



Testimony of John Elsesser
On Behalf of the Connecticut Council of Small Towns
Before the Appropriations Committee
of the Connecticut General Assembly
March 2, 2010

Good morning Senator Harp, Representative Geragosian, and members of the Committee. 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.

As my colleagues have already stated, I too applaud the Governor's proposed budget which "flat funds" statutory grants to municipalities. While we understand that the state is facing an unprecedented budget deficit, we hope that this Committee will also do all it can to recommend an FY 2010-11 budget that at least maintains state aid to towns at current levels. Cuts that result in shifting costs to municipalities for critical programs such as education, road repair and public safety will simply force towns to increase property taxes or reduce services at a time when you all know local taxpayers can least afford such increases.

I would like to mention state aid programs and policies that, although they may not necessarily come under the direct purview of this Committee, are inextricably tied to the question of financing essential local government services.

TOWN AID ROAD PROGRAM

We were disappointed last year when the Legislature and the Governor's agreed to convert the Town Aid Road grant program from a line item appropriation to a bond-funded program. TAR 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 we are responsible. Well-maintained local road networks are also vital to the state's overall business climate and competitiveness. Unfortunately, now the Town Aid Road program must come before the State Bond Commission for funding approval. The Governor chose not to put TAR on previous Bond Commission meeting agendas and has cancelled the last two meetings of the Commission. As a result, TAR funding is in Limbo. Many towns have made expenditures on improving local road needs in anticipation of receiving their TAR allocations. Absent TAR grants they'll be left holding the bag. Other towns have deferred important road projects that need attention now. If this situation continues unabated, Connecticut's local roads continue to deteriorate and the public's transportation safety will be impacted negatively.

LOCAL CAPITAL IMPROVEMENT PROGRAM (LoCIP)

LoCIP is an important municipal aid program that has been very important to towns in their efforts to improve our local infrastructure and our economic development capacities. Like TAR, LoCIP must come before the State Bond Commission for funding approval. Because the State Bond Commission has not been meeting their also great uncertainty when – or if - LoCIP allocations will be made. We urge you to do all you can to communicate your strong support for favorable action to fund the LoCIP program.

By the way, TAR and LoCIP grants at currently proposed levels of funding, represent nearly a quarter of a million dollars in “impounded” funds to the Town of Coventry. Needless to say, this is serious money.

SMALL TOWN ECONOMIC ASSISTANCE PROGRAM (STEAP)

COST, along with many of you on this Committee who belong to the Legislature's Small Town Committee, played a lead role in formulating and passing the bill that established STEAP. Since its creation, STEAP has provided small towns with an essential source of economic development and job creation aid, similar to (but obviously smaller than) the Urban Action Grant program that the bigger cities rely on. The \$20 million annual bond funding that has been designated for the STEAP program is a high priority initiative that we hope you will do your best to continue. Many

of the towns you represent have benefited greatly from this program. Our Town has used STEAP funding to help initiate the Coventry Village economic development project, which is essential to our community as well as police and fire station improvements.

MUNICIPAL CONVEYANCE TAX

The legislature extended the current rate of the municipal conveyance tax through June 30, 2010. Without positive action, the rate will go down beginning with the new fiscal year. Towns need predictable sources of revenue to assist them in meeting their obligations to citizens and businesses, and the municipal conveyance tax is an important source of such aid. The municipal conveyance tax should be made permanent at its current rate. Towns should not be forced to fight for the continuation of this tax every one or two years. By the way, this is one initiative that won't cost the State a dime.

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, as I'm sure you're aware, 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. Raised S.B. 16 - An Act Exempting Municipalities From The Insurance Premium Tax – would do what we'd like and we encourage your support. To put the impact of this tax in perspective this year it cost Coventry Taxpayers \$94,000 or the total tax bill of 27 houses. Next year this is projected to increase by over \$12,000 or another 3.5 houses worth of tax. Larger Communities have a large enough insurance census so they can self insure and do not have to pay this tax. This tax discriminates against small towns.

CONCLUSION

COST recognizes the difficult budget-making challenges facing this Committee – indeed the entire General Assembly and the Governor. As stated earlier by COST President Susan Bransfield, we stand ready to work side-by-side with you as collaborators in efforts to manage the change we face.

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 old notion of “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 one that works at cross-purposes. Thank you. I’d be please to answer any questions you may have.