CONNECTICUT
CONFERENCE OF
MUNICIPALITIES

900 Chapel St., 9th Floor, New Haven, Connecticut 06510-2807
Phone (203) 498-3000 • Fax (203) 562-6314 • www.ccm-ct.org

THE VOICE OF LOCAL GOVERNMENT

APPROPRIATIONS COMMITTEE
SPECIAL FORUM FOR MUNICIPAL OFFICIALS

March 13, 2009

EDUCATION FUNDING

- Education is the **largest single item in municipal budgets** -- in some towns as much as 80%.

- The percentage of the state budget allocated to **K-12 public education grants** would decline, from 13.1% in FY2009 to 12.8% for proposed FY2010.

- The State's **share of overall statewide public education costs would decline, from 41% in FY2009 to 39.6% for proposed FY2010.**

- Education grants to towns and cities for proposed FY2010 would decrease overall by $1 million (-1/2%) from FY2009.

    - Proposed budget would level-fund the following programs: Adult Education, Education Cost Sharing, Priority School Districts, School Transportation, and Excess Cost-Student Based (Special Education). Proposed budget would increase Magnet School funding by $13.5 million.

    - The After School Program grant would be reduced $5 million statewide. Early Childhood funding would be reduced $7.4 million statewide. The School Based Health Clinics grant would be reduced $1.5 million. Similarly the Young Adult Learners grant would be eliminated.

- **ECS**: Would be level funded from FY2009 for proposed FY2010 ($1,889 million).

- **Special Education**: No change from FY2009 for proposed FY2010 ($133.9 million). However, OPM projections show $133.9 will be insufficient funding for FY2009 and the grant would be capped under proposed budget for FY2010.

CONNECTICUT
CONFERENCE OF
MUNICIPALITIES

900 Chapel St., 9th Floor, New Haven, Connecticut 06510-2807
Phone (203) 498-3000 • Fax (203) 562-6314 • www.ccm-ct.org

THE VOICE OF LOCAL GOVERNMENT

APPROPRIATIONS COMMITTEE
SPECIAL FORUM FOR MUNICIPAL OFFICIALS

March 13, 2009

FUNDING FOR GENERAL MUNICIPAL GOVERNMENTS

- **Overall municipal aid** (education and non-education) **as a percentage of the state budget** would continue to decline, from 15.3% in FY2009 to 14.7% proposed for FY2010.

- **Non-education grants** would decrease by $44,148,131 (-10.54%).

- **PILOT – Colleges & Hospitals**: Would decrease from $122 million in FY2009 to $115 million proposed for FY2010 ($7 million reduction or -5.7%). Decline due to loss of state surplus funding.
  - **Reimbursement rate declines, from 58% to 54%** -- Statute calls for 77%

- **PILOT – State Owned Property**: Would decrease from $80 million in FY2009 to $73 million proposed for FY2010 ($7 million reduction or -8.8%). Decline due to loss of state surplus funding.
  - **Reimbursement rate declines, from 36% to 32%** -- Statute calls for 45%

- **Pequot – Mohegan**: Would decrease from $93 million in FY2009 to $86.3 million proposed for FY2010 ($6.7 million reduction or -7.26%). Decline due to loss of state surplus funding.
  - **Grant reimbursement has never rebounded to $135 million high,** which was cut in FY2003.

- **Town Aid Roads**: Would decrease from $30 million in FY2009 to $22 million proposed for FY2010. Decline due to loss of state surplus funding.

- **Local Capital Improvement**: No change from FY2009 for proposed FY2010 ($30,000,000 – bond funded).

- **PILOT – Manufacturing Machinery & Equipment**: Would fund this grant at FY2009 level for FY2010. However, proposed legislation **provides for proportionate reduction to the PILOT payable, in any year in which funding is insufficient**. It is likely proposed FY2010 funding will be insufficient as phase-in continues.
  - The exemption for Older Manufacturing Equipment is now at 40% for FY2009 as the law phases-in. In FY2009 the phase-in shifted to 40% from 20% in FY2008. The corresponding grant reimbursement increased approximately $3.9 million. The Older Manufacturing Equipment phase-in will move to 60% in FY2010 and 80% in FY2011.

- **DECD PILOT/Tax Abatement**: These grants were restored in FY2009. Grants unfunded for proposed FY2010.
  - $3.9 million in funding eliminated for proposed FY2010.

CONNECTICUT CONFERENCE OF MUNICIPALITIES

900 Chapel St., 9th Floor, New Haven, Connecticut 06510-2807
Phone (203) 498-3000 • Fax (203) 562-6314 • www.ccm-ct.org

THE VOICE OF LOCAL GOVERNMENT

APPROPRIATIONS COMMITTEE
SPECIAL FORUM FOR MUNICIPAL OFFICIALS

March 13, 2009

MUNICIPAL REVENUE DIVERSIFICATION

- **Local option taxes mean that the people who live and pay taxes in towns and cities would be able to decide best what mix of revenue sources work best for their community.** That mix may not be the same in every municipality.
- Connecticut statutes dictate that towns and cities are dependent on one tax.
- The **per capita property tax burden** in Connecticut is $2,164, an amount that is almost **twice the national average** of $1,202, and 2nd highest in the nation.
- Connecticut ranks **8th in property taxes as a percentage of personal income** ($45.31 per $1,000 of income, compared with the national average of $34.92 per $1,000 of income).
- Connecticut is **more dependent on property taxes** to fund local government than any other state in the nation.
- **2nd most dependent on property taxes to fund education.**
- Property tax in Connecticut is the **largest single tax on residents and businesses** in our state. Overall, property taxes account for 37% of all state and local taxes paid in our state.
- Property taxes are the **biggest tax on businesses.** In FY 06-07, Connecticut businesses paid over $700 million in corporate income taxes — but over $900 million in property taxes.
- Statewide, 69% of municipal revenue comes from property taxes. Most of the rest, 23%, comes from state aid. Some Connecticut municipalities are almost totally dependent on property taxes to fund local government. Eight towns depend on property taxes for at least 90% of all their revenue. Another 54 municipalities rely on property taxes for at least 80% of their revenue.
- Only 15 states allow municipalities just the property tax.
  - **23 states** allow at least some municipalities to levy both **property and sales taxes**
  - **6 states** allow at least some municipalities to levy both **property and income taxes**, and
  - **5 states** allow at least some municipalities to levy all three — **property, sales and income taxes.**
- If every municipality were to enact a 1% sales tax – a highly unlikely event -- it would increase local revenue by $550 - $600 million. **Is there any other proposal out there that would deliver so much to relieve property tax pressures and continue local services?**
- CCM estimates that a 1% **tax on food and beverages would raise about $42 million** statewide, while a 4% lodging tax would raise in the neighborhood of $4 million.

CONNECTICUT CONFERENCE OF MUNICIPALITIES

900 Chapel St., 9th Floor, New Haven, Connecticut 06510-2807
Phone (203) 498-3000 • Fax (203) 562-6314 • www.ccm-ct.org

THE VOICE OF LOCAL GOVERNMENT

APPROPRIATIONS COMMITTEE
SPECIAL FORUM FOR MUNICIPAL OFFICIALS

March 13, 2009

MANDATES RELIEF FOR TOWNS AND CITIES

- The CT Advisory Commission on Intergovernmental Relations has stated that there are over 1,200 mandates on the books today.
- CCM applauds the Governor for recognizing that mandates relief must be a critical part of resolving the property tax crisis, by proposing a strong mandates reform package. She has proposed, in HB 6388, presently before the Planning and Development Committee:

  - Enacting a statutory prohibition to **prohibit the enactment of "costly" new unfunded or underfunded state mandates without a 2/3 vote of both chambers of the General Assembly**;
  - Providing a **2-year delay for the police treatment of 16 and 17-year olds as juveniles mandate** (from 1/1/10 to 1/1/12);
  - Providing a **2-year postponement of the effective date of the in-school suspension mandate** (from 7/1/09 to 7/1/11);
  - Providing municipalities with **30 days to post minutes on town websites, and suspending the mandate until 1/1/10**;
  - Removing the mandate that municipalities **store and collect the possessions of evicted residential tenants**;
  - Allowing towns and local boards of education to **extend an expired or expiring contract for 2 years**, providing current "wage and benefit package and other work rules remain in effect";
  - Requiring that **arbitrators not include municipal fund balances under 10% in determining a municipality's ability to pay** under the Teacher Negotiation Act (TNA) and Municipal Employees Relations Act (MERA);
  - Limiting the **mandatory subjects of collective bargaining to wage and salary benefits and "matters of health and safety only"**;
  - Requiring that **TNA stipulated agreements be approved by the local legislative body** (if rejected, must be done by a 2/3 vote);
  - Requiring arbitrators to take into consideration a **municipality's ability to "keep the property tax levy increase to a percentage change in the Consumer Price Index (CPI)"** for the most recent 12-month period;

-over-