) submit revaluation-related parcel data to OPM (§ 9);
7. requires COGs to collect and process municipalities' regional geographical information system, personal property declaration, income and expense statement, property transfer, motor vehicle valuation, and building permit data (§ 10);

8. allows municipalities and associated bodies to enter into interlocal agreements regardless of conflicting provisions in state or local law (§ 11);
9. sunsets the state's existing enhanced emergency 9-1-1 (enhanced 9-1-1) program and replaces it with a similar program with some additional duties and, beginning in FY 25, provides funding only to public safety answer points (PSAPs) serving at least 40,000 people or at least three municipalities (i.e., regional PSAPs) (§§ 12-14);
10. decreases the required frequency of local fire marshals' inspection of three-to-sixteen family dwellings (§ 15); and
11. specifies deadlines by which boards of education in Tier III municipalities must provide collective bargaining agreements and amendments to the Municipal Accountability Review Board (MARB) for its approval or rejection (§ 16).

The bill also makes technical and conforming changes.

EFFECTIVE DATE: July 1, 2019, except certain provisions on the enhanced 9-1-1 program are effective October 1, 2019.

### **§ 1 — MFAC REFERRALS**

By law, (1) regional school districts, (2) municipalities, and (3) other related entities with annual receipts exceeding \$1 million (e.g., municipal utilities, special taxing districts, and COGs) must annually submit an audit that complies with the Municipal Auditing Act to OPM. If upon reviewing these audits, the OPM secretary finds that they are incorrectly prepared or there is evidence of unsound or irregular financial practices, the secretary must report such problems to MFAC (i.e., "refer" to MFAC). (MFAC is responsible for helping to improve the fiscal condition of any audited entity the secretary refers to it.)

#### ***Required Referrals of Audited Entities***

The bill additionally requires such a referral in situations where the

OPM secretary finds (1) the audit was incorrectly prepared and the audited entity did not request from OPM a waiver from the Municipal Auditing Act's provisions or (2) management letter comments or lack of internal controls in relation to commonly accepted municipal finance standards.

As is the case with referrals under existing law, OPM must send a copy of the referral report to the state auditors and the chief executive officer (CEO) of the audited entity (the superintendent in the case of school districts). If the audited entity is a municipality, OPM must also send the town clerk a copy of the referral report. Under the bill, upon receipt of the report, the CEO or superintendent must submit to the secretary in writing an explanation and attestation of the secretary's findings and a corrective action plan.

***Required Referral of Municipalities***

The bill also requires the secretary to refer to MFAC municipalities that have not already been referred if an audit review shows that the municipality has:

1. a negative fund balance percentage;
2. in the three preceding fiscal years, (a) reported a fund balance percentage of less than 5% or (b) issued tax or bond anticipation notes to meet cash liquidity;
3. in the two preceding fiscal years, (a) reported a declining fund balance trend or (b) a general fund annual operating budget deficit of 2% or more of its average general fund revenues;
4. in the preceding fiscal year, a general fund annual operating budget deficit of 1.5% or more of its average general fund revenues; or
5. received a bond rating below A from a bond rating agency.

***Optional Referrals***

The bill gives the OPM secretary, following an audit review, broad

authority to refer a municipality to MFAC, if the municipality has not already been referred to it.

### **§§ 2, 3 & 7 — ACIR**

The bill modifies ACIR's charge and membership. It also expands ACIR's reporting requirements and modifies reporting deadlines.

#### ***Broadened Charge***

By law, ACIR studies the relationship between state and local governments and recommends solutions to issues it identifies. The bill specifies its research on intergovernmental issues must include (1) information on consolidation of government services and (2) the direct and indirect impact of changes in the provision of services at different levels of government. Under the bill, ACIR also must develop models for sustainable, recurring savings and revenue growth.

#### ***Revised Membership***

Starting July 1, 2019, the bill adds to the commission (1) the Planning and Development Committee's chairpersons and ranking members, or their designees, and (2) an organized labor representative selected by the Governor from a list of nominees submitted by the Connecticut AFL-CIO.

It removes from the commission the (1) Senate president pro tempore; (2) House speaker; (3) Senate and House minority leaders; and (4) commissioners of the Education, Energy and Environmental Protection, and Economic and Community Development departments.

As under existing law, members appointed as legislators serve for the duration of their terms in office. The term length for other members remains two years but the bill allows these members to continue to serve until a successor is appointed and has qualified to serve.

#### ***Reporting Requirements***

***Annual Public Report and Work Plan.*** The bill requires ACIR to publish a work plan beginning July 1, 2019, and annually thereafter.

As under existing law, ACIR also must publish an annual public report on its activities. The bill specifies that it must publish the report on the same schedule as the work plan and, beginning with the 2020 report, describe the status of items included in the prior year's work plan, including statistical measures of progress made toward them.

***Semiannual Recommendations.*** The bill requires ACIR to make semiannual recommendations regarding the accomplishment of all aspects of sharing services among state, regional, and local governments to the OPM secretary. It must, in consultation with other commissions established to address consolidation and sharing of government services, make recommendations four times over a two-year period.

The recommendations may address, but are not limited to:

1. standardization and alignment of various regions;
2. consolidation of government services, such as joint purchasing between municipalities and school districts;
3. consolidation and sharing of government services, such as joint purchasing among municipalities;
4. types of government services that may be provided in a more efficient, high-quality, or cost-effective manner by another level of government or COG, regional education service center (RESC), or other regional bodies;
5. standardization of government services, such as permit issuance;
6. report standardization, enhancement, or streamlining;
7. data collection and sharing standardization, enhancement, and streamlining;
8. opportunities for the use of e-government solutions to deliver services and conduct programs;
9. alternative revenue sources for municipal governments, COGs,

and RESCs;

10. regional revenue sharing;
11. coalition bargaining and other changes to the relations between municipalities and their employees;
12. reducing municipalities' long-term liabilities; and
13. timelines for planning and implementing ACIR's recommendations.

The first recommendations are due by October 15, 2019, and every six months thereafter until October 15, 2021. The bill requires that ACIR provide the recommendations as part of its work plan development process, but the first work plan is due July 1, 2019.

**Reports on State Mandates.** By law, ACIR must submit to the General Assembly (1) a quadrennial report that lists all existing state mandates (i.e., legislative or executive actions that require a local government spend additional local revenue to effectuate them); (2) a supplement to the quadrennial report for each intervening year; and (3) an annual list of mandates enacted during the preceding session.

The bill requires that ACIR include in its quadrennial report a description of the mandates' potential impacts on municipalities. It eliminates the requirement that the report include a history of the mandates and costs municipalities incurred to implement them.

Under the bill, the next quadrennial report is due by the second Wednesday following the start of the regular 2020 session (February 19, 2020) and every four years thereafter.

By law, ACIR also must annually compile a list of state mandates enacted during the preceding session and share it with various state officials. Under the bill, ACIR must additionally submit the list to each municipal chief elected officer. Under current law, the OPM secretary provides notice of the list to them. The bill eliminates the requirement that the legislative leaders send the list to the OPM secretary.

For each list due on or after July 1, 2019, the bill makes the list due not more than 90 days after adjournment of regular or special session or November 15 after a regular session adjourns, whichever is later.

## **§§ 4 & 5 — CHANGE TO COG FUNDING**

### ***Regional Planning Incentive Account Grants***

Beginning FY 20, the bill decreases the amount of funding COGs receive from the regional planning incentive account. Currently, COGs receive \$125,000 each, plus 50 cents per capita. If a COG was formed following the voluntary consolidation of multiple planning organizations before 2014, the COG receives an additional \$125,000 for each merged organization.

Under the bill, OPM must instead distribute to each COG a \$75,000 grant plus 30 cents per capita. Consolidated COGs are not entitled to additional funding as they are under current law.

The bill also authorizes the OPM secretary to distribute additional funding from the regional planning incentive account to COGs. (The bill does not specify a formula for distributing this additional funding.)

### ***Regional Services Grant***

Under current law, within available appropriations, the OPM secretary distributes regional services grants to COGs pursuant to a formula she sets. To be eligible for such a grant, COGs must submit a spending plan to OPM. (COGs must use the grants for planning purposes and to achieve municipal service efficiencies.)

Under the bill, beginning in FY 20, the secretary must distribute regional services grants using the same formula that applies to grants from the regional planning incentive account (i.e., per COG, \$75,000 plus 30 cents per capita). Under the bill, COGs receive the grant (1) regardless of available appropriations and (2) without having to submit a spending plan.

The bill also appears to eliminate a reporting requirement for COGs for 2019. Under current law, COGs must annually report to the legislature on regionalism initiatives, including how they spend their

regional services grant. Under the bill, the next report is not due until October 1, 2020.

## **§ 6 — RPIP CHANGES**

### ***Changes to RPIP Eligibility Requirements***

The bill appears to broaden OPM's discretion to award RPIP grants by eliminating many of current law's eligibility and application requirements.

***Eligible Entities and Purposes.*** Under current law, OPM awards RPIP grants to municipalities, COGs, economic development districts, and regional education service centers for (1) the joint provision of a service that is currently provided, but not on a regional basis; (2) planning studies regarding the joint provision of a service on a regional basis; and (3) shared information technology services. The bill instead allows the OPM secretary to provide RPIP grants for (1) the joint provision of a government service or (2) a planning study for the joint provisions of any service on a regional basis. (Under existing law and the bill, OPM may also provide RPIP grants for a regional special education initiative to local or regional boards of education or regional education service centers serving at least 100,000 people.)

It appears that under the bill, any entity is eligible to apply to OPM for these grants. (The bill eliminates specific authorization for entities to apply to OPM for such grants.)

***Application Content and Priority.*** Current law requires OPM to prioritize certain grant proposals (e.g., proposals submitted by local and regional boards of education). The bill eliminates these statutory priorities.

Current law requires applicants to provide certain information to OPM, including an explanation of the need for the proposal's implementation and a cost-benefit analysis of it. The bill eliminates provisions in current law specifying what an application must contain.

### ***ACIR Proposals***

The bill authorizes ACIR to annually recommend to the OPM

secretary by December 1, specific proposals for achieving cost savings through regional efficiencies. ACIR must submit the proposals in the form and manner the secretary specifies.

Under the bill, the OPM secretary may provide RPIP grants to COGs, economic development districts, regional education service centers, or a combination thereof to administer an ACIR proposal. The bill gives the OPM secretary broad authority to award grants to applicants whose proposals best meet the program's requirements.

### ***Annual RPIP Report***

The bill requires the OPM secretary to additionally submit her annual RPIP report to the Planning and Development Committee. Under current law, the report must be submitted to the Finance, Revenue and Bonding Committee and contain information on (1) each grant distributed and (2) how the program is reducing property taxes. The bill eliminates the requirement that the report include information on how the program impacts property taxes.

## **§ 8 — FUNDING FOR PROMOTING SHARED SERVICES**

The bill reallocates municipal reimbursement and revenue account funds provided to OPM. The bill reduces the amount allocated for (1) the Nutmeg Network by \$70,000 and (2) the universal chart of accounts by \$180,000. Under the bill, OPM must instead use \$250,000 to promote and facilitate implementing shared or regional government services.

## **§ 9 — REGIONAL REVALUATIONS AND DATA SUBMISSION REQUIREMENT**

### ***Regional Revaluation Schedule***

Under the bill, the OPM secretary must use the state's nine planning region boundaries (i.e., the COGs' boundaries) to designate five revaluation zones. Municipalities in each zone will conduct their revaluations in the same year as other municipalities in the zone. Beginning with the October 1, 2020, assessment year, municipalities must conduct their revaluations pursuant to this OPM-designated revaluation schedule. The bill requires certain municipalities that

delayed implementing a revaluation during the 2003, 2004, or 2005 assessment year to implement future revaluations pursuant to OPM's regional revaluation schedule.

As is the case under existing law, revaluations must be conducted every five years. The bill retains provisions in existing law governing revaluation methods, processes, and other requirements.

Existing law, unchanged by the bill, allows municipalities to enter into agreements to establish regional revaluation schedules, subject to OPM's approval (CGS § 12-62q).

***Submission of Parcel Data to OPM***

The bill requires assessors to file with the OPM secretary parcel data from each implemented revaluation. (Presumably, this requirement applies to any revaluation implemented after the provision's July 1, 2019, effective date.)

The data must be filed on forms she creates, and she must provide such forms to assessors at least 30 days before they are due.

**§ 10 — REGIONAL ASSESSMENT DIVISIONS WITHIN COGS**

The bill requires each COG, by July 1, 2020, to establish a regional assessment division to collect and process data for each municipality in its region with 15,000 or fewer real property parcels. COGs must collect and process regional geographical information system, personal property declaration, income and expense statement, property transfer, motor vehicle valuation, and building permit data.

Municipalities with 15,000 or fewer parcels must provide COGs with the above information. Beginning in FY 21, municipalities that fail to do so are subject to the same penalties applicable to municipalities that fail to implement a revaluation on time (i.e., loss of their local capital improvement program grant and half of their Mashantucket Pequot/Mohegan Fund grant). The penalties are imposed in each fiscal year that municipalities fail to provide the required information. Municipalities that have permission to delay implementing a revaluation are not subject to the penalties that year.

If OPM imposes the penalty, it must notify the municipality's chief executive officer of the forfeited grant amount and the fact that the comptroller's grant payment to the municipality will reflect the penalty imposed.

### **§ 11 — INTERLOCAL AGREEMENTS**

Existing law gives municipalities and associated bodies (e.g., special taxing districts and municipal districts) blanket authority to enter into interlocal agreements to perform jointly any function that any statute, special act, charter, or home rule ordinance allows them to perform individually. The bill allows municipalities and associated bodies to enter such agreements regardless of conflicting special act, charter, home rule ordinance, or local law provisions.

### **§§ 12-14 — ENHANCED 9-1-1 PROGRAM**

The bill also sunsets the state's existing enhanced 9-1-1 program on July 1, 2019, and requires the Division of State-Wide Emergency Telecommunications to develop and administer a new enhanced 9-1-1 program with many of the same duties plus some new additional ones. The following are existing duties that must be continued:

1. provide funding to replace existing 9-1-1 terminal equipment;
2. subsidize regional PSAPs, with additional subsidies for municipalities with at least 40,000 people;
3. establish a transition grant program to encourage regional PSAPs;
4. establish a regional emergency telecommunications service credit to support regional dispatch services, and
5. implement the next generation 9-1-1- system (i.e., a system comprised of managed internet protocol networks that use enhanced 9-1-1 network features).

But under the new program:

1. PSAPs are eligible for 9-1-1 terminal equipment funding for

maintenance, not just replacement, costs;

2. within available funding, the transition grant program, which must be awarded as provided in regulations, provides \$250,000-\$500,000 grants to municipalities, depending on the number of 9-1-1- calls placed from such municipality, if they (a) join an existing regional PSAP or (b) create a new regional PSAP;
3. beginning in FY 25, municipalities with fewer than 40,000 people are not eligible for funding unless they have joined with at least two other municipalities to form a regional PSAP; and
4. beginning in FY 25, PSAPs are eligible for terminal equipment funding only if they serve at least 40,000 people.

The bill requires the emergency services and public protection commissioner, by April 1, 2021, to adopt regulations to implement the new program.

The new transition grant program, which starts July 1, 2019, requires grants to be awarded as provided in regulations. It is unclear if current regulations concerning the implementation of the transition grant program apply until the new ones are adopted (the new ones must be adopted by April 1, 2021). Current regulations provide for grants of up to \$250,000 to cover costs associated with relocating existing emergency telecommunications systems and providing for additional functional capacity (Conn. Agencies Regs. § 28-24-5).

#### **§ 15 — INSPECTION SCHEDULE FOR MULTIFAMILY PROPERTIES**

Under current law, local fire marshals must inspect dwellings for more than three families annually. The bill decreases the frequency of inspections for dwellings with fewer than 16 units. Under the bill, local fire marshals must inspect dwellings for (1) three-to-six families every three years and (2) seven-to-16 families every two years.

The bill specifies that its provisions do not prevent local fire marshals from inspecting dwellings for three or more families at least

once per year.

## **§ 16 — MARB'S REVIEW OF BOARD OF EDUCATION COLLECTIVE BARGAINING AGREEMENTS**

Under existing law, MARB has authority to approve or reject any Tier III municipality's municipal or board of education collective bargaining agreements or amendments. MARB has the same opportunity and authority to act on these agreements and amendments as the municipality's legislative body, but can exercise that authority on no more than two occasions for a particular agreement or amendment. The bill authorizes MARB to also act on board of education collective bargaining agreements that require federal approval but that the municipal legislative body does not have authority to approve or reject.

The bill also requires (1) boards of education to submit any collective bargaining agreement or amendment to MARB within 14 days of reaching it and (2) MARB to approve or reject it within 30 days of submission.

(The law provides two paths for designating a municipality Tier III: (1) the municipality requests the OPM secretary to designate it as Tier III, which she must grant if it meets the law's distress criteria, or (2) the secretary designates the municipality as Tier III based on its bonding capacity regardless of whether it requested the designation (CGS § 7-576c(a)).)

### **BACKGROUND**

#### ***Related Bill***

sSB 1072, favorably reported by the Planning and Development Committee, contains provisions that are identical to §§ 2 and 3.

### **COMMITTEE ACTION**

Planning and Development Committee

Joint Favorable Substitute

Yea 12      Nay 9      (03/29/2019)