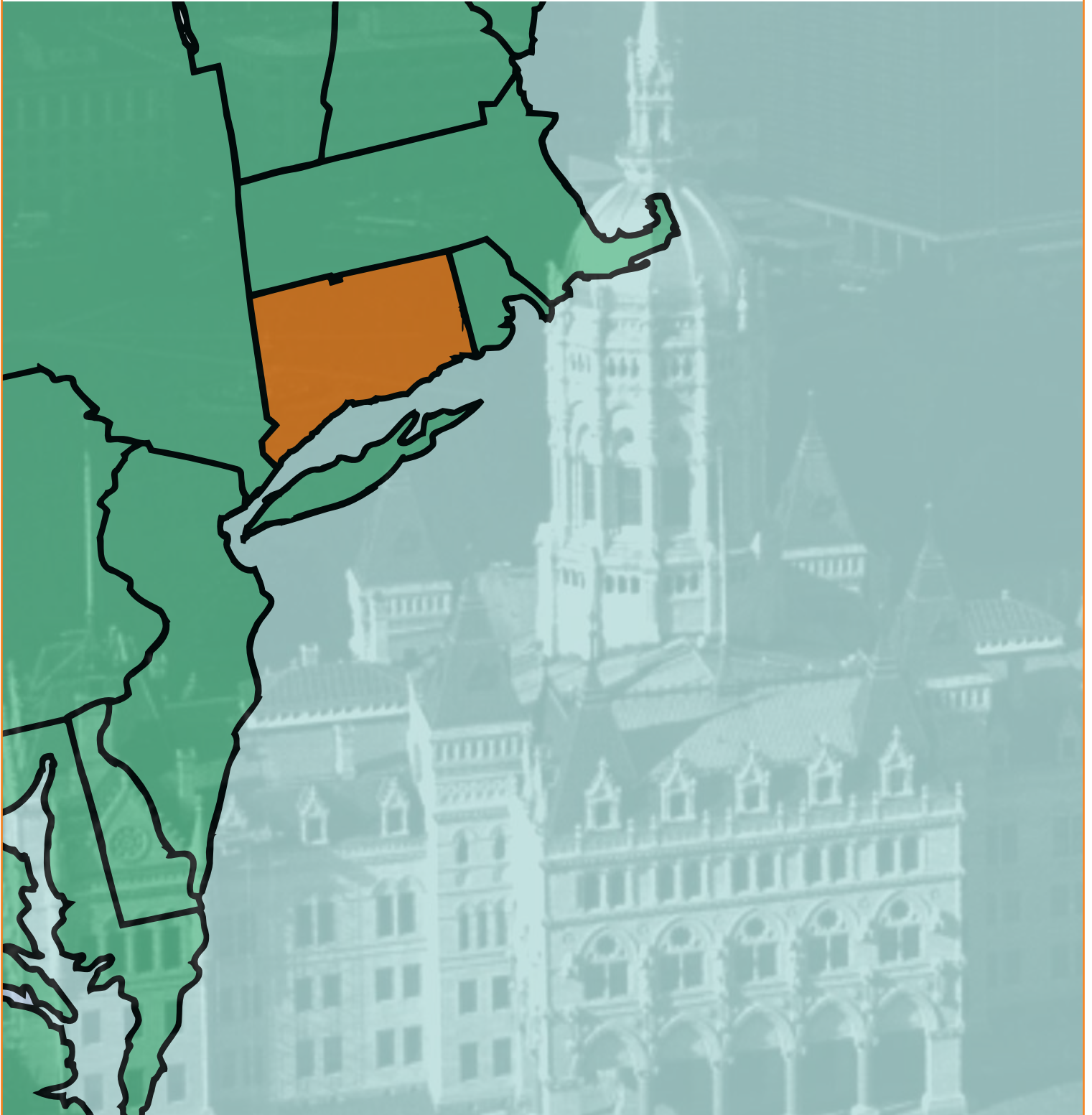


Framework for Connecticut's Fiscal Future

Part 4: Improving Delivery of Public Services



A Report of the Connecticut Institute for the 21st Century

The Connecticut Institute for the 21st Century (the Institute) was formed in 1997 when public and private leaders in Connecticut came together to exchange ideas about increasing the state's economic growth. The group focuses on educating policymakers on key issues that hold the most potential for the state's future. Managed by a statewide steering committee, the Institute is incorporated, has not-for-profit tax-exempt status, and provides continuing opportunities to discuss and study important issues regarding Connecticut's competitiveness.

- In 1999, the Institute commissioned a significant study by the firm of Michael Gallis & Associates, Inc. entitled *Connecticut: Strategic Economic Framework*. The study defines the real-life economic markets and movement of people, goods, and ideas in the region, the nation and the world. That widely-recognized study is seen as a valuable policy framework, continuing to shape the Institute's initiatives.
- In 2003, the Institute turned to the issue of the link between Connecticut's future growth and responsible land use in order to draw connections between economic development, state and local planning, the trend toward sprawl, and preservation of our quality of life.
- In 2007, the Institute's report entitled *Economic Vitality & Competitive Cities* identified key features of successful cities and strategies for making all Connecticut communities attractive and productive, with recommendations for state and local actions to achieve this objective.

The Challenge of 2012

The Institute has been tracking the state's continuing battle to wrestle with the growing fiscal and economic crisis. The continuing economic downturn creates increased need for public services while sharply reducing state revenues.

The numbers in Connecticut have dramatic implications for the role and costs of government at all levels:

- Unemployment is just over 8% and job recovery continues to be slow
- Exploding numbers of foreclosures and personal bankruptcies
- Cutbacks to local town and city governments that will cause deficits and potential sharp municipal tax increases

Our state's elected leaders face difficult decisions as they seek to ensure that Connecticut emerges as a competitive, caring state as the economy improves. The massive federal stimulus package of aid and loans to our state and municipal governments have not solved our structural problems or fully closed our vast deficit.

If the state does not deal effectively with the current structural fiscal issues, Connecticut's economic competitiveness is questionable. It is for this reason the Institute decided to take on a series of initiatives to assist the state in addressing the current fiscal and economic crisis.

The Institute's Current Mission

The Institute has resolved to look at elements of spending that account for a significant percentage of the state's budget and where shifts in approaches to service delivery could make a real difference. In doing so, the Institute reviewed major budgetary program areas to:

- Quantify savings that can be realized in the next fiscal cycle and over the long term
- Identify opportunities to improve service
- Identify opportunities to increase customer satisfaction
- Identify opportunities to increase efficiencies

This resulting series of research studies is entitled *Framework for Connecticut's Fiscal Future*. The Institute's first study, focusing on Long Term Care, was released in March 2010. The second report, released in October 2010, examined Connecticut's Correction, Parole and Probation Systems. The third report, released in 2011, focused on Pensions and Other Post Employment Benefits and how states, including Connecticut, were facing the funding crisis.

The 2012 report, *Improving Delivery of Public Services*, reviews the state's public service delivery system.

For further information about the Institute and its work, visit www.CT21.org.

Background

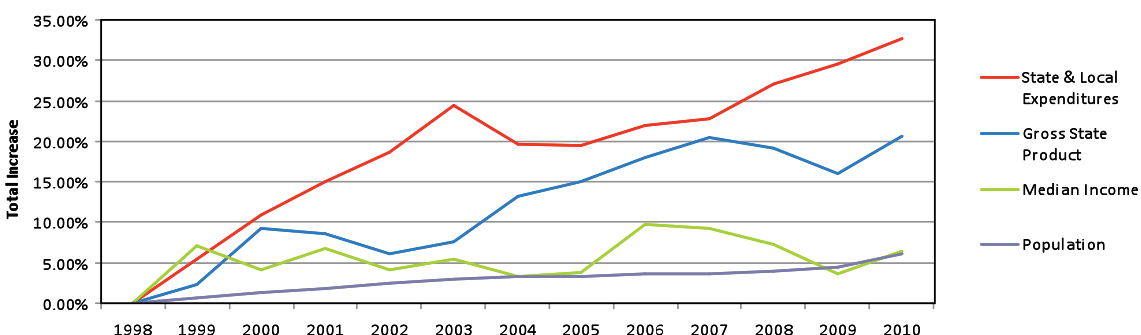
For more than a decade the Institute has advanced ideas in a number of policy reports on issues facing Connecticut. The Institute's single-minded concern with Connecticut's economic competitiveness has been the common theme of all our work. Whether it is sufficient investment in transportation infrastructure, growth patterns across the state, the need to revitalize Connecticut's urban centers or the fiscal crisis that currently challenges the state, our goal is to impact the state's ability to attract, retain and grow economic investment. Location decisions by businesses and workers who can choose where they want to live are critical to the success of any state.

The Institute's singular emphasis on competitiveness carries through to this report as well. In fact, no previous report is so consistent with one of the key components of the Institute's mission from its start...to achieve economies of scale in delivery of public services. Efficient and effective delivery of public services is on the minds of business leaders. It is a factor in decisions on where businesses decide to invest. Business owners and leaders are looking for value – a factor of price and performance. They are looking for a business environment that is stable and for public leaders who are reliable – and consistent. Price, performance and predictability are a trifecta for competing for investment and skilled workers.

Connecticut has a public service delivery “system” characterized by balkanization and a proliferation of structures that lack consistency. These structures were developed over time to meet immediate policy concerns that do not reflect 21st century reality. Creating a rational system of service delivery – at the state, regional, and local levels, and built on the needs of clients - will result in greater effectiveness because a rational system lends itself to measurement against benchmarks, and adjustment to improve performance.

One size does not fit all. No single system is correct for all service delivery – child nutrition programs are different from workforce assistance or economic development services. But Connecticut has an ineffective myriad of state, local, and education structures that are excessive, overlapped, non-aligned, and competing for the same precious dollars. Our fragmented structure is difficult to manage and puts us at a disadvantage when competing for federal dollars and economic development investments. The state must begin to align programs to make sure that state investments reinforce each other, and must develop measurement and accountability objectives and transparent information on public spending for policy makers and citizens alike.

State and Local Expenditure Growth Compared to Other Key CT Metrics (1998-2010)



Public spending is outstripping economic growth. Over the past 12 years, state and local expenditures have grown 59% faster than gross state product and 405% faster than median personal income. This total spending ranked Connecticut 8th highest in the country on a per-capita basis. At the local level alone, expenditures have outpaced gross state product by 42% and median personal income by 352%. The single largest component of local spending – Pre K-12 public education – averages \$2,342 per capita. Despite the fact that this makes Connecticut the 5th highest in the nation, we still have the largest achievement gap between students from low-income families compared to their more affluent schoolmates. This costs Connecticut dearly. The state loses more than \$292,000 in net fiscal lifetime benefits (i.e. lower tax revenues, higher cash and in-kind transfer costs, and imposed incarceration costs) from a high school dropout compared to a graduate. This translates to \$1.17 billion a year.

Summary of Recommendations:

As in past reports, the Institute began our research by interviewing stakeholders. Connecticut state and local public leaders who were interviewed recognize that the tactical fixes used over the past decade (e.g., budget shifting, service and payment deferral) have reached their limits, and that increasing revenues should occur only after the state has achieved efficiencies by creating a more effective system to manage public resources. Connecticut needs a more systemic approach, based on best practices identified from other jurisdictions and from programs and localities right here in the state. By changing how local governments and education districts operate, and how the state interacts with these jurisdictions, scarce resources can be freed to meet our state's pressing priorities, saving taxpayer dollars and getting better results. Change is difficult, and we must achieve change within the unique historical and cultural context of Connecticut, but, based on current costs and outcomes, we can't afford to maintain the status quo.

EFFICIENT PURCHASING IN THE PUBLIC SECTOR

The state needs to intensify efforts to reform its system for procuring goods and services. Best practice research shows that other states are better aligning spending with strategic plans, using strategic sourcing, and directing supply managers to plan, manage, and develop the supply base in line with strategic objectives. A few states have consolidated purchasing practices by using statewide contracts and cooperative purchasing. Electronic means of procuring goods and services are also saving states money. While regional cooperative purchasing now covers more than half of Connecticut's towns and cities, and some statewide purchasing opportunities exist, much more remains to be done.

SHARED SERVICES TO REDUCE OVERHEAD AND PROVIDE DIRECT BENEFIT

The state should create a shared-services strategy to support state and local government and Pre K-12 public education. Information technology advances now provide more flexibility in management approaches to service delivery. There is no longer the need to decide simply between centralized services and a customized local network for service delivery. High-speed broadband and sophisticated management software are tools that can help state and local governments do more with less, from disaster recovery to financial and other management sectors. Managers have the flexibility to centralize some services and customize others based on individual characteristics. Commodities lend themselves better to centralized delivery, while

services that are highly specialized may lend themselves necessarily to more localized delivery. Harnessing newfound capacity within a shared services enterprise and extending it enterprise-wide increases the capacity for high performance and subsequently increased public value.

EDUCATION REFORM AND ACCOUNTABILITY: A FOUNDATION FOR COMPETITIVENESS

2012 promises to be a watershed year for education in Connecticut. The governor has made education reform his top priority for this Legislative session. Many good studies on education reform have been completed, and the Institute strongly supports many of the recommendations by the Connecticut Association of Public School Superintendents (CAPSS) in the “NextEd” Report and the Connecticut Commission on Educational Achievement (CCEA) in their report titled “Every Child Should have a Chance to be Exceptional: Without Exception.”

Consistent with our findings concerning shared services and regional structures, the Institute believes that considerable efficiencies and greater effectiveness can be achieved by looking at the scale of delivery of educational programs. We particularly endorse greater regional cooperation and delivery of services through existing or new regional structures.

CREATE A UNIFORM CHART OF ACCOUNTS AND PROVIDE TRANSPARENCY IN AND ACCESS TO PUBLIC DATA

Measuring where organizations stand and seeing regular, accurate progress reports are crucial to navigating the rapidly changing economic world of the 21st century. Data, information and measurement are critical to the successful realization of strategic goals, whether at a company, town, region or state level. Connecticut does not have a history of using data effectively to support public policy change or public service improvements.

The state also has struggled with data that is not presented in a common format with common definitions, or is unable to be utilized across agencies – even when they are dealing (we think) with the same clients.

The state should create and implement a Uniform Chart of Accounts (UCOA) for local governments and Pre K-12 school districts. This will require incentives in the form of funding and technical assistance from the state. When adopted, the UCOA would allow analysis of costs for service delivery and provide an effective benchmarking tool. Government accountability and transparency would be enhanced by allowing all stakeholders to better understand and evaluate service delivery.

REDEFINE REGIONAL STRUCTURES AND ENHANCE INCENTIVES FOR COOPERATIVE APPROACHES TO SERVICE DELIVERY

The state should rationalize the myriad of regional organizations that are supporting local government, Pre K-12 public education and communities and enhance incentives for local government and Pre K-12 public school districts to cooperate. Many organizations, including the Institute, 1000 Friends of Connecticut, the Connecticut Conference of Municipalities and regional chambers of commerce have called on the state to rationalize our delivery of public services through stronger regional structures. While Connecticut’s fascination with home rule for towns is legion, in fact state statutes encourage – not discourage – regional cooperation. Some existing structures might have to change or be consolidated. The regional structures that are working best seem to have grown organically, based on the needs of individual regions and motivated by real perceived benefit. This bottom up approach is more consistent with Connecticut’s history and culture, and should be encouraged by the state.

New structures should be strategic, consistent in structure and governance for delivering like services, and governed by elected officials that represent the constituencies being served. The full report gives examples of strong cooperative approaches from other states.

Educational success is a vital ingredient in national and international economic competition. Current graduation rates of about 80% in the state and a national ranking of 15th in the world on post high school graduate degrees offered serve as a flashing yellow light on the state's dashboard. Again, the Institute supports the CAPSS and CCEA reports and their emphasis on delivery mechanisms that will improve outcomes and efficiency.

THE STATE MUST PROVIDE RESOURCES TO ENABLE CHANGE AND BREAKDOWN STATE AGENCY SILOS

Government is organized in silos but people live across silos. It is easy to say, but very hard to reconcile these two realities. The recommendations for reforms at the local level require the full engagement, cooperation and support of state government. We are proposing a vertically integrated approach to service delivery that will require new attitudes by state agencies on how they work. The state must break up program silos and align and maximize state investments. A number of "interoperability studies" concerning state agency data are ongoing and could also lead to reforms in service delivery. These need to be encouraged and enhanced.

State funding is seldom targeted toward a unified goal or outcome, be it cultivating regional business clusters, revitalizing neighborhoods or helping low-income families, but rather addresses one or another small component of these desired outcomes. The state cannot expect to improve its metropolitan regions and its prosperity without intentional, aligned, cross agency efforts that target unified community outcomes. Getting multiple actors to pull together at metropolitan regional scale will greatly assist state efforts to meet the varied challenges of national and international economic competition.

Conclusion

Strategy, follow through, and learning from experience are three keys to forging a pathway to greater economic competitiveness. Systemic changes require strong efforts to achieve the consensus necessary to see them through to implementation. Any changes of this magnitude require a dialogue with all stakeholders. Changing service delivery systems can be problematic for the customers and changing public structures can also be problematic for public workers. Governance and accountability also pose challenges. Successful efforts to adopt shared services systems or regional approaches have had organized labor at the table, and that should be the case here in Connecticut. Let's begin by adopting the information and data framework that will allow the development of the right strategies. This in turn will allow us to drive the creation of value at the state and local levels.

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The Connecticut Institute for the 21st Century provides continuing opportunities for its members and other organizations to understand and discuss economic activity in the state and obstacles to its success. For more information, visit www.CT21.org.