# Examining the Effective & Efficient Delivery of Public Services in Connecticut

Executive Summary – February 1, 2012



## Overview

Connecticut, like most other states in the country, is still trying to emerge from the recession of the past few years. We have a governor who has made some tough choices to "right the ship" for the short term and appears ready to take on the tough issues that Connecticut still faces. This report is focused on looking at the longer-term solutions to the effective and efficient delivery of public services in Connecticut.

Connecticut's local expenditures now total \$12 billion annually. These costs have risen 262% faster than the median income in Connecticut over the past 6 years. The fundamental elements of the local delivery of municipal and education services must be analyzed and adjusted to better align with the realities of today's world. We must embrace these realities and look for more effective and efficient ways to deliver local public services in Connecticut.

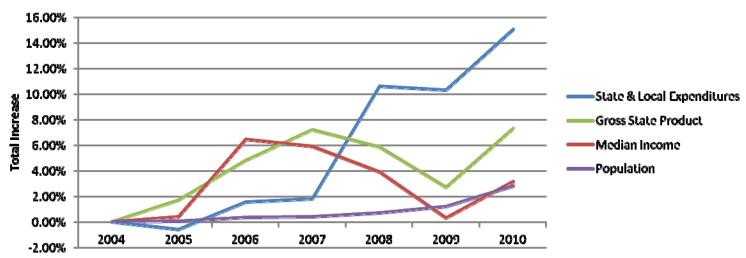


## Interviews Conducted

- **Tim Barbee** North Central Texas COG, Director of Research & Information Services
- Jennifer Bradley The Brookings Institution
- Leo Canty American Federation of Labor & Congress of Industrial Organizations, Executive Secretary
- Gian-Carl Casa CT Office of Policy and Management, Undersecretary Legislative Affairs
- Steve Cassano Connecticut State Senator (Representing Bolton, Glastonbury, Manchester, & Marlborough), Chair: Planning & Development
- **Bill Cibes** Connecticut State University System, Chancellor Emeritus
- Joseph Cirasuolo CT Association of Public School Superintendents, Executive Director
- **John Filchak** Northeastern CT COG, Executive Director
- Jim Finley Connecticut Conference of Municipalities, Executive Director & CEO
- **Emil Frankel** Bipartisan Policy Center, Director of Transportation Policy
- Mary Glassman Simsbury First Selectman
- Shana Kennedy Connecticut Commission on Educational Achievement, Co-executive Director
- **Ronn Kolbash** Yale University, Assistant Vice President of Shared Services
- David Levasseur Connecticut Office of Policy and Management, Undersecretary for Intergovernmental Policy
- Monte Mercer North Central Texas COG, Deputy Executive Director
- **Dan Morley** Connecticut Office of Policy and Management
- John Rathgeber Connecticut Business & Industry Association, President & CEO
- **Brendan Sharkey** Connecticut State Representative (Serving the 88th Assembly District Hamden), House Majority Leader
- **Catherine Smith** CT Department of Economic and Community Development, Commissioner
- Lyle Wray Capitol Region COG, Executive Director



#### State and Local Expenditure Growth Compared to Other Key CT Metrics (2004-2010)

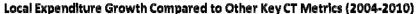


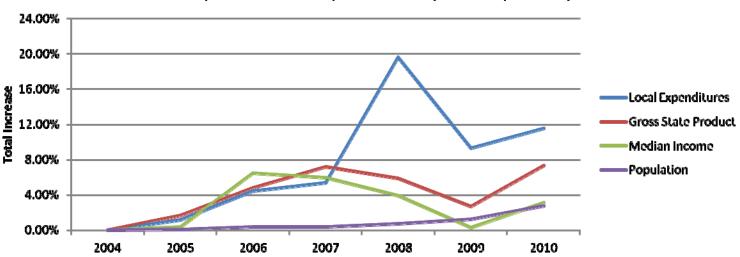
- This graph represents disproportionate increases in state & local expenditures when compared to state GDP (gross state product) and personal income. Over the time period, state & local expenditures have grown at a pace 105% faster than gross state product and 374% faster than median personal income.
  - As of 2010, state & local spending in Connecticut equals \$34.7 billion.

- State & local expenditures in CT have increased by 15.1%.
  - Annual increase = 2.51%
- Gross State Product in CT has increased by 7.4% b.
  - Annual increase = 1.22%
- Median personal income in CT has increased by 3.2% a.
  - Annual increase = 0.53%

Note: All dollar amounts in the above graph are adjusted for inflation using CPI and are based on 2010 dollars.







- This graph represents disproportionate increases in local expenditures when compared to gross state product and personal income. Over the time period, local expenditures have grown at a pace 57% faster than gross state product and 262% faster than median personal income.
  - As of 2010, local spending in Connecticut equals \$12 billion.

- Local expenditures in CT have increased by 11.6% a.
  - Annual increase = 1.92%
- Gross State Product in CT has increased by 7.4% b.
  - Annual increase = 1.22%
- Median personal income in CT has increased by 3.2% a.
  - Annual increase = 0.53%

Note: All dollar amounts in the above graph are adjusted for inflation using CPI and are based on 2010 dollars.



Below are Connecticut's per-capita, local expenditures and how they rank (worst = 1<sup>st</sup>; best = 50<sup>th</sup>) against other states for FY 2010.

Category	Per-	capita Expenditures	National Rank
Education	\$	2,341.90	5 <sup>th</sup>
General Government	\$	174.30	20 <sup>th</sup>
Health Care	\$	40.70	45 <sup>th</sup>
Interest	\$	107.00	29 <sup>th</sup>
Other Spending	\$	950.60	<b>22</b> <sup>nd</sup>
Pensions	\$	120.20	8 <sup>th</sup>
Protection	\$	376.60	37 <sup>th</sup>
Transportation	\$	197.00	<b>42</b> <sup>nd</sup>
Welfare	\$	190.30	<b>17</b> <sup>th</sup>
Grand Total	\$	4,498.60	23 <sup>rd</sup>

An important element to recognize is that 52% of local spending goes toward education.

#### Notes:

- Because cross-state spending comparisons rely on U.S. Census data, actual numbers are different than OPM spending data used for Connecticut-only analysis.
- Data from <u>www.usgovernmentspending.com</u> estimated based on projecting latest change in reported number forward to future years. GSP deviation from national GDP growth cut by 40% per year. (Based on 2008 last reported data.)



- Connecticut's spending on education per student ranks as the 5<sup>th</sup> highest in the United States (2008)<sup>1</sup>, yet the test scores of our low-income students are significantly lower than non-low-income students. This achievement gap affects us all:<sup>2</sup>
  - Not enough students graduate with skills to succeed in college and careers.
  - State unemployment increases.
  - It's harder to attract businesses that need skilled labor.
  - High school dropouts are incarcerated at three times the rate of graduates.
  - For each class of high school dropouts, there are \$155 million more in lifetime healthcare costs.
  - More than \$292,000 in net fiscal lifetime benefits (i.e., lower tax revenues, higher cash and inkind transfer costs, and imposed incarceration costs) to the government is lost from a high school dropout compared to a graduate.
    - In 2009 there were 4,007 high-school dropouts in Connecticut.<sup>3</sup>
    - This translates into \$1.17 billion/year that is lost in net fiscal lifetime benefits to the State.



<sup>1</sup> State Total Current Expenditures per Pupil 2007-2008. Retrieved from: http://nces.ed.gov/ccd/elsi/expresstables.aspx?bridge=quickFacts&tableid=16&level=State

<sup>&</sup>lt;sup>2</sup> Sum, Andrew. Center for Labor Market Studies, Northeastern University (2009). "The Consequences of Dropping Out of High School." October 2009.

<sup>&</sup>lt;sup>3</sup> Connecticut State Department of Education. "Dropout - Annual Dropout Percentage Rates across Grades 9-12 (2008-2009)." Connecticut Education Data and Research. Retrieved from: http://sdeportal.ct.gov/Cedar/WEB/ct\_report/DropoutDTViewer.aspx

# What Can Connecticut Learn from Other States?

Below you will see a number of examples we've found that can be used as best-practice models for shared-service or regionalization initiatives in Connecticut.

#### Procurement

- Virginia \$280 million in cost savings since 2001
- Pennsylvania annual savings of about \$80 million
- Minnesota 2011 cost savings of at least \$210 million
- Texas 2006 cost savings of \$114.8 million
- Iowa \$8.5 million in savings over first 7 years
- Georgia annual savings on supplies, equipment and services of \$100 million
- North Carolina \$216 million in spend; marketplace of 15,117 purchasers and 65,368 vendors
- Florida price reductions of \$233 million since implementation (around 2004)
- Massachusetts average consortium discounts of 68%
- Michigan savings of 5% on vehicle purchases; 25% on other products

### Shared Services

- Ohio \$26 million in average annual savings
- New York shared-service grants have provided savings of over \$350 million; completed projects generate 129% return on investment



# What Can Connecticut Learn from Other States?

#### Uniform Chart of Accounts

- California, Georgia, Indiana, Massachusetts, New York, Ohio, Texas, Washington, West Virginia, Minnesota
  - Common benefits include: more accurate financial reporting, comparability across municipalities; decreased auditing costs; greater accountability and transparency; more efficient compliance practices.

#### Education

- Massachusetts cost of hiring a teacher and part-time aide for special education programs is cut in half
- Maine regional school districts have reduced per-pupil spending on education while maintaining test-score performance

## Planning & Development

- Florida examination of current conditions and establishment of regional goals and policies
- Maine regionalization grants funded 12 projects in 2007 realizing \$246,000 in savings (having spent only \$75,000)
- Texas GIS technology allows local governments to distribute key information
- Denmark e-Government provides better digital service, increased efficiency and stronger collaboration in the delivery of public services

#### Public Health

- Massachusetts creates economies of scale for smaller municipalities
- North Dakota hospital admissions decreased 6% and ER visits decreased 24%; total costs per member/year were \$530 lower than expected.

## Public Safety

- Ontario consolidated interface for dispatch and communications
- New York City quick, easy access to all NYC government services and information
- New Jersey consolidated police departments reduced capital expenditures and current operating budget

## Revenue Sharing

- Maine interlocal-revenue-sharing project expected to create 3,000 direct jobs and 3,000 indirect jobs
- Minnesota efficiency gains in education, public safety, public works and emergency 911 services

### Pension

Texas – reduced actuarial costs through shared services



# Public Policy as an Enabler

- There are many legal and legislative enablers in Connecticut that support municipal cooperation and sharing of public-service responsibilities.
- The first commonly cited objection to cooperation is Connecticut home rule. Home rule actually extends to a very limited number of municipal activities, notwithstanding oft-stated arguments to the contrary.
- This concept works in conjunction with case law that emerged almost 150 years ago, which defines the legal relationship between municipal and state governments in the United States. Under this rule, all sovereign power in CT is held by the State which may delegate some of its power to political subdivisions, such as municipalities. Article X in Connecticut's Constitution, entitled "Home Rule", explains Connecticut's application of the rule for relationships between the State and municipalities:
  - SEC. 1. The general assembly shall by general law delegate such legislative authority as from time to time it deems appropriate to towns, cities and boroughs relative to the powers, organization, and form of government of such political subdivisions. The general assembly shall from time to time by general law determine the maximum terms of office of the various town, city and borough elective offices. After July 1, 1969, the general assembly shall enact no special legislation relative to the powers, organization, terms of elective offices or form of government of any single town, city or borough, except as to (a) borrowing power, (b) validating acts, and (c) formation, consolidation or dissolution of any town, city or borough, unless in the delegation of legislative authority by general law the general assembly shall have failed to prescribe the powers necessary to effect the purpose of such special legislation.
- In short, the only prohibition on action by the General Assembly is the enactment of "special legislation relative to the powers, organization, and terms of elective offices or form of government of any single town, city or borough." Indeed, see Article X, Section 2, which allows for regional governance and compacts:
  - SEC. 2. The general assembly may prescribe the methods by which towns, cities and boroughs may establish regional governments and the methods by which towns, cities, boroughs and regional governments may enter into compacts. The general assembly shall prescribe the powers, organization, form, and method of dissolution of any government so established.
- Regional compacts for the sharing of public services delegated to municipalities can be used to encourage widespread municipal reform across the State. Because municipalities only have power expressly granted to them by their state legislatures, they are in effect under their control. Combined with a series of subsequent legislative statutes in Connecticut, public policy allows adequate room for municipal consolidation and service sharing.



# **Observations & Conclusions**

- As one of the wealthiest states in the nation, our citizens deserve world-class delivery of public and educational services.
- An as-is analysis that shows an ineffective myriad of state, local and education structures that are excessive, overlapped, non-aligned and competing for the same precious dollars does not represent best practices and is far from world-class.
  - To better illustrate this point, we have included a series of slides demonstrating the overlapping jurisdictions of Connecticut's public services in the full report.
- Our fragmented structure is less competitive and more difficult to manage than a cohesive region or regions when it comes to competing for federal funds and economic development.
- With all of these dollars flowing into this labyrinth of regional definitions there is no way for Connecticut to target a unified goal or outcome to ensure effective spending. The state must begin to align programs to make sure that state investments reinforce each other.
- While the proliferation of local governments and the fragmentation of the state into tiny jurisdictions may satisfy residents' desire for accessible government, it also creates a staggering array of costs, such as duplication of infrastructure, staffing, and services, and a race to the bottom competition among municipalities for desirable commercial, industrial, and residential taxes.
  - Connecticut must develop measurement and accountability objectives and transparent information to allow visibility into our public spending.



# **Observations & Conclusions**

- For more than 150 years, the public school system in Connecticut has been successful at providing children with access to a quality education. But that's no longer enough. Thanks to the dawn of the Information Age, the transition from a manufacturing economy to a service economy and the development of a global economy, a new system is needed to best prepare our children to succeed in 2011 and beyond.<sup>1</sup>
- Our state needs to recognize that there is a link between low educational achievement and the problems of crime, joblessness, and poverty. Connecticut has isolated these problems into our major cities which is morally wrong and fiscally inefficient.
- State and local public service leaders that we have talked to recognize that the tactical fixes used over the past decade (e.g., budget shifting, service deferment, and tax increases) have reached their limits.
- Connecticut must move down a smarter path. The State must begin now to put in place enabling structures, services and resources for local government and pre-k-12 education.
- We are advocating for changes in how local governments and education systems should operate, not because efficiency is an end in itself, but because these efficiencies, consolidations, and realignments will free up scarce resources to meet our state's pressing priorities, save taxpayers money, and better align government and education with the modern economy in which they operate.
- We must recognize that changes to these structures must be done in a thoughtful way that is sensitive to Connecticut's culture and history. We should be inclusive of government, business and labor in these discussions.



## **Participate & Educate**

•CT Institute for the 21st Century will support and help conduct a statewide, high-performance, government workshop during the 2012 winter session of the state legislature. Invite and include both forward-thinking municipal, legislative, labor, and education leaders to help drive new thinking and collect good ideas to gain momentum for specific initiatives.

- Working Title: Shared Services: Achievements and the Way Forward
- Keynote Speaker: Ronn Kolbash, Assistant Vice President for Shared Services, Yale University (formerly Director of Ohio Shared Services)
- Conference Steering Committee:
  - Donald DeFronzo, Commissioner, CT Department of Administrative Services (DAS)
  - Lyle Wray, Executive Director, Capital Region Council of Governments (CRCOG)
  - Jim Finley, Executive Director, CT Conference of Municipalities (CCM)
  - Bob Santy, President & CEO, CT Economic Resource Center, Inc. (CERC)
  - Shelly Saczynski, Economic Development Director of UI Holdings and CERC board member
  - Bill Dyson, Governor William A. O'Neill Endowed Chair in Public Policy & Practical Politics at CCSU
  - John Pasco, Policy & Research Specialist, Center for Public Policy & Social Research at CCSU (CPPSR)
  - Steve Kliger, Director, Center for Public Policy and Social Research, Central Connecticut State University
- Description: Half-day conference with stakeholders that will highlight success stories at the state, regional and local levels, including those who received regional performance grants. Presentations on new perspectives, including this report, will be given.



## **Procurement Reform**

The State should initiate procurement reform. This initiative should initially be focused on state agency spending to provide immediate savings and to create a model that can be leveraged. The model can then be deployed to local governments and pre-k-12 education systems to gain further leverage and spend consolidation.<sup>1</sup>

- States are under pressure to cut budgets and raise taxes in order to address looming deficits. One way for them to achieve savings is to examine the hundreds of millions of dollars they spend acquiring goods and services and look for ways to do it better and cheaper. When states buy products and services more competitively and cost effectively, they have a great opportunity to save money and thus reduce the cuts they would otherwise have to make in critical areas such as education, health and other public services. In order to better align their spending with their statewide strategic plans, states are using strategic sourcing, which is the systematic process that directs supply managers to plan, manage and develop the supply base in line with the organization's strategic objectives.
- Many states have done an initial analysis on the potential savings from consolidating their purchasing practices. Procurement techniques such as using statewide contracts and cooperative purchasing can allow states to capitalize on economies of scale and achieve administrative savings and other benefits. In addition, a growing number of states are using electronic means to procure goods and services, which is more cost-effective than using paper-based procurement methods.
- A few states have already consolidated their buying of commodity products and have achieved real, near-term savings as a result. Others are engaged in a longer term agenda of consolidating buying strategies for more complex items and services. While there are significant challenges that need to be overcome before states can realize the full potential of the savings that they could achieve, states are using procurement techniques to save big with little lift.



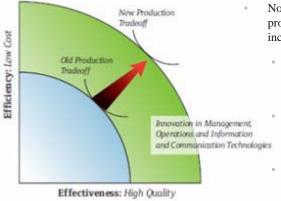
## **Shared Services**

The State should create a shared-services strategy to support state and local governments and pre-k-12 education.

### Economics of Shared Services: Moving the Capacity Curve

- A long-standing thorn in the side of government leaders is managing the capacity to deliver services by making tradeoffs between efficiency and effectiveness in the production of services. Managers historically had two broad options for optimizing this "production function." They could pull resources (capital and labor) in and focus on maximizing efficient production through standardization of processes and technologies and direct central control but this limited flexibility and responsiveness at the agency level. Alternatively, they could push resources out and provide extensive customization and local control of production to agencies yet this option ignored volume efficiencies, produced duplication and raised overall costs to taxpayers. It was a lose-lose proposition.
- Now the game has changed. The combination of innovations in information technology and innovations in management and operating processes has created a new level of optimization one in which overall capacity has grown. These innovations interrelate and include:
  - Management Processes: The activities through which an organization creates policy and strategic direction and coordinates and controls the operating processes that execute strategy have advanced to simultaneously accommodate flexibility, innovation and control.
    - Operating Processes: The series of activities that form how an organization designs, produces, markets, delivers and supports its services have been subjected to collective knowledge (such as time and motion studies) and are now able to be done faster and leaner.
  - Information Technology: The hardware, software and networks that enable an organization to create, store and use information in all its forms have advanced to a point where management and operations/operating processes can be streamlined, integrated and synchronized over any distance.
  - In sum, harnessing newfound capacity within a shared services enterprise and extending it enterprise-wide increases the capacity for high performance and subsequently increases public value. Managing for efficiency and effectiveness is now a win-win proposition for public sector leaders.

## New Production Possibilities = Increased Capacity





## **Education Reform & Accountability**

The State should embrace and implement the recommendations made by both the Connecticut Association of Public School Superintendents in the "NextEd" report and the Connecticut Commission on Educational Achievement in their report titled "Every Child Should Have a Chance to be Exceptional: Without Exception".

- These recommendations call for re-thinking Connecticut's entire pre-k-12 education system in the context of the world realities our children will be facing.
- Details can be found at the following web sites:
  - CAPSS: NextEd
    - http://www.ctnexted.org/
  - CCEA: Every Child Should have a Chance to be Exceptional
    - http://www.sde.ct.gov/sde/lib/sde/pdf/pressroom/ct\_commission\_on\_ed\_achievement\_report.pdf



## **Uniform Chart of Accounts**

The State should create and implement a Uniform Chart of Accounts (UCOA) for local governments and pre-k-12 school districts.

- We recommend that the state fund a project to create and implement a Uniform Chart of Accounts (UCOA) for all Connecticut municipalities and pre-k-12 education systems and mandate that they all participate in this effort. A UCOA would allow the State, local governments, and pre-k-12 education systems to analyze their costs for service delivery and provide an effective benchmarking tool. Once standardized financial information is readily available, models can be developed to summarize products, services, and departmental costs for municipalities within Connecticut. This information could also be used as a benchmarking tool to evaluate and compare communities to one another. This would help identify gaps, potential cost savings and potentially promote a shared services model among Connecticut's communities.
- A growing number of states have already adopted and require UCOA for their local governments. Among this growing list of states are California, Georgia, Indiana, Michigan, Massachusetts, New York, Ohio, Oregon, Rhode Island, Utah, Washington and West Virginia. Clearly, these states have adopted a UCOA approach in order to take advantage of financial transparency, uniformity, accountability and comparability of service delivery model costs.
- Improve government accountability by making financial information reported by Connecticut's local governments and pre-k-12 education systems more comparable, thereby enabling local taxpayers and local policy makers to better understand and evaluate local service delivery and operations, all local governmental entities should be required to use accounting principles, such as the UCOA when completing their annual financial report. More importantly, this information can then be used to create initiatives for things like significant savings through more competitive contracting of bids, sharing of products/services or creating regional services.
- Collecting information is not enough. Along with capturing City/Town/School District information, it is equally important to provide benchmarking information with the ultimate goal of using that information to reduce costs. Analyzing and comparing costs in areas of healthcare, technology, products and services (as examples) should yield cost saving opportunities. Taking advantage and using the purchasing power of 169 communities should provide significant savings back to each community.



## **State Incentives for Cooperation**

The State needs to enhance the incentives for local governments and pre-k-12 education systems to cooperate. Specific areas where cooperation should be incentivized include:

- Economic Development
- Transportation Planning
- Procurement
- Technology
- Energy
- Facility Management

These incentives should be tied to the direct benefits that cooperation has delivered. These successes should be documented and shared amongst all other towns to encourage continual progress.



## **Resources to Enable Change**

The State should either create or refocus existing state-agency resources to drive the adoption and implementation of the above recommendations by the State and for local governments and pre-k-12 education systems.

- We believe that these resources should be:
  - Intimately involved in the development and implementation of the UCOA. Once data and information are available from this initiative then analysis and actionable initiatives should be undertaken to drive benefits.
  - Directed to be the hub of best-practice information sharing and to facilitate the adoption of best practices.
  - The catalyst to create supporting legislation to incentivize the creation of cooperative economic development and shared-service plans amongst local governments.



## **Redefine Regional Structures**

The State should rationalize the myriad of regional organizations that are supporting local governments and pre-k-12 education. This rationalization may mean eliminating, consolidating and possibly creating new regional structures.

- The new structures should be:
  - Strategic should focus on the most important needs of the State where regional cooperation is imperative (i.e., economic development, transportation, and education)
  - Consistent in structure and governance should not have different flavors of structure having similar purpose (i.e., Councils of Government, Councils of Elected Officials, Regional Planning Organizations, and Regional Planning Agencies)
  - Governed by elected officials that represent the constituents that are being served
- A possible start on defining these organizations can be found in Florida's work in this area.
  - Chapter 186 of the 2009 Florida Statutes:
    - "The issues of public safety, education, health care, community and economic development and redevelopment, protection and conservation of natural and historic resources, transportation, and public facilities transcend the boundaries and responsibilities of individual units of government, and often no single unit of government can plan or implement policies to deal with these issues without affecting other units of government."
    - "There is a need for regional planning agencies to assist local governments to resolve their common problems, engage in areawide comprehensive and functional planning, administer certain federal and state grants-in-aid, and provide a regional focus in regard to multiple programs undertaken on an areawide basis."
    - "The regional planning council is designated as the primary organization to address problems and plan solutions that are of greater-than-local concern or scope, and the regional planning council shall be recognized by local governments as one of the means to provide input into state policy development. The regional planning council shall have a duty to assist local governments with activities designed to promote and facilitate economic development in the geographic area covered by the council."



## **Break Down State Agency Silos**

- The State must align programs and goals and break down agency silos.
  - Governmental fragmentation plagues not only Connecticut's localities but also the state government, in the form of a multiplicity of unrelated programs and inconsistent regional delivery systems. So, the state must break up program silos to align and maximize state investments.
  - For all the dollars flowing into the state's cities and towns (e.g., to business, schools, job training centers, housing, or infrastructure projects) funding is seldom targeted toward a unified goal or outcome, be it cultivating certain regional business clusters (and simultaneously building the workforce and infrastructure they need to grow and thrive), revitalizing particular neighborhoods (and improving the quality of schools, retail opportunities, and housing to attract and retain residents), or helping low-income families move into the middle class (and creating the career ladder jobs, strong work supports, and quality neighborhoods and schools they need to build skills and assets).
  - The state cannot expect to improve its metropolitan regions, and its prosperity, without intentional, aligned, cross-agency efforts.
  - Data interoperability between and amongst agencies must be a goal. This transparency and accountability is imperative in enabling unified goals to be achieved across multiple state agencies.



- Our recommendations are intended to be sensitive to and acutely aware of the unique culture of Connecticut.
  - "Regional planning is important, and increasing collaboration among towns for the provision of certain services would be more cost efficient. However, almost all local officials opposed the idea of the state imposing mandates that would require specific functions and activities to be regionalized. Over the years, the objective of state legislation in Connecticut related to regionalism has been to encourage, rather than require, towns to jointly cooperate."
  - This conclusion reached by the Legislative Program Review and Investigation Committee in December 2007 must be considered. It is clear that our best efforts toward sharing of services at the local level have been driven by voluntary participation where vested interests are served which has driven commitment to succeed.
  - Organized labor must be well represented in the strategy, design, and implementation of these recommendations.
  - These recommendations are developed within that context. Let's begin to put in place the framework and information needed to develop strategies that best leverage our scarce resources and provide effective services for our taxpayers and students. Let's also begin to move aggressively to put in programs and services at the state level that can immediately drive value for the State and then leverage these programs to drive value at the local level.



<sup>&</sup>lt;sup>1</sup> Legislative Program Review and Investigations Committee, Connecticut General Assembly. "Connecticut's Regional Planning Organizations." p. ii. December 2007.