Cost Containment Report Draft Recommendations for Discussion

Revised 11.13.20

Note: We have prepared this document to facilitate discussion with you at the CCM Commission on Property Tax Reform Meeting on 11/17/20. It includes outlines of the draft recommendations we are considering including in the final report. It does *not* include the overview or background sections, nor all of the cost savings methodology details. We will continue to assess and improve our quantification methodologies, which may change the projected cost savings, between now and the final report.

We are very interested in hearing *all* of your feedback – comments, questions, critiques, etc.

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COG-related Shared Services Recommendations

Recommendation:

The State should take an aggressive approach to regionalization by creating a statewide system of effective and empowered regional Councils of Government that 1) will assume certain services that clearly benefit from economies of scale at a regional level; 2) can serve as facilitators and coordinators of service sharing at the sub-regional level; 3) are provided with the necessary resources to dramatically increase their effectiveness at a much greater scale; 4) are accountable to both the State and member municipalities; and 5) will continue to be member-governed. The intent is to create a middle-tier of government that operates similar to a county in other states, but in practice is a collective instrument of the municipalities rather than a subdivision of the State.

The Center recommends that the responsibility for delivering the following services shift from municipalities to the COGs:

1. **Assessing and Revaluation Services:** In addition to creating more equity and consistency across property valuations, there is also a shortage of qualified assessors in the labor market. This is in part due to the labor market for qualified and certified assessors, as the training and certification process is controlled by a single entity. A robust, regional and comprehensive assessing service would ensure accurate, equitable and efficient property valuation while also creating an organizational structure capable of developing future professionals. This Report is Different Section 5.7 estimated that this will save between $5 and $10 million statewide annually.
2. **Economic Development:** Currently, the approach to economic development varies greatly from town to town (and in cities). Several COGs engage in economic development activities currently, and there are active economic development departments in many municipalities. Industrial and commercial investments are regional in their impact, yet the competition is at the municipal level in most cases. While no significant cost savings are likely with COGs managing economic development activities, a more strategic approach would benefit smaller communities and better align industrial and commercial development with long-range land-use goals.
3. **Animal Control (including licensing):** Animal control is already a commonly shared service in multi-town partnerships and at the COG level. Given the resources required to administer these programs and operate shelter facilities and the number of small communities utilizing part-time (or shared) personnel, animal control operations would see significant level of service increases if operated at a regional level. Savings analysis is underway for this service.
4. **Health and Human Services:** Public Health services are already provided at the regional level through a number of agencies, and there are a large number of social service non-profit organizations across the state. Studies have identified a service area of 100,000 to 500,000 as the range where economies of scale exist without negative outcomes, which fits most current COG populations. Public Act 13-247 Sec. 327 already requires regional planning agencies to convene regional human services coordinating councils, so pulling many of the impacted services under the COG umbrella would be a logical fit. A 2013 study found that Connecticut could save around 13% of total local health department expenditures from consolidating local health departments.

The Center further recommends that COGs develop the capacity to provide a number of additional services, available on an opt-in basis, or potentially mandated for smaller communities, as well as provide some new services to member municipalities:

1. **Procurement:** CRCOG already provides a robust procurement service open to all municipalities. Other COGs provide some level of procurement support. The CRCOG model should be adopted at all COGs.
2. **Back-office support:** Several COGs offer various back-office support functions such as Human Resources, IT and Finance, with CRCOG arguably offering the most comprehensive suite of services. CRCOG does offer services outside its membership on a fee for service basis, but ultimately each COG needs to develop this capacity in order to support and supplement other regional service capabilities.
3. **Grant management:** Many small communities lack the personnel and other resources to aggressively pursue state, federal and private grants. Most, if not all, COGs have significant experience in the application for and administration of grants; municipalities should leverage that experience, whereby reducing their staff hour obligations and providing overhead revenues to COGs.
4. **Sub-regional service sharing facilitation:** A number of municipalities indicated on the survey, or in follow-up conversations, that they would benefit from a centralized “marketplace” of equipment, excess capacity and interest in service sharing. Presently, most of these conversations occur extemporaneously, and often gain little traction due to various factors. COGs should maintain a database of these opportunities, as well as existing contract expiration dates, to help align shared needs and opportunities. This effort should be integrated with the procurement function.

Background:

Fragmentation in continues to be a major factor in the cost of service delivery in Connecticut in nearly all aspects of municipal services, especially outside of the larger cities. The state has attempted to incentivize regionalization in many areas of municipal services, but it is clear that the pace of regionalization is not occurring in an impactful way. Survey results indicate Connecticut municipalities are distrustful of the State and lack confidence in their ability to provide services either to municipalities or directly to residents, but generally view their COGs favorably in both respects (The COGs, however, widely vary in capacity and staffing and it is doubtful that many COGs currently have the executive leadership capacity to implement large scale programs; this is not necessarily due to executive competency but also low expectations from board members. Many COGs have a legacy of being traditionally a planning/zoning entity and an overemphasis on home rule at the local level has resulted in a lack of understanding of what a larger regional government (county) overlay can provide to augment smaller municipalities.

There are a few COGs that have demonstrated the potential of a strong regional agency to create and expand programs that support municipalities as well as direct service delivery. In many cases, these have been “back-office” type functions (IT, Finance, HR) and services that support municipal operations (cloud storage, procurement, GIS) but COGs have also successfully implemented a number of direct-to-resident services including Animal Control, ambulance and inspections/permitting. Further, there are a number of existing regional agencies (particularly in public health and social service provision) that would not only be strengthened under the umbrella of a larger regional organization, but likely see a reduction in operating costs if they were able to leverage the supporting organizational infrastructure of a robust COG. Bringing such existing regional agencies under a COG would also help to reduce fragmentation.

Implementation Strategies:

The State has failed to provide a vision for what role a Council of Governments should serve, resulting in wide disparity between the level of services provided by each agency. The first priority should be developing that clear and bold vision for COGs that includes direct service delivery and municipal support on a regional scale. The State should also appoint a Regional Council of Governments Commission to work in concert with a revitalized Advisory Commission on Intergovernmental Relations (ACIR) to make recommendations to ensure COGs are positioned for success. The Commission should focus on:

1. Re-evaluating COG membership and catchment boundaries to ensure an optimal balance. Strong consideration should be given to aligning MPO and COG boundaries, or other well-established and effective district areas.
2. Developing governance structures that ensure bottom-up control, with strong consideration given to weighted voting or other representative mechanisms to ensure equitable representation for residents. Additionally, it is strongly recommended that the Chief Executives (Town Administrators/Managers and First Selectmean) sit on the COG boards. As a further consideration, any municipality with a CEO term of two years should strongly consider increasing to four years to ensure continuity on COG boards.
3. Recommending a system for funding the COGs that is diversified and stable, and also contains a substantial performance-based incentive component.
    a. Under the recommendations from Georgia State University, a statewide local sales and income tax is proposed to be distributed to the COGs as the regional entity for further distribution to municipalities. Some of this funding should be retained to fund operations and capital investment.
    b. Where responsibility for services is transferred from a municipality to a COG, all or a portion of the property tax revenue as well as all fee-based revenues should follow. This could be via the member assessment or direct property tax revenue to the COGs.
    c. Member contributions should blend per capita and service level metrics.
    d. The Regional Service Grants base amount should be significantly reduced and supplemented with an incentive- and performance-based formula.

The State will need to act executively or legislatively to address the following issues:

1. The funding formula for RCOGs needs to be changed. The base formula is biased towards smaller COGs and does not reward performance.
2. Municipal charter review process needs to be streamlined and simplified in order for municipalities to easily transition responsibility for services (and authorities) to the COGs. Further, in accordance with Section 5.2 of *This Report is Different,* the Center recommends that the stated language be adopted and modified to specifically include COGs.
3. For those services deemed appropriate for COG provision, the State should mandate high levels of service, accountability and professionalism. The State should also identify and transition all

existing training grants and funding opportunities to the COGs. This is necessary both to incentivize municipalities to push services up to a larger organization with adequate resources to fulfill the requirements, but also to discourage smaller municipalities from maintaining services where they cannot afford to meet the standards. Some pathways to accomplish this include:

   a. Requiring high levels of professional certifications for individuals performing certain positions, with annual requirements for continuing education, training and professional development.
   b. Requiring annual reporting of performance metrics and expenditure data, utilizing standardized data and formulas and following a Uniform Chart of Accounts.
   c. Require minimum performance targets and tie funding to meeting and exceeding these targets.

4. The Municipal Employees Relations Act (MERA) needs to be revised to allow the necessary consolidations, transfers and nullifications required to transition services and positions to the COGs.
   a. The revisions to MERA should adopt the broadened language recommended in *This Report is Different* Section 5.1 intended to facilitate service sharing and should be expanded to specifically reference COGs in addition to interlocal service sharing and services performed for other municipalities.
   b. The target should be a labor-neutral end result in the short term. The State must acknowledge that the long-term budgetary impacts will be positive, even if short term costs are unchanged or even increased.
   c. Municipalities, the State, COGs and labor should recognize that the transition period will take several years. During the transition period, existing positions will continue to be necessary to work towards consolidation, systems integration and digitization efforts. As COGs plan for organizational expansion, consideration should be given to utilizing existing municipal physical resources in satellite operations to ease the impact on both employees and residents.
   d. Labor must recognize the benefits of larger organizations to their membership; opportunities for professional development and expanded career paths will result when smaller towns pool staff; while the overall staffing footprint will shrink over time, the need for additional management and supervisory positions, and steps within staff positions, will result in a more professional organizational structure.

Regional PSAP-Related Recommendations

Recommendation:

The State should take a more aggressive approach towards regionalizing PSAPs by 1) increasing the incentives to regionalize; 2) creating a strong system of disincentives for continued operation of smaller PSAPs; and 3) expanding the funding of consolidation grants, including expanding the definition of eligible expenditures to provide for overcoming traditional obstacles to shuttering a local PSAP.

Background:

Consolidation of PSAPs continues to be a goal of the Department of Statewide Emergency Telecommunications (DSET), and numerous state and national studies (including actual case studies) have demonstrated the positive impact on service levels and response times that can be realized by consolidating 911 call-taking and dispatch into regional and sub-regional facilities. Connecticut is an unique environment, however, and local opposition to consolidation has been strong. The State has maintained a number of incentives for both operational and capital subsidies to encourage consolidation, but the incentives have been weak and not been paired with sufficient disincentives to encourage a substantial amount of voluntary consolidations. The overall reduction of primary PSAPs from 2001 to 2012 was roughly 9%, and since 2012, only 2%.

In 2020, new regulations from DSET revised the funding formula for distribution of E911 Fund surcharge revenues, intended to further incentivize regional consolidation by more accurately reflecting the call volume and population served by a PSAP. The regulations, while a positive step, contain no measurable new disincentives for municipalities (and fire districts) to continue operating stand-alone, single entity PSAPs, and even included a holdover provision to ensure there was no decrease in funding under the new formula. Non-funded entities and municipalities operating primary PSAPs using other revenue sources (principally property tax and fire district assessments) to fund operations do not see the value in consolidation. The continuing fragmentation results in more call transfers, longer response times, and decreased levels of service. 911 call-taking and dispatch is typically the first point of emergency response, and telecommunicators require greater levels of education, training and skills to operate in a rapidly advancing technological field and increasingly complex social environment.

Local jurisdictions have valid objections to consolidation, both in the rural and more urban areas of the State. Dark stations and lack of local control and familiarity are legitimate concerns, but these can be addressed through additional State investment in facilities and technology. In 2012, DSET (then the Office of Statewide Emergency Telecommunications) commissioned LR Kimball Group to prepare a feasibility study, which provided a thorough analysis of conditions at the time and offered recommendations for different regionalization options. DSET has since implemented some of the recommendations (including revising the funding formula), but the report also made a recommendation (Section 5.3.5.1) to require additional accountability for the use of 911 distributions, including reporting actual 911 costs against received funding. Further, the lack of expenditure reporting under a Uniform Chart of Accounts makes it difficult to perform any reliable estimates of potential savings from regionalization on a statewide level. The Collins Center is not an authority on 911 services, and does not make any attempt to recommend an ideal regionalization structure or estimates of savings at this time. What is apparent, however, is that the incentive and disincentive structure that is in place (even as recently modified) appears insufficient to motivate significant and impactful consolidations in the near term.

Projected Cost Savings:

The Boston Fed Report estimates that consolidating to 8 regional PSAPs handing dispatch and call taking services would result in savings of between 55%-63% and annual equipment replacement cost reduction of approximately 57%. Due to a lack of local data, this estimate was developed using data from other states and estimating the cost of reducing the number of PSAPs to reach the optimal call per day per PSAP. The estimate does not factor in capital costs or other transitional costs, nor does it contemplate any solutions for municipalities where dispatchers perform additional duties, or where call-taking/dispatch duties account for only a portion of the individual's responsibilities.

The 2012 Kimball Report prepared for DSET does identify costs (in 2012) associated with constructing, equipping and operating regional PSAPs, but the authors acknowledge 1) design, land and other ancillary costs are not included and, perhaps more importantly, 2) costs to address local political and labor obstacles.

Given the unknown costs to address these hard costs, the bargaining power and political savvy of public safety interests, and the outstanding costs in continuing buildout of the technology infrastructure, the State (and tax and rate payers) should assume minimal cost savings for PSAP consolidations within the next 5-10 years.

Implementation Strategies:

If the pace of consolidation is to accelerate significant, the State must create an environment where continued operation of non-regional PSAPs (or those serving smaller populations) is no longer feasible while at the same time addressing the obstacles to voluntary mergers. This includes:

1. Require detailed reporting of all local costs incurred in operation of 911 call-taking or dispatch functions, including from fire districts. Reporting should also include staffing levels and funding sources.
2. Phase out all subsidies from State 911 Fund to primary PSAPs serving less than 80K population within 10 years and requiring all municipalities to develop a strategic plan to consolidate within five (5) years.
3. State-imposed staffing/personnel standards:
    a. Minimum staffing and supervisory standards, potentially including bonding of all personnel.
    b. Require telecommunicator certifications to include Emergency Medical Dispatchers (EMD), Emergency Fire Dispatcher (EFD) and Emergency Police Dispatcher (EPD).
    c. All supervisory personnel should possess emergency number professional and/or certified public safety executives (CPE).
    d. Mandate a minimum level of training in mental health and crisis de-escalation tactics. Given the current social unrest, the opportunity window for such a requirement is ideal.
4. Mandate cybersecurity standards.

5. Expand the grant programs to include eligibility for indirect impacts of consolidation, including subsidizing a portion of personnel costs for a reasonable transition period to allow staff currently performing call-taking and dispatching.
6. Mandate standards for new, expanded and renovated facilities housing any portion of call-taking or dispatch functions to meet enhanced construction standards for hardening and security;
7. Mandate enhanced standards for construction, renovations or expansions of detainee holding facilities, and additionally requiring minimum staffing levels at such facilities;
8. Develop a statewide network of detainee holding cells, either through new construction or expansion of existing municipal or state facilities.

As noted earlier, data availability for PSAP expenditures other than those contained in the DSET budget is lacking. There is no consistent and reliable way to estimate cost per capita or cost per call at the local level, especially for the 56% of PSAPs with less than 1 call per hour. It is unknown at this time if the State needs to consider adjusting the E911 surcharge, but it is recommended that no changes are made until data from local PSAP operations has been collected and analyzed to determine the overall impact of any fee or rate changes.

Municipal Solid Waste-Related Recommendations

Recommendation

The State should mandate that municipalities use a Pay-as-You-Throw (PAYT; also known as SMART) model if they offer solid waste and/or recycling services. The PAYT model should use pre-paid bags and not variable-rate carts.

Ancillary Recommendations:

- Municipalities should strongly consider the co-collection model.

  Co-collection means that bags of various colors are used to collect different kinds of waste (trash, paper, glass, etc.) in the same truck. This has multiple benefits. First, it reduces the costs of collection because it reduces the need for trucks and personnel. Second, co-collection allows for a return to separated recyclables. The single stream recycling model has resulted in high levels of contamination which severely limits the value of recyclables. This is partly the reason that China has largely stopped accepting US recyclables. Connecticut municipalities are more likely now to pay to get rid of recyclables than to raise revenue. Second, it simplifies the collection system so that residents do not have to remember which types of waste to put out on which days. Finally, it stops duplicative truck routes, reducing air and noise pollution, traffic, and costs for haulers. Co-collection is compatible with both automated/cart and manual curbside collection methods and does not require any capital or start-up costs beyond the cost of bags.

- Municipalities should follow best practice and use enterprise fund accounting for trash and/or recycling services.

  Enterprise fund accounting allows the municipality to segregate both the revenues and expenditures related to the service and ensure that all associated costs are paid by the users of the service.

- The State legislature should expand the bottle bill with the goals of: 1) expanding the beverage containers covered (e.g. wine, liquor, nips) 2) increasing the redemption rate of the covered containers and 3) dedicating at least a portion of the unclaimed deposits to supporting the implementation of PAYT in municipalities.

  Connecticut is one of 11 states that has a so-called "bottle bill." The law puts a cash value on certain types of beverage containers and is an effective way of increasing the recycling rates of these containers. It also generates revenue for the State through unclaimed deposits – or deposits paid on containers purchased but never returned through the system. However, Connecticut has the lowest redemption rate of any bottle bill state at approximately 50%. Raising this rate would likely have the impact of lowering the MSW and recyclable tonnage disposed of through municipal collection programs, which would in turn reduce municipal costs.

Background

The State of Connecticut lags behind some other New England states in reducing per capita trash and implementing PAYT. In general, the US lags behind Europe on this front. There are many benefits for Connecticut municipalities and residents in reducing trash, including:

- Financial – PAYT will reduce trash tonnage, lowering costs for municipalities, and extend the life of the State's existing waste-to-energy facilities and landfills.

- Environmental – PAYT will increase recycling, reduce the need to burn or landfill trash, and reduce the need to truck trash to out-of-state landfills; co-collection will reduce trucks on the road, reducing noise and air pollution, especially in denser, urban environments.

- Equity – PAYT means that everyone pays their fair share, rather than low-level producers (such as senior citizens) subsidizing costs for high-level producers.

- Economic Development – A robust and expanded recycling market for the now higher-value materials could be a job creator in the State. A 2012 study by the Connecticut Economic Resource Center, Inc. for the Connecticut Resources Recovery Authority conservatively estimated that recycling in the State contributed nearly three-quarters of a billion dollars to the local economy and employed more than 4,800 individuals.

It is generally-accepted that PAYT is the preferred model of trash disposal, and it has been recommended to Connecticut municipalities repeatedly. As the State Department of Energy and Environmental Protection (DEEP) notes on its website "The State has long identified SMART as a key strategy for reducing waste; most recently in the State's Comprehensive Materials Management Strategy (2016) and previously in the Modernizing Recycling Working Group Recommendations (2012) and the State's Solid Waste Management Plan (original dated 1991, amended in 2006)."

The PAYT model has been proven to be effective in reducing trash tonnage and encouraging recycling. PAYT using pre-paid bags is superior to variable-rate carts because the reductions have been demonstrated to be much more significant. The Northeast Waste Management Officials' Association and CT DEEP project reductions of 40-55% in MSW tonnage under a PAYT model, compared with less than 20% for variable-rate carts. Furthermore, pre-paid bags can be used with or without carts, so there is a very low implementation cost barrier. Carts represent a significant capital investment, and for haulers without existing carts, bags can be implemented immediately without this cost.

Connecticut's statewide system of waste-to-energy facilities is nearing end-of-life and will require significant investment to continue to be viable. Landfilling in the State is not a viable alternative, so trash will likely need to be trucked to incinerators or landfills in other states at a greater cost and with significant negative impact to the environment. However, capacity in the region has been shrinking because other states such as Massachusetts have been exporting substantial amounts of trash. Landfills and incinerators in other states, such as those in New York, are also reaching capacity and/or end-of life. If Connecticut were to increase the amount of trash it exports, tipping fees are likely to be significantly higher, and there will be ancillary costs (e.g. trucking). By reducing tonnage, the State could potentially retire a number of its existing waste-to-energy facilities and extend the life at the remaining facilities, while reducing costs and negative environmental impacts.

This recommendation would impact only those municipalities that provide municipal or municipally-contracted solid waste and/or recycling services. This is estimated to be approximately 1/3 of Connecticut municipalities and 68% of total residential MSW from single family homes and small-scale multi-family buildings (4 or fewer units). This recommendation does not include MSW and recycling from commercial, institutional, or large-scale multi-unit buildings or waste in municipalities where residents contract privately with haulers and pay them directly.

Projected Cost Savings

The total estimated cost in year one of the implementation of municipal PAYT trash and recycling disposal is $74.7 million to $164.1 million.

This projected range uses estimated tipping fees based on the current and near-term projected market conditions and various levels of reduction in trash tonnage. The details of the estimate are shown in the table below.

	MSW Tonnage	Costs @ $93/ton	Projected Cost Reduction	Costs @ $140/ton	Projected Cost Reduction
pre-PAYT	907,795	$84,424,925		$127,091,285	
post-PAYT40% reduction	544,677	$50,654,955	$33,769,970	$76,254,771	$50,836,514
post-PAYT50% reduction	453,897	$42,212,462	$42,212,462	$63,545,642	$63,545,642
post-PAYT55% reduction	408,508	$37,991,216	$46,433,709	$57,191,078	$69,900,207
	Recyclable Tonnage^	**Costs@$20/ton**	**Costs@$65/ton**	**Costs@$90/ton**	
pre-PAYT	557,600	$11,152,000	$36,244,000	$50,184,000	
post-PAYT(40% MSW reduction)	702,847	$14,056,944	$45,685,067	$63,256,246	
post-PAYT(50% MSW reduction)	739,159	$14,783,180	$48,045,334	$66,524,308	
post-PAYT(55% MSW reduction)	757,315	$15,146,298	$49,225,467	$68,158,339	

^assumes 40% of MSW reduced tonnage will be recycled through municipal collection program; additional tonnage would be diverted to other reuse/recycling systems

Year 1 Range of Projected Cost Reduction	$33,769,970	to	$69,900,207
Year 1 New Revenue - MSW bags*	$37,991,216	to	$76,254,771

Year 1 New Revenue - Recycling bags*	$2,904,944	to	$17,974,339
Year 1 Total Shift from Property Tax	**$74,666,130**	**to**	**$164,129,316**

*assumes bag revenue = total disposal cost

	MSW Tonnage	Costs @ $93/ton	Proj. Cost Reduc	Costs @ $140/ton	Proj. Cost Reduc
-SMART	907,795	$ 84,424,925		$ 127,091,285	
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t-SMART 50% reduc	453,897	$ 42,212,462	$ 42,212,462	$ 63,545,642	$ 63,545,64
t-SMART 55% reduc	408,508	$ 37,991,216	$ 46,433,709	$ 57,191,078	$ 69,900,20
	Recy Tonnage^	Costs @ $20/ton	Costs @ $65/ton	Costs @ $90/ton	
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r 1 Total Shift from Property Tax	**$ 74,666,130**	**to**	**$ 164,129,316**		

There are a number of potential factors that are not accounted for in this projection, because they are either not quantifiable with the currently-available data or are too highly-dependent on external factors that cannot be predicted. Overall, the methodology can be considered a conservative estimate because these factors are likely to increase the financial savings.

For example, the financial implications of co-collection are not modeled, because it is not possible to project which municipalities would adopt the co-collection model nor the value of the resulting recyclables. Further, it is unknown whether China will begin to again accept U.S. recyclables, or whether a robust regional or domestic market would develop to process these materials and organics. However, it is presumed that co-collection would have an overall positive financial impact.

Another example is that this model does not attempt to determine how implementation of the recommendations would change the outlook for the capital needs of the State's waste-to-energy facilities. Presumably, the overall cost of capital needs would be reduced, but there may also be costs associated with a potential pivot to handling recyclables at these facilities. If certain facilities were to close, there could be net financial gains in select communities associated with the redevelopment of those sites.

Finally, there may be other costs associated with municipal collection and disposal programs that are not reflected in the cost of the pre-paid bags. A 2012 analysis by DSM Environmental Service, Inc. performed for the Governor's Modernizing Recycling Working Group estimated that the total municipal cost of the residential MSW and recycling system was just over $202 million. Using an annual inflation factor of 3%, total costs in the current fiscal year could be as much as $264 million. Under enterprise accounting, municipalities could recapture these total costs through revenue from users, perhaps in the form of a flat monthly fee in addition to revenue from the pre-paid bags.

Note that the above projected cost savings are associated with the use of pre-paid bags. The use of variable-rate carts as an implementation model for PAYT, which is strongly not recommended, would likely result in much less savings, based on the data of the efficacy of these types of programs.

Implementation Strategy

Although PAYT programs are widely acknowledged to be the most effective way to reduce trash and increase recycling and the financial and environmental benefits of rarely in question, nevertheless Connecticut municipalities have thus far failed to widely implement PAYT programs. The reason is that such programs are often fiercely opposed by residents, leaving local politicians little incentive to support such a change. The 2012 Report of the Governor's Modernizing Recycling Working Group noted that "(i)mplementing unit-based pricing in the current home-rule environment requires strong leadership to rise above perceived political challenges to implement a more effective, sustainable, and cost efficient system."

Thus, any implementation strategy must address this political pressure. One promising way of accomplishing this is to have the State Legislature make the decision to mandate such a change for all municipal MSW and recycling programs. In addition, in order to increase the likelihood of success, the State should allow ample time for municipalities to design a compliant program and prepare for implementation. In some cases, municipalities may find that a regional approach coordinated and managed through the COGS makes the most sense. The State should provide funding to accomplish implementation. Sources of such funding may include an expanded bottle bill, DEEP's SMART grant program, or other State funds.

Education-Related Recommendations

Recommendation

The State of Connecticut should reform its system of funding public primary and secondary education and increase the amount of financial resources it dedicates for the same by fully funding the Education Cost Sharing (ECS) formula and removing the statutory cap on Excess Cost grants so that 100% of eligible costs are reimbursed.

Ancillary Recommendations:

- The State should commit to studying the impact of additional reforms, including:
  - Lower the threshold for excess cost from 4.5X to a lesser threshold
  - End the minimum budget requirement (MBR) or alter the MBR calculation methodology and/or acceptable exceptions to acknowledge the volatile nature of special education costs
  - Consider changing the special education funding model to either a co-operative model or full State reimbursement (currently under study)

- The State should play a central role is building up the capacity of the Regional Education Service Centers (RESCs) to address financial challenges on a regional basis, such as by coordinating regional transportation for special education services, directly providing certain highly-used services such as evaluations, autism services, and assistive technology pools, and offering back-office services such as payroll to all member districts.

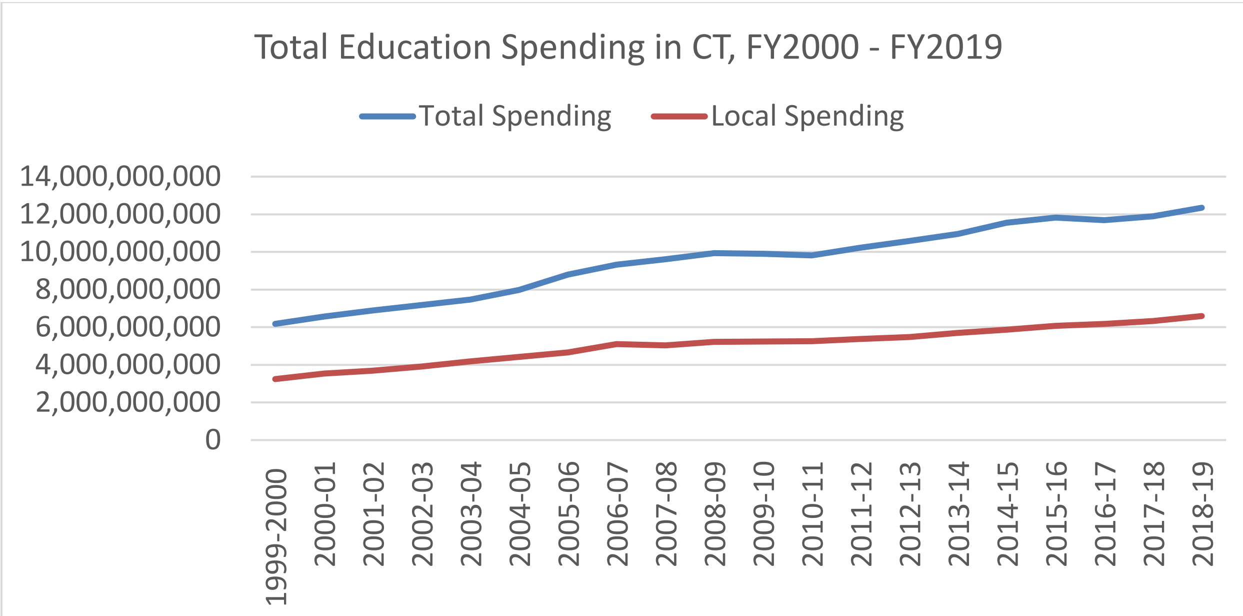
- The State should review and enhance its role in regulating private special education services providers as well as set statewide cost standards for private providers, as is done in Massachusetts.

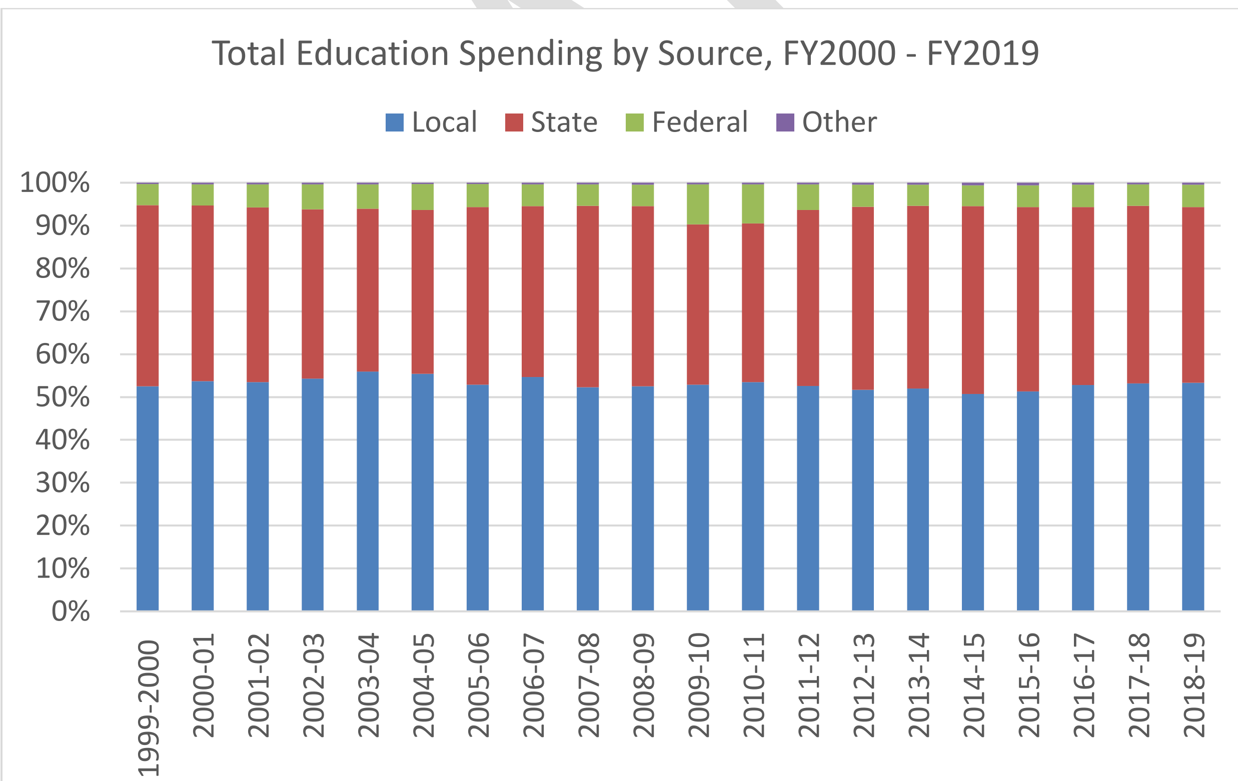
- The State should strive to reduce costs associated with due process hearings and preemptive out-of-district placements by exploring the following reforms:
  - Shift burden of proof from district to complainant.
  - Add interim step with a professional adjudicator before hearing.
  - Preempt hearing with expansion of Planning and Placement Team (PPT) facilitator program.

- CCM should facilitate a series of conversations between municipal and local education stakeholders to discuss strategies for collaboratively addressing the property tax burden in Connecticut municipalities.

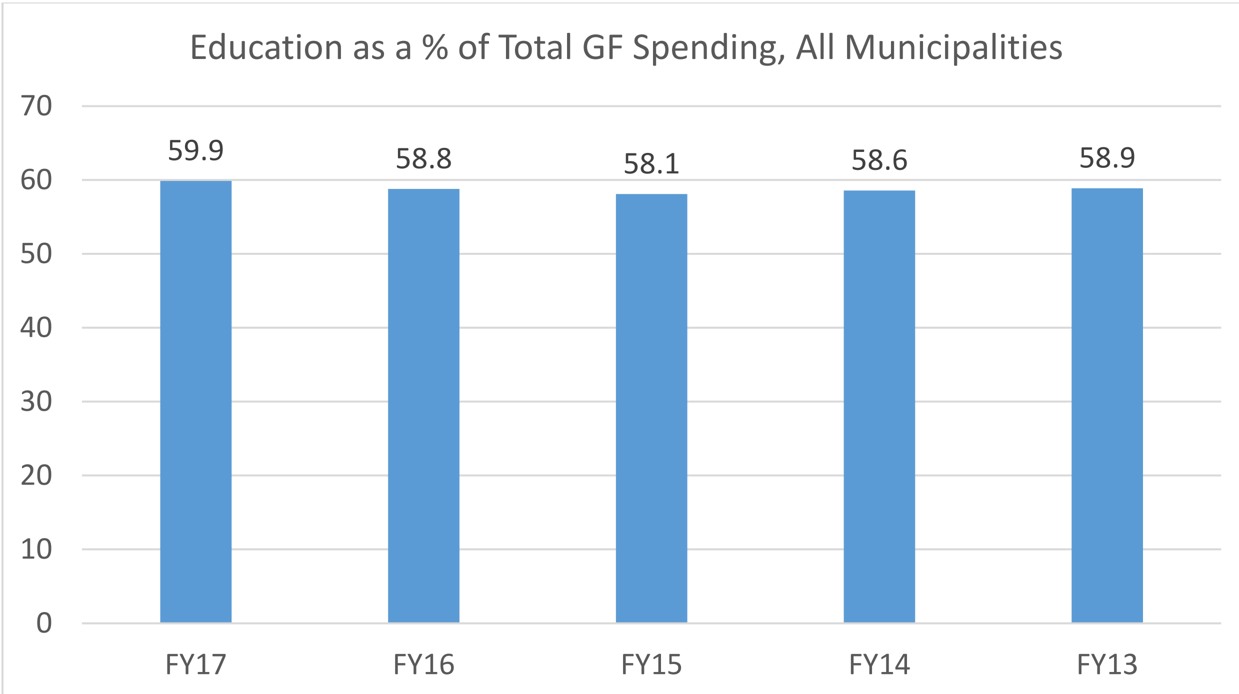
Background

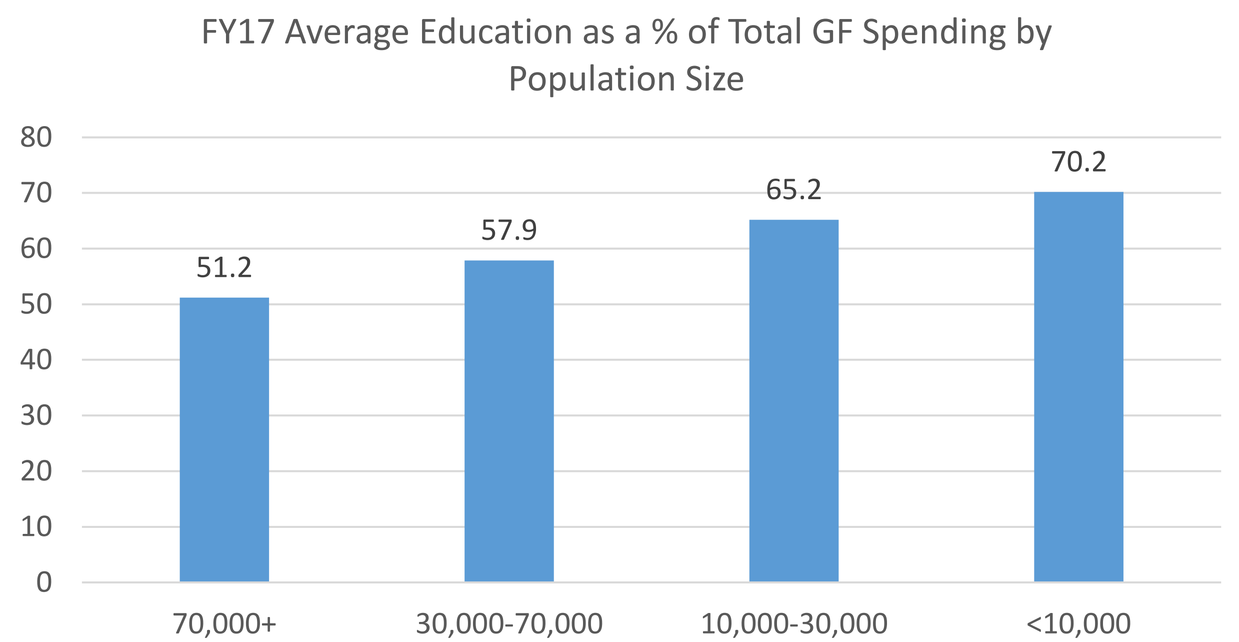
Education spending has to be a part of any conversation about reducing the property tax burden in Connecticut. In FY2019, total spending on public education in the State topped $12.3 billion, with local budgets providing nearly $6.6 billion. On average, local budgets have provided more than half of education spending over the past two decades.



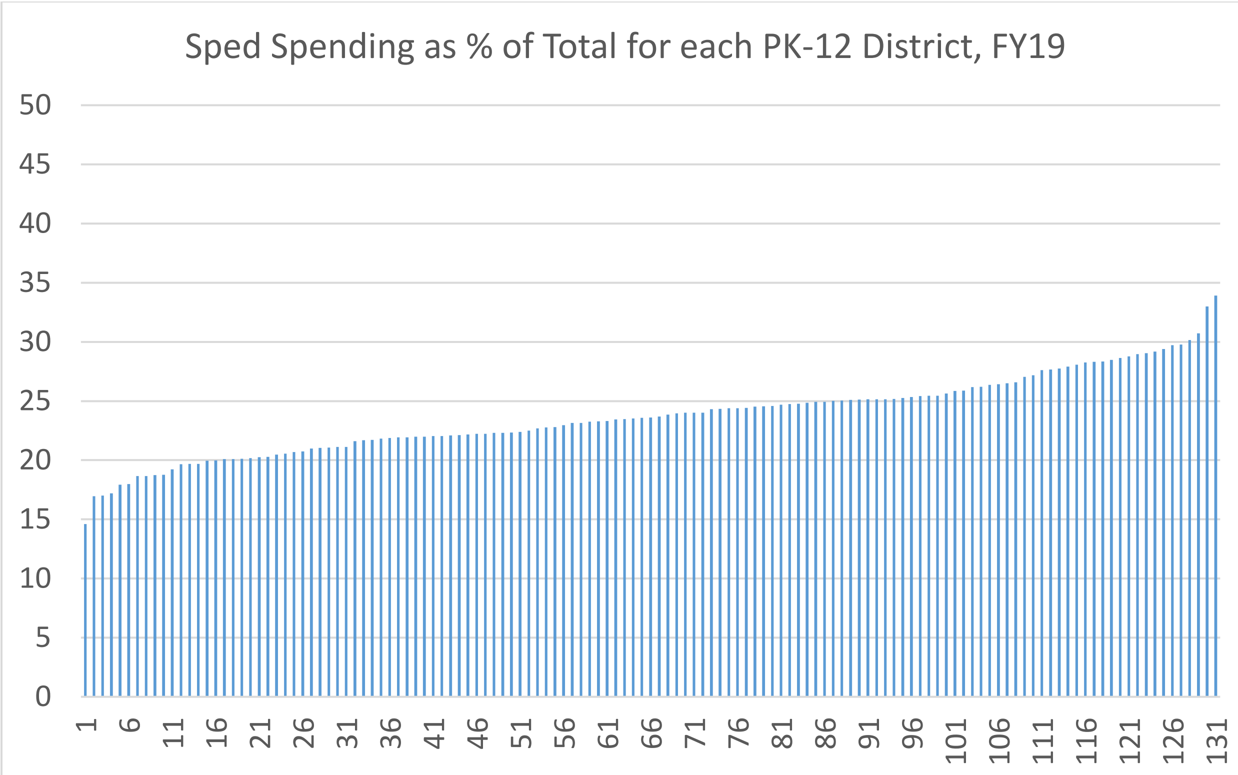


Education spending is typically the majority of a local governments budget in Connecticut, and municipalities with smaller populations can spend upwards of two-thirds of their budgets just on education.

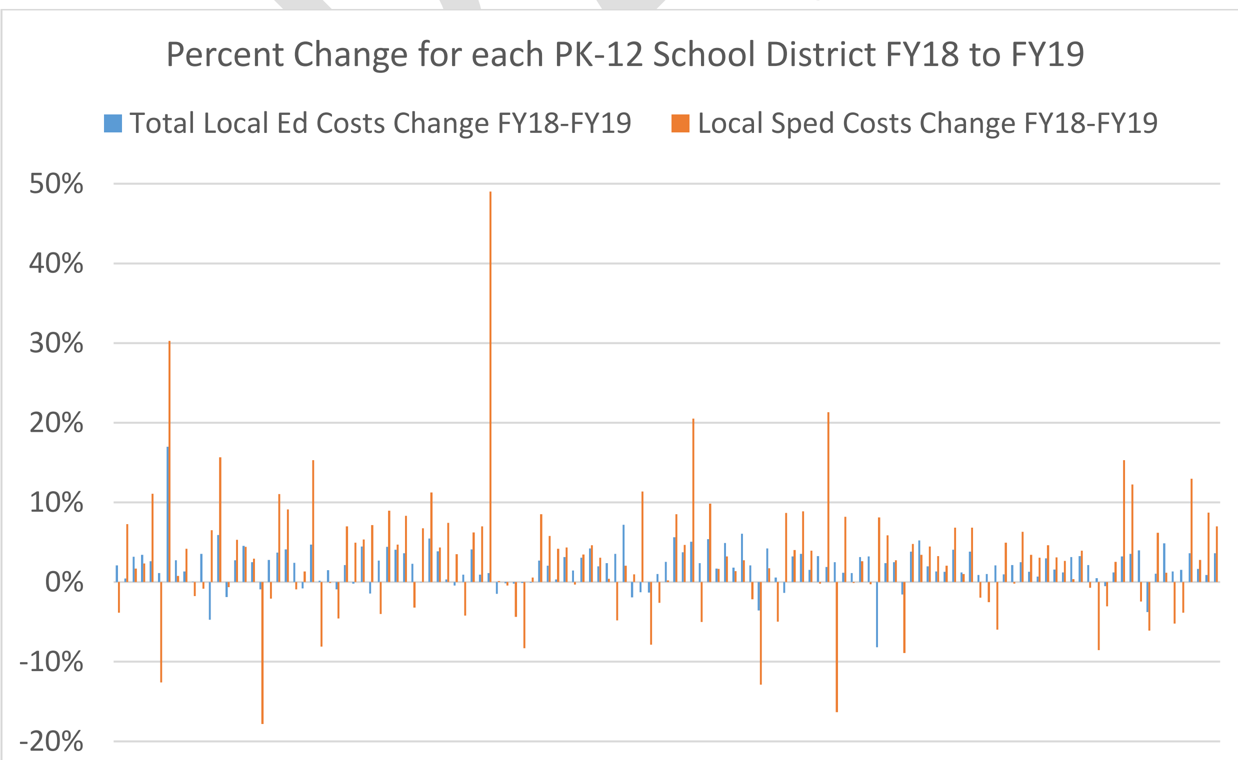




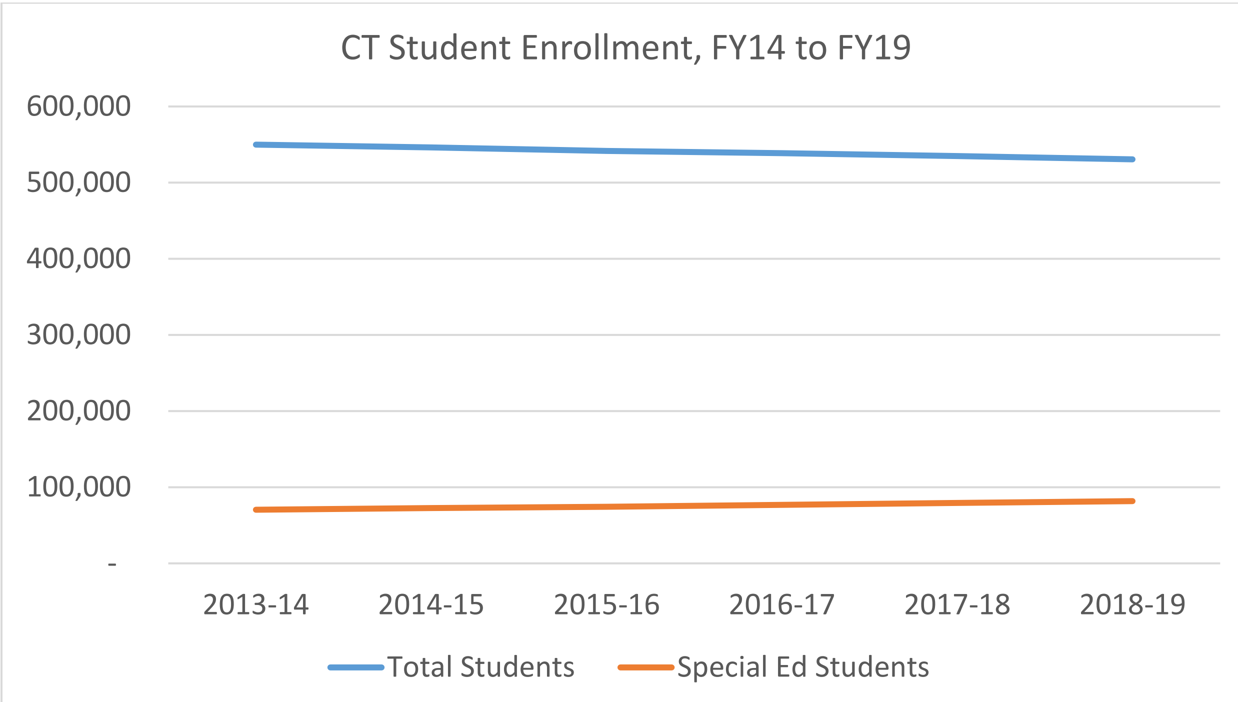
In particular, spending on special education is a substantial component of total education spending, representing on average 23.75% of total spending, with a range of up to one-third of total spending.



These special education costs, although predictable at the State level, can be extremely volatile at the local level. Statewide, total spending on education grew just over 2% and special education spending grew just over 3% from FY2018 to FY2019. However, this was not the case for individual districts.



Finally, it is important to recognize that whiles costs have continued to rise, the total student enrollment in Connecticut has been dropping. Total enrollment has dropped 4% since the 2013/14 school year, but enrollment in special education services increased 16% over the same time period.



As these data make plain, addressing the property tax burden in the State cannot be done without considering the outsize role that public education spending has in municipal budgets.

Projected Cost Savings

The total estimated cost savings to municipal budgets if the State were to fully fund the Education Cost Sharing (ECS) formula and remove the statutory cap on Excess Cost grants would amount to at least an estimated $385 million in the first year.

Implementation Strategy

This recommendation is a difficult one to implement because it requires cooperation and substantial funding from the State, which is facing its own financial challenges. However, public education and education financing is a primary function of the state and local governments, and therefore there is a strong advocacy community. Implementation will likely require a medium to long-term, phased-in strategy for increasing State funding for public education.

Employee and Retiree Healthcare-Related Recommendations

Recommendation

The State of Connecticut should consider enacting a wide-ranging Municipal Healthcare Reform Act that includes a combination of incentives, mandates, and changes to the statutory framework for municipal health insurance provision to employees and retirees. This Act should include ample transition time for changes, and it should utilize the revamped COGs (see COG-related Shared Services Recommendations on page 2) as hubs for some of the work and initiatives that the Act would create.

Some of the pieces that this Act could include are:

1. Mandate eligible municipal retirees and their eligible dependents going into Medicare;
2. Eliminate the health insurance premium tax on municipalities which is currently a 1.75% tax on fully insured municipalities (repeated from *This Report Is Different*);
3. Mandate and provide funding for employee and dependent eligibility audits, potentially via the COGs;
4. Help municipalities design Payments in Lieu of Health Insurance Benefits programs, potentially via the COGs;
5. Incentivize wellness and chronic disease management initiatives, potentially via the COGs; and
6. Incentivize joining of regional health insurance groups or CT Partnership 2.0.

Background

As an industry whose primary cost is personnel, local government in Connecticut faces many of the same high-cost structures that the state's private sector does. Perhaps nowhere is that clearer than in the provision of healthcare to employees, their families, and retirees. According to Kaiser Family Foundation, in 2014, Connecticut has the sixth highest cost of per capita healthcare in the nation. It also has the sixth highest total annual premium for individual employee health insurance coverage and the seventh highest premium for families. (https://www.kff.org/state-category/health-costs-budgets/) All other things being equal, the situation is only likely to grow more challenging, because healthcare cost inflation is nearly always higher than inflation of other goods and services.

Municipal managers are well aware of the current and future potential challenges posed by the cost of healthcare. In our survey, concerns about the cost of healthcare and its impact on operating budgets were significant. About a third (32%) of respondent municipal managers felt that "health insurance costs for employees and retirees" are "one of the most serious challenges we face" and roughly another half (52%) felt they are "a significant challenge that could grow into a bigger problem." Together, health insurance costs seem to be a critical issue for over 80% of municipalities.

Due to the large and increasing portion of budgets made up of healthcare costs, taking steps to lower the cost of healthcare or at least to "bend the curve" must be part of a larger cost containment plan for local government. Broadly speaking, there are two types of steps that can contribute to less municipal spending on healthcare: reducing the costs directly and shifting the costs elsewhere. Both types can and should be part of an overall cost containment strategy for healthcare.

Although this is certainly a challenging task, it can be done. Massachusetts provides an example of a nearby state with a similar set of circumstances achieving some success with this work, having saved hundreds of millions of dollars in the years since the passage of the Municipal Health Reform Act in 2011.

Projected Cost Savings

It is very challenging to estimate the cost savings associated with this recommendation for several reasons. First, as with many of the topics covered in this report, obtaining uniform statewide data is a challenge. In particular, trying to estimate how many municipalities would benefit from the changes proposed, how much they would benefit, and how long it would take to accrue those benefits are all difficult independently, given data availability, and even more so taken together. Second, the pieces proposed within the recommendation each have a wide range of potential cost savings outcomes. Between these two challenges, the savings ranges provided in this recommendation are very large.

Recommendation	**Potential Savings Range**
1. Mandate eligible municipal retirees and their eligible dependents going into Medicare	$16 million to $216 million
2. Eliminate the health insurance premium tax on municipalities which is currently a 1.75% tax on fully insured municipalities. (From TRID: 6.3)	$6.3 million to $7.5 million
3. Mandate and provide funding for employee and dependent eligibility audits, potentially via the COGs	$2 million to $65 million
4. Help municipalities design Payments in Lieu of Health Insurance Benefits programs, potentially via the COGs	$169 thousand to $20 million
5. Incentivize wellness and chronic disease management initiatives, potentially via the COGs	??? to ???
6. Incentivize joining of regional health insurance groups or CT Partnership 2.0	$1 million to $44 million
TOTAL	**$25.5 million to $352.5 million**

In particular, the assumptions that went into the potential savings ranges are provided below.

1. Mandate eligible municipal retirees and their dependents going into Medicare:
    - Assumed the number of municipalities that would benefit from this could range from 21% to 64%, the upper end of which was the number reported in our survey.
    - Assumed that the savings as a percent of the total municipal budget within the municipalities that saved could range from 0.5% to 2.21%.
    - Used total municipal spending in FY17 as the base to take the percent savings from.
2. Eliminate the health insurance premium tax on municipalities which is currently a 1.75% tax on fully insured municipalities. (From *This Report Is Different*: 6.3)
    - Used estimate from 2010 Senate Republicans report, with the upper bound adjusted for inflation.
3. Mandate and provide funding for employee and dependent eligibility audits

   - Assumed the number of municipalities that would benefit from this could range from 50% to 84%, the upper end of which was the number reported in our survey.
   - Assumed that the ineligibility rate could range from 5% to 10%.
   - Assumed that the ratio of dependents to employees 2.0 to 3.0.
   - Assumed potential savings per removed dependent could range from $1,000 to $3,000.
4. Help municipalities design Payments in Lieu of Health Insurance Benefits programs
   - Assumed the number of municipalities that would benefit from this could range from 20% to 60%.
   - Assumed the number of employees who might take advantage of the program in each municipality could range from 5 to 50.
   - Assumed potential savings per employee could range from $1,000 to $4,000.
5. Incentivize wellness and chronic disease management initiatives, potentially via the COGs
   - We are still working on a methodology to quantify potential savings from this.
6. Incentivize joining of regional health insurance groups or CT Partnership 2.0
   - Assumed that the percent of municipalities neither in CT Partnership 2.0 or a health insurance cooperative is between 28% and 56%, the upper end of which was the number reported in our survey.
   - Assumed that between quarter and one half of those municipalities not currently in CT Partnership 2.0 or a health insurance cooperative could see cost savings by joining one or the other.
   - Assumed that those municipalities that joined and realized cost savings would see savings range from 0.1% of total spending to 1% of total spending.
   - Used total municipal spending in FY17 as the base to take the percent savings from.

Implementation Strategy

It is probably self-evident that making changes to healthcare is never simple or easy. Nor should it be. Employees make long-term decisions based on their expectations of benefits and costs, and behaviors (of both individuals and organizations) are difficult to change. To have a chance of passage and implementation, the plan for a Municipal Health Reform Act must meet most or all of the following criteria:

- It must take steps to hold harmless or to minimize the impact on those who have already made decisions based on long-standing law and policies.
- It must clearly articulate why the changes being made are necessary *and* why they are likely to succeed.
- It must build in a clear transition plan.
- It must spread the benefits and the sacrifices among as many constituencies as possible, both in reality and in the perceptions of the legislation.

Given those criteria, we propose the following for the implementation of the various pieces of this recommendation.

1. Mandate eligible municipal retirees and their eligible dependents going into Medicare;

This is a critical step to shift costs from local government budgets, and one that seems to have the potential for significant savings over the long-term. In our survey, only 36% of respondent municipalities stated that they require Medicare-eligible retirees to enroll in Medicare.

The 2011 Municipal Health Reform Act in Massachusetts required all municipalities to transfer Medicare-eligible retirees and their dependents into Medicare supplement plans or Medicare Advantage plans. Prior to this Act, this had been optional for Massachusetts municipalities.

However, given Connecticut law and collective bargaining agreements, a similar Connecticut Act might instead leave current retirees with whatever the existing local agreements are and focus on making it so only future agreements and future retirees are included.

2. Eliminate the health insurance premium tax on municipalities, which is currently a 1.75% tax on fully insured municipalities;

   As recommended in *This Report Is Different*, the Act should include a provision to remove this tax.

3. Mandate and provide funding for employee and dependent eligibility audits, potentially via the COGs;

   Employee and dependent eligibility audits have the potential to remove significant costs from municipal health care costs. (It is important to note that typically errors found during these audits are the result of inadequate recordkeeping practices, not malfeasance.) The State should mandate that these be conducted at least on a biennial basis, if not annually, and should offer financial support for this work. The COGs could provide a good mechanism for this. The State should provide funds for the COGs to procure these services on behalf of the municipalities within their geographic regions, which should serve to reduce the cost and make it easier for municipalities to comply with the mandate.

4. Help municipalities design Payments in Lieu of Health Insurance Benefits programs, potentially via the COGs

   In addition to trying to move retirees onto Medicare, municipalities should look for opportunities to have their employees take advantage of other insurance options. This is another area where the revamped COGs could provide technical assistance by building levels of expertise and knowledge that it would be difficult for smaller municipalities to match.

5. Incentivize wellness and chronic disease management initiatives, potentially via the COGs;

   As with eligibility audits and designing Payments in Lieu of Health Insurance Benefits programs, revamped COGs could play a significant role in designing and procuring wellness and chronic disease management initiatives, and could develop expertise and knowledge beneficial across municipalities.

6. Incentivize joining of regional health insurance groups or CT Partnership 2.0.

The landscape of health insurance is obviously complicated and constantly changing. While some municipalities have already joined CT Partnership 2.0 or regional health insurance groups and are satisfied with the change, many more have considered it and either rejected it or been unable to move toward one of these options. (To be sure, some municipalities are probably in a better position with what they are currently offering locally.) In order to ensure that all municipalities periodically assess whether there are potential savings for joining one of these options, the Act should provide financial incentives (or at least technical assistance, potentially again via the COGs) for municipalities to undertake careful evaluations of these options.

General Best Practices-Related Recommendations

Recommendation

CCM should lead a grassroots process to develop a voluntary program to incentivize the adoption of good governance and best practices across all areas of municipal management modeled on the successful Sustainable CT program.

Background

There are many best practices across all areas of municipal management. Below is a sample; however, there is considerable value in Connecticut municipalities being involved in and leading the development of the final list of best practices in the program.

Finance	**Human Resources**
• Complete implementation of Uniform Chart of Accounts • Require an annual audit for all municipalities • Periodically undertake a competitive bid process for audit firms (or rotate auditors within the same firm if necessary) • Establish formal financial management policies • Complete annual financial forecast and multi-year capital improvement plan • Establish periodic review of cost-benefit analysis of insourcing/outsourcing various functions	• Incentive and subsidize opportunities for professional development and certification for municipal employees • Incentive, subsidize, and perhaps mandate additional risk management, workplace safety, and anti-discrimination/harassment training • Establish formal HR policies • Establish and conduct periodic review of classification and compensation plan
Information Technology	**Structure/Governance**
• Implement robust IT for departmental operations, such as: CMMS for public works/utilities, GIS for multiple departments, online services for Collector and Inspectional Services Departments, etc. • State office (or COGs) should offer free IT audits • Perform periodic telecom audits	• Construct new, simpler pathway to charter amendments • Study the pros / cons of non-partisan local elections
General Government Operations	**Education**
• Use enterprise fund accounting for water, wastewater, and other utility services; require the reporting of any general fund subsidization • Perform a water/sewer/utility rate study at least every 5 years	• Perform bus routing efficiency studies periodically • Assess pros and cons on insource/outsource transportation and competitiveness of market

• Replace water meters on a cyclical and timely basis • Implement automated meter reading (AMR) technology • Implement automated fueling system with data analysis capabilities for all municipal vehicles • Transition from manual to automated MSW/recycling trucks after assessment of employee injury and subsequent costs data • Adopt pavement management program / pavement preservation model • Seek Police Department accreditation through CALEA	• Explore electric buses, especially in dense urban districts; State should provide grant support

Projected Cost Savings

The total estimated cost in year one of the implementation of this recommendation is $17.8 million to $88.9 million. Since this recommendation is most financially-impactful over an extended period of time, the ranges for estimated savings over five and ten years are:

- $94.4 million to $471.8 million over five years
- $203.8 million to $1.0 billion over ten years

It is very challenging to estimate the cost savings associated with this recommendation for several reasons. First, it is designed to be flexible so that each municipality can decide for itself which best practices make sense locally. It is not possible to estimate how many municipalities would pursue which best practices, which might already be in practice, or how quickly implementation might happen. Second, many best practices will result in greater efficiency and/or effectiveness, but not immediate cost savings. Finally, many best practices will require an initial investment of time, energy, and financial resources to accomplish which could offset any savings for a period of time.

Notwithstanding the challenges of quantifying its financial impact, this is an important recommendation with significant potential for long-term cost savings / cost avoidance, as well as ancillary benefits of greater effectiveness and efficiency. We estimate that potential for cost savings can be conservatively be estimated to be 0.1% to 0.5% of total General Fund spending across all CT municipalities.

Fiscal Year	Projected Total Spending*	0.1% Savings	0.33% Savings	0.5% Savings
2017-18	$15,791,284,792			
2018-19	$16,265,023,336			
2019-20	$16,752,974,036			
2020-21	$17,255,563,257			
2021-22	$17,773,230,155	$17,773,230	$58,651,660	$88,866,151
2022-23	$18,306,427,059	$18,306,427	$60,411,209	$91,532,135

2023-24	$18,855,619,871	$18,855,620	$62,223,546	$94,278,099
2024-25	$19,421,288,467	$19,421,288	$64,090,252	$97,106,442
2025-26	$20,003,927,121	$20,003,927	$66,012,959	$100,019,636
2026-27	$20,604,044,935	$20,604,045	$67,993,348	$103,020,225
2027-28	$21,222,166,283	$21,222,166	$70,033,149	$106,110,831
2028-29	$21,858,831,271	$21,858,831	$72,134,143	$109,294,156
2029-30	$22,514,596,209	$22,514,596	$74,298,167	$112,572,981
2030-31	$23,190,034,096	$23,190,034	$76,527,113	$115,950,170
Timeframe	**Total Projected Savings - Low**	**Total Projected Savings - Medium**	**Total Projected Savings - High**	
1st Year	$17,773,230	$58,651,660	$88,866,151	
5 Yr Total	$94,360,493	$311,389,626	$471,802,463	
10 Yr Total	$203,750,165	$672,375,546	$1,018,750,827	

*3% growth per year

In order to complete this analysis, we used the latest available figure for Total GF Expenditures and Other Financing Uses from the State Office of Policy and Management (OPM) and inflated it 3% annually based on historical trends in Connecticut as reported by OPM.

Implementation Strategy

As noted, the preferred implementation process includes a highly-collaborative, grassroots process involving many Connecticut municipalities and key stakeholders such as the Connecticut Conference of Municipalities (CCM) and the Connecticut Council of Small Towns (COST) to develop the program.

The State should provide financial resources to fund the development process and should dedicate annual grants funds to support the implementation of best practices chosen locally.