



**Testimony of John Elsesser
On Behalf of the Connecticut Council of Small Towns
Before the Appropriations Committee
Of the Connecticut General Assembly
March 13, 2009**

Good morning Senator Harp, Representative Geragosian, members of the Committee and representatives of both the Finance and Planning and Development Committees. My name is John Elsesser and I am the Town Manager of the Town of Coventry. I'm also an Officer on the Executive Committee of the Connecticut Council of Small Towns' Board of Directors.

We appreciate the chance to share our thoughts with you today on the Governor's proposed budget and its impact on smaller towns and cities. We would also like to share some ideas for enabling towns to generate local revenues.

Although we applaud Governor M. Jodi Rell's efforts to continue to fund education through the Education Cost Sharing Grant program and other critical sources of state aid, we are concerned that several cuts in the proposed budget have a disproportionate impact on Connecticut's smaller towns and cities. While we understand that the state is facing an unprecedented budget deficit, shifting costs to municipalities for critical programs such as road repair and public safety will simply force towns to increase property taxes or reduce services which are critical to the public health, safety and welfare of our communities.

We therefore would like to address those areas which would be cut under the proposed budget which are important to Connecticut's small towns and cities, as follows:

PROPOSED ELIMINATION OF THE SMALL TOWN ECONOMIC ASSISTANCE GRANT PROGRAM

Under the Governor's proposed budget, the **Small Town Economic Assistance Program (STEAP)**, was completely eliminated while continuing millions to the Urban Action Grant Program for big cities. To protect and nurture the growth of Connecticut's economy, small town revitalization must continue to be a critical element of the state's public policy agenda. Prior to the establishment of STEAP, small towns had access to

very few resources with which to undertake important infrastructure improvements and economic development projects. These projects help spur economic development throughout the entire state.

As the state and federal government look to stimulate economic recovery by directing millions of dollars in state and federal aid to economic stimulus projects, it is the wrong time to eliminate one of the few programs which is targeted to stimulating economic growth in our small towns and cities. I would also like to point out that Towns were asked to submit projects to the State for consideration under the Stimulus program. The review committee announced earlier this week that of the 2,000 town projects submitted none were approved, only State projects. "Not one Dime". We ask that STEAP program elimination be reconsidered

REDUCING SUPPORT FOR THE RESIDENT STATE TROOPER PROGRAM

The Governor's proposed budget would shift the full financial responsibility of resident state trooper costs to the town that employs them. Under current law, the state pays 30% of the cost of a resident trooper. Under the proposed budget, the towns would be required to pay 85% of the costs the first fiscal year and all of it the second. This would force many of our small towns to eliminate the resident state trooper, putting the public's safety at risk. These towns simply cannot afford a police department of their own and under this proposed budget, they would be unable to afford a resident state trooper.

SIGNIFICANTLY REDUCES FUNDING FOR THE TOWN AID ROAD PROGRAM

We are disappointed that the Governor's budget cuts the **Town Aid Road** program by \$8 million, from \$30 million to \$22 million. This program provides towns with an essential source of financial support, which is critical to improving the condition and safety of the thousands of road miles for which towns are responsible. Well-maintained local road networks are vital to the state's overall business climate and competitiveness. Unfortunately, the Town Aid Road program is funded at significantly less than it was forty years ago, taking average inflation into account. Given the severity of this year's winter, Connecticut's local roads will be in tough shape. Moving people and products safely and efficiently is also important to Connecticut's economic recovery efforts.

CONTINUES SUPPORT FOR THE CLEAN WATER FUND

We are very pleased that the Governor's proposed budget continues our state's commitment to supporting towns in fulfilling their obligation to make needed improvements to sewers and other clean water projects. Numerous municipalities with documented environmental and public health problems have proactively planned and designed wastewater facilities to meet these needs. Treatment plant upgrades, including the State-mandated nitrogen removal program, elimination of combined sewer overflows, and replacement of aging infrastructure are all eligible for the Clean Water Fund. These projects represent significant capital expenditures, and the DEP grants and loans are critical to municipal government's (and the public's) ability to fund these improvements.

As the legislature and executive branch continue deliberations on the budget and tax package, we urge lawmakers to consider the following initiatives:

MAKE PERMANENT THE CURRENT RATE OF MUNICIPAL CONVEYANCE TAX

Although the legislature extended the current rate of the municipal conveyance tax through 2010, it would be extremely helpful if the state would make this source of municipal revenue permanent. Towns need a predictable source of revenue to assist them in meeting their obligations to citizens and businesses. We should not be forced to fight for the continuation of this tax every one or two years.

EXEMPT MUNICIPAL HEALTH INSURANCE POLICIES FROM THE INSURANCE PREMIUM TAX

The skyrocketing cost of local employee and retiree health insurance represents one of the most serious fiscal challenges facing small towns. Double digit increases in health insurance costs have begun to dominate budget growth in many communities resulting in fewer resources available for other critical services, including education. Moreover, towns are restricted in their ability to manage these health care costs by state laws and practices. To address this critical issue, COST encourages you to pass legislation to exempt municipal health insurance contracts and policies from the insurance premium tax.

INCREASE INCENTIVES FOR VOLUNTARY REGIONAL COOPERATION BETWEEN MUNICIPALITIES

Connecticut's small towns and cities support initiatives to encourage voluntary regional cooperation to provide programs to meet the needs of local residents and businesses in a more efficient, cost-effective manner. As Connecticut's small towns and cities struggle to do more with less, many communities are exploring new opportunities to share resources to meet these growing needs. Some towns have gone together to form regional dog pounds, or to share staff or equipment. Others have formed regional health districts and probate courts where economics of scale and new area wide boundaries made sense. These voluntary compacts have worked well and should be encouraged. The state should continue to fund regional incentive programs and make them more flexible to encourage even greater regional cooperation and oppose efforts to reduce funding to the regional planning agencies. We urge you not to impose rigid definitions, such as minimum population size, in your definitions of regional cooperation. In Rural areas of our state geography is a factor which can impede efficiency. If Towns are allowed to work with Towns they already have strong working relationships there will be a stronger likelihood of success.

IMPLEMENT PROPERTY TAX REFORM INITIATIVES

In an ongoing effort to reduce municipal over-reliance on local property taxes to fund essential local services, including education, COST urges passage of a bill that would fund a statewide build-out analysis and a tax incidence study. A tax incidence study should include an analysis of federal, state and local tax burdens of state taxpayers and

assess how changes in local and state taxes would affect income levels. A build-out analysis is a critical tool in developing strategies for land use, conservation and growth.

PROVIDE TOWNS WITH REVENUE RAISING OPTIONS

Connecticut towns are experiencing decreases in own-source revenue from real property taxes and this decline will likely accelerate. Many have already established budget freezes and initiated layoffs. Understanding that the state is faced with a daunting budget deficit, towns are bracing themselves for cuts in state aid. We believe the state should authorize towns to develop reliable and growing revenue streams so that towns will know that the money will be there for them on an increasing basis from year to year. We therefore support efforts to allow towns to receive a share of the hotel tax generated within their town. We also support efforts to authorize towns to collect a dedicated \$10 per automobile fee from local taxpayers. This would enable municipalities to double their road maintenance and improvement capabilities.

We ask the State to “Teach Towns to Fish”, in other words give us the tools to work independently toward building a bountiful state.

In closing, we would like to urge lawmaker to ensure that no single municipal aid program is targeted for disproportionately large cuts. State and local government decision-makers need to balance priorities.

This recession is an opportunity to re-think how government works at all levels. Towns can be incubators for success if given latitude and respect. The State needs to get past the idea of the parents’ insistence “Our house, our rules” and invite towns to be real partners in governance and service delivery. A strong family working together is much more effective in handling tough times than a dysfunctional family.