Opening Remarks at

Connecticut Municipal Opportunities & Regional Efficiencies Commission

Regional Entities Working Group

August 15, 2014

Thank you for inviting me here. My name is Yolanda Kodrzycki. I am a vice president and economist and the director of the New England Public Policy Center at the Federal Reserve Bank of Boston. I met with your group in March 2013 to present the findings of my report “The Quest for Cost-Efficient Local Government in New England: What Role for Regional Consolidation.” I appreciate the fact that the report and my presentation have been posted on the M.O.R.E. Commission website.[[1]](#footnote-1)

 In my opening remarks, I will reiterate some of my themes and findings from last year, and then comment on some of the recent regionalization efforts in Connecticut. I will then update you briefly on some developments in Massachusetts. I hope that we can then turn to a more informal dialogue about the issues you are facing.

As a long-time resident of New England, I recognize that local control has deep historical roots in this part of the country. As a professional economist, I know that some types of production activities exhibit economies of scale, meaning that the per-unit cost of making goods or providing services decreases as the scale of the operation increases. In my 2013 study, I set out to explore the degree to which New England taxpayers could benefit from having local governments enter into service-sharing arrangements with one another or ceding authority for certain functions from local governments to regional entities.

One obvious way in which regionalization might benefit taxpayers is to reduce the costs of providing current government services. But benefits can take other forms as well. For example, the savings achieved from regionalization could be used to fund increased or improved public services. Alternatively, regionalization could be used as a means to equalize service offerings across jurisdictions.

Connecticut is a good candidate for regional consolidation because of its fragmented structure of providing local public services. The state has 179 general-purpose municipal governments, 17 stand-alone school districts, and 453 special districts, for a grand total of 649 total local governments. Connecticut’s local governments serve small land areas. In this respect, Connecticut is similar to Rhode Island and Massachusetts, but all three southern New England states are out of line with much of the rest of the nation. Connecticut has 134 local governments per 1,000 square miles, Rhode Island 128, and Massachusetts 110. Nationwide, there are only 25 local governments per 1,000 square miles.

In prioritizing consolidation projects, experts recommend starting with government activities that require heavy investments in technology or other types of capital or specialized knowledge. In my report and my presentation, I demonstrated this in an analysis of 9-1-1 call centers (also called public service answering points or PSAPs) in Connecticut and other states. Using cost data from Michigan, Maryland, and Pennsylvania, I estimated that consolidating the 98 PSAPs operated by local entities into 8 regional call centers in Connecticut would reduce overall operating costs by over one-half. I cited additional evidence showing that the technologies adopted at larger PSAPs tend also to reduce emergency response times, thus resulting in higher service quality. I understand that Governor Malloy and the Office of Statewide Emergency Telecommunications (OSET) are in fact pursuing PSAP regionalization, based on detailed cost and feasibility analyses prepared by industry consultants.

Another promising initiative is the connection of local governments and regional entities to the state’s fiber-optic Nutmeg Network and, through the network, access to a shared data center. As I understand it, these developments offer many benefits. For one thing, towns and municipalities will be able to securely store information without making costly capital investments on their own. They will also have access to software that will enable them to automate certain processes that they may now be performing manually – again, without having to identify and purchase costly software on their own. Finally, having local governments and regional entities on the same platform will likely increase their willingness and ability to share services.

I also understand that Connecticut is moving toward establishing the council-of- government form for regional entities throughout the state. This move toward greater uniformity strikes me as very helpful.

I’ll now turn briefly to developments in Massachusetts. Let me clarify, that I am just reporting on what has been happening in my state; I have not had a direct role in shaping the regionalization initiatives.

On the legislative front, House bill H3822 was introduced to promote municipal collaboration and regionalization throughout the state.[[2]](#footnote-2) Its key provisions include requiring state agencies to identify opportunities to leverage state resources for regionalization. State agencies that award municipal grants would be required to prioritize joint applications from multiple municipalities.

On the administrative front, the Executive Office of Administration and Finance is in its third year of overseeing the state’s Community Innovation Challenge (CIC) Grant Program. To date, the state has awarded $10.25 million for 74 regionalization projects proposed by cities and towns throughout the Commonwealth. The range of projects funded is quite broad. Extensive information on this program is available on the A&F website.[[3]](#footnote-3)

The CIC Grant Program puts a strong emphasis on accountability. Each recipient is required to develop a contract that includes a measurable goal, actions, and outcome measures to assess the success of the project. At the conclusion of the contract, recipients file final reports that include the performance data and serve as implementation guides for other interested communities. Recipients continue to report on performance for the three following years.

In closing, let me emphasize that I have not had the opportunity to formally evaluate either the Connecticut or the Massachusetts regionalization initiatives. In a sense, both states are at a relatively early stage, so perhaps it is premature to attempt such an evaluation. That being said, I am impressed with the progress that both states are making, and I believe they can potentially learn from one another.

I would now be happy to take your comments and questions.

1. http://www.housedems.ct.gov/MORE/RegEnt/documents.asp [↑](#footnote-ref-1)
2. http://legiscan.com/MA/bill/H3822/2013 [↑](#footnote-ref-2)
3. http://www.mass.gov/anf/budget-taxes-and-procurement/working-for-you/community-innovation-challenge-grant/. [↑](#footnote-ref-3)