



**Testimony of Barbara Henry  
on Behalf of the Connecticut Council of Small Towns  
Appropriations Committee Forum  
March 7, 2012**

Good afternoon Senator Harp, Representative Walker and members of the Committee. My name is Barbara Henry and I'm the First Selectman of the Town of Roxbury. I'm also President of the Connecticut Council of Small Towns.

On behalf of COST's entire membership, I'd like to thank the Committee for taking the time to hold this informational forum on the impact of the Governor's proposed state budget on Connecticut municipalities and on some other key local government issues. We know you're very busy and COST greatly appreciates your willingness to take the time to consider the fiscal needs and concerns of Connecticut's towns and cities.

You'll be hearing shortly from other COST's representatives who will comment on critical municipal grant programs, including education and infrastructure investment. I would like to begin by sharing with you COST's overall perspective on the Governor's proposed budget and other proposals impacting small towns and cities.

COST is very pleased with the priorities outlined in Governor Malloy's proposed budget and in his recent comments at COST's Town Meeting 2012. There are certainly a lot of big pluses for Connecticut's small towns in Governor Malloy's budget – more money for education, less red tape for towns and schools, a much-needed property tax fix and other mandate relief measures.

The proposed budget recognizes that Connecticut's small towns and cities are facing another brutal budget year and it would be impossible to absorb any additional cuts in state aid. We therefore deeply appreciate Governor Malloy's and this committee's continued commitment and bipartisan support for maintaining state aid to municipalities. The proposed budget holds towns essentially harmless, and gives municipal officials an early signal that they can count on level funding which is essential to local budget planning processes. It also avoids shifting the state's fiscal burden onto the backs of already overburdened property taxpayers.

We are also pleased that Governor Malloy recognizes the need to do more to help our towns educate their young people. Although most of the additional funds are targeted to the state's neediest school districts, we are hopeful that small towns will receive their fair share of education funding this year. Pat Llodra, First Selectman of Newtown, will be commenting on behalf of COST on education issues.

COST also applauds Governor Malloy's proposal to ease some existing mandates on cities and towns. Towns need such "tools" to lower the cost of local government operations - especially

during these tough economic times, including the following proposals:

**PARTIALLY COMPLETED CONSTRUCTION** - The Governor's proposal includes a very important measure which clarifies that partially completed construction is subject to property taxation, plugging a potential \$30 million loss of revenue for towns. Municipalities have long assessed property taxes on partially-completed construction consistent with current law which requires all real estate assessments to be based on "fair market value". This certainly makes sense because a lot with partially completed construction will generally have a greater fair market value than a vacant lot. However, a property owner has challenged this practice in the courts in a case currently pending on appeal and so this fix is necessary.

**INSURANCE PREMIUM TAX** - The Governor's proposal phases out the 1.75% premium loading tax on municipal health insurance policies. The skyrocketing costs for local employee and retiree health insurance represent 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. The insurance premium tax, which is a 1.75% tax on fully insured municipal premiums, is particularly bad news for Connecticut's small towns because they can't afford to self-insure to avoid the premium tax and other mandated health insurance costs.

**PREVAILING WAGE MANDATE** - Another mandate, which was not included in the Governor's proposal, is prevailing wage thresholds. Under existing law, any renovation project of more than \$100,000 and any new building project of more than \$400,000 are subject to the prevailing wage mandate. This forces towns to pay a premium for low-end construction projects. Reporting and other paperwork demands are such that many smaller local companies do not bother to bid on work in their own towns - work that they are fully qualified and licensed to perform. The existing thresholds are not indexed for inflation and have not been adjusted in more than 20 years. The time has come to help municipalities lower the costs of local building projects by raising the thresholds at which prevailing wage rates kick in.

#### **PUBLIC SAFETY**

I would also like to discuss public safety issues affecting Connecticut's small towns. Last year, the state shifted the full financial responsibility of resident state trooper overtime costs to the town that employs them. As a result, some towns may end up eliminating the resident state trooper program, forcing the state to pay more for providing state police coverage in these areas. We therefore need to restore funding for the Resident State Trooper program or address barriers to towns sharing troopers. The state is also considering a proposal to force consolidation of Public Safety Answering Points (PSAPs). Under current law, the Office of Statewide Emergency Telecommunications (OSET) provides towns with incentive grants as part of the state's efforts to regionalize dispatch services to increase efficiency and cost-effectiveness. However, a proposal under consideration would give OSET free rein to mandate regionalization of PSAPs and withhold funds to towns that did not comply with the mandate. We are therefore concerned that the state will move forward with legislation adopting a "stick" approach to regionalization and move away from an incentive-based approach, undermining a town's ability to provide critical emergency services to its residents and businesses.

Thank you for your thoughtful consideration. As I said at the outset, some of my COST colleagues and other municipal leaders will be testifying on specific high-priority state aid programs, but I'd be happy to answer any questions that you may have about my statement.