



APPROPRIATIONS COMMITTEE SPECIAL FORUM FOR MUNICIPAL OFFICIALS

March 7, 2012

STATE AID FOR GENERAL MUNICIPAL GOVERNMENT

- ❖ The Governor is proposing a 3.2% increase in overall municipal aid in FY2013. **Non-education aid would increase by 1.1%.**
- ❖ **PILOT payments for state-mandated, tax-exempt property** of the State and of private colleges and hospitals would be level funded again in FY2013. The reimbursement rate for state-owned property has fallen from 41% in FY2002 to 26% this year, and the reimbursement rate for private colleges and hospitals from 73% in FY2002 to 38% this year.

Statutes call for 77% reimbursement for private colleges and hospitals and 45% for most state-owned property.
- ❖ **Pequot-Mohegan grants** provided as much as \$135 million annually from FY1998 to FY2002. In FY2013, they would provide just \$61.8 million, the same as the previous three years. At its inception, municipalities received 78% of these slot-machine revenues – this year they will receive about 18%.
- ❖ **Local Capital Improvement and Town Aid Road would both be funded at \$30 million in FY2013, the same as this year.**
- ❖ The Governor would **maintain funding for the DECD PILOT and Tax Abatement** grants in FY2013.
- ❖ Because grant distributions are determined by formula **the statewide total can remain the same, but funding for individual municipalities can fluctuate.** For example, an increase in property owned by private colleges and hospitals in one community means all others will get less both under that grant distribution AND Pequot-Mohegan grants (of which PILOTs are a formula factor).
- ❖ **While we appreciate level-funding in tough times, state aid for general municipal government has declined in real dollar terms – putting more pressure on the property tax.**



APPROPRIATIONS COMMITTEE SPECIAL FORUM FOR MUNICIPAL OFFICIALS

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STATE AID FOR EDUCATION

- ❖ Expenditures on elementary and secondary education totaled **\$9.9 billion in the 2009-10 school year**, according to the State Department of Education.
 - Local Share - \$5.2 billion (52.9%)
 - State Share - \$3.7 billion (37.4%)
 - Federal Share - \$921.4 million (9.3%)
 - Other - \$42.1 million (0.4%)
- ❖ Education is the **largest single item in municipal budgets** -- in some towns as much as 80% of the total budget.
- ❖ **\$0.62 out of every property tax dollar goes to pay for PreK-12 public education.**
- ❖ The ECS grant is now **underfunded by over \$700 million.**
- ❖ The Governor is proposing a **3.5% increase in education aid for FY2013**. The percentage of the state budget allocated to **K-12 public education grants** would remain under 13% of the total proposed FY2013 budget.
- ❖ Under the proposal, the **State's share of Pre K-12 public education costs** would rise to about 43% in FY2013.
- ❖ **Governor Malloy's proposed budget calls for an increase in the ECS grant of \$48.1 million (2.5%), including \$4.5 million in competitive grants.** No town would receive a decrease in ECS funding, and 130 towns would see an increase. Note that this total does not include \$6.4 million in ECS funding that is used to partially fund state chart school students.
- ❖ **Funding for state charter schools will be increased to \$12,000 per student and incorporated into ECS**, though the funds will not be distributed through the formula. Towns in which the charter school student resides would be **required to contribute \$1,000 of the \$12,000 amount.**
- ❖ **Chronic state underfunding of Pre K-12 public education has made Connecticut the most reliant state in the nation on property taxes to fund education.**



APPROPRIATIONS COMMITTEE SPECIAL FORUM FOR MUNICIPAL OFFICIALS

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STATE AID FOR SPECIAL EDUCATION

- ❖ The cost of special education services now surpasses the \$1.7 billion mark.
- ❖ This spending accounts for over 21 percent of total current expenditures for education in Connecticut, and costs are growing at 5-6% per year.
- ❖ Municipalities pay about 60% of these costs. The State pays 30%, and the federal government pays 10%.
- ❖ Unforeseen demands for special education services too often result in local budget adjustments, supplementary appropriations, and other extraordinary measures. This is particularly troublesome in smaller towns, where the addition of even one special-needs student can decimate the budget.
- ❖ The Excess Cost grant has remained at \$139 million for the past three years. The Governor is proposing level funding for the grant again in FY2013.
- ❖ Level funding of the Excess Cost grant means that each municipality's reimbursement is capped regardless of how much its special education expenditures increase.
- ❖ **Comprehensive education reform must address special education. Special education is the fastest growing component of school budgets in Connecticut.**



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PILOT FOR MANUFACTURING MACHINERY AND EQUIPMENT

- ❖ The State mandates that municipalities exempt certain manufacturing machinery and equipment from property tax.
- ❖ In FY2011, the appropriation for the program is capped at \$47.9 million, **reimbursing towns and cities for only 50% of lost revenue, well below the 80% called for in statute.**
- ❖ **The PILOT was eliminated in FY2012**, but the mandate for the tax exemption remains.
- ❖ A new grant called **the Manufacturing Transition Grant (MTG) replaced the PILOT in FY2012**. It is currently funded at the same level as the PILOT in FY2011.
- ❖ The MTG is proposed to be **level funded again in FY2013**.
- ❖ **This underfunded mandate** penalizes all other residential and business property taxpayers in municipalities that host such tax-exempt equipment.
- ❖ **While level-funding is appreciated during these tough times, it is important that the MTG is maintained going forward so that residential and other businesses are not forced to shoulder a heavier burden of this mandated tax policy.**



FY2012 Manufacturing Transition Grants

Town	FY2012
Andover	\$2,929
Ansonia	\$70,732
Ashford	\$2,843
Avon	\$213,211
Barkhamsted	\$33,100
Beacon Falls	\$38,585
Berlin	\$646,080
Bethany	\$54,901
Bethel	\$229,948
Bethlehem	\$6,305
Bloomfield	\$1,446,585
Bolton	\$19,812
Bozrah	\$110,715
Branford	\$304,496
Bridgeport	\$839,881
Bridgewater	\$491
Bristol	\$2,066,321
Brookfield	\$97,245
Brooklyn	\$8,509
Burlington	\$14,368
Canaan	\$17,075
Canterbury	\$1,610
Canton	\$6,344
Chaplin	\$554
Cheshire	\$598,668
Chester	\$71,130
Clinton	\$168,444
Colchester	\$31,069
Colebrook	\$436
Columbia	\$21,534
Cornwall	\$0
Coventry	\$8,359
Cromwell	\$27,780

Danbury	\$1,534,876
Darien	\$0
Deep River	\$86,478
Derby	\$12,218
Durham	\$122,637
Eastford	\$43,436
East Granby	\$430,285
East Haddam	\$1,392
East Hampton	\$15,087
East Hartford	\$3,576,349
East Haven	\$62,435
East Lyme	\$17,837
Easton	\$2,111
East Windsor	\$237,311
Ellington	\$181,426
Enfield	\$219,004
Essex	\$80,826
Fairfield	\$82,908
Farmington	\$440,541
Franklin	\$413,545
Glastonbury	\$202,935
Goshen	\$2,101
Granby	\$28,727
Greenwich	\$70,905
Griswold	\$35,790
Groton	\$1,373,459
Guilford	\$55,611
Haddam	\$2,840
Hamden	\$230,771
Hampton	\$0
Hartford	\$1,184,209
Hartland	\$758
Harwinton	\$17,272
Hebron	\$1,793
Kent	\$0
Killingly	\$567,638
Killingworth	\$4,149
Lebanon	\$24,520
Ledyard	\$296,297
Lisbon	\$2,923
Litchfield	\$2,771

Lyme	\$0
Madison	\$6,880
Manchester	\$861,979
Mansfield	\$5,502
Marlborough	\$5,890
Meriden	\$721,037
Middlebury	\$67,184
Middlefield	\$198,671
Middletown	\$1,594,059
Milford	\$1,110,891
Monroe	\$151,649
Montville	\$356,761
Morris	\$2,926
Naugatuck	\$274,100
New Britain	\$1,182,061
New Canaan	\$159
New Fairfield	\$912
New Hartford	\$110,586
New Haven	\$1,175,481
Newington	\$758,790
New London	\$30,182
New Milford	\$628,728
Newtown	\$192,643
Norfolk	\$5,854
North Branford	\$243,540
North Canaan	\$304,560
North Haven	\$1,194,569
North Stonington	\$0
Norwalk	\$328,472
Norwich	\$161,111
Old Lyme	\$1,528
Old Saybrook	\$38,321
Orange	\$85,980
Oxford	\$72,596
Plainfield	\$120,563
Plainville	\$443,937
Plymouth	\$124,508
Pomfret	\$22,677
Portland	\$73,590
Preston	\$0
Prospect	\$56,300

Putnam	\$139,075
Redding	\$1,055
Ridgefield	\$452,270
Rocky Hill	\$192,142
Roxbury	\$478
Salem	\$3,740
Salisbury	\$66
Scotland	\$6,096
Seymour	\$255,384
Sharon	\$0
Shelton	\$483,928
Sherman	\$0
Simsbury	\$62,846
Somers	\$72,769
Southbury	\$16,678
Southington	\$658,809
South Windsor	\$1,084,232
Sprague	\$334,376
Stafford	\$355,770
Stamford	\$407,895
Sterling	\$19,506
Stonington	\$80,628
Stratford	\$2,838,621
Suffield	\$152,561
Thomaston	\$315,229
Thompson	\$62,329
Tolland	\$75,056
Torrington	\$486,957
Trumbull	\$163,740
Union	\$0
Vernon	\$121,917
Voluntown	\$1,589
Wallingford	\$1,589,756
Warren	\$235
Washington	\$231
Waterbury	\$2,076,795
Waterford	\$27,197
Watertown	\$521,334
Westbrook	\$214,436
West Hartford	\$648,560
West Haven	\$137,765

Weston	\$366
Westport	\$0
Wethersfield	\$17,343
Willington	\$15,891
Wilton	\$247,801
Winchester	\$249,336
Windham	\$369,559
Windsor	\$1,078,969
Windsor Locks	\$1,567,628
Wolcott	\$189,485
Woodbridge	\$27,108
Woodbury	\$45,172
Woodstock	\$55,097
SUBTOTAL	\$49,467,214
Borough of Jewett City	\$3,329
Barkhamsted F.D.	\$1,996
Berlin: Kensington F.D.	\$9,430
Berlin: Worthington F.D.	\$747
Bloomfield: Center Fire	\$3,371
Bloomfield: Blue Hills	\$88,142
Cromwell: Fire District	\$1,662
Enfield: F.D.#1	\$12,688
Enfield: Thompsonville #2	\$2,814
Enfield: Hazardville Fire #3	\$1,089
Enfield: N.Thmpsonville F.D.#4	\$55
Enfield: Shaker Pines #5	\$5,096
Groton - City	\$241,680
Groton Sewer	\$1,388
Groton: Mystic Fire D. #3	\$19
Groton: Old Mystic F.D. #5	\$1,610
Groton: Poquonnock Bridge Fire	\$17,967
Killingly: Attawaugan F.D.	\$1,457
Killingly: Dayville F.D.	\$33,885
Killingly: Dyer Manor	\$1,157
Killingly: E. Killingly F.D.	\$75
Killingly: So. Killingly F.D.	\$150
Killingly: Williamsville F.D.	\$5,325
Manchester: Eighth Utilities District	\$55,013
Middletown: South Fire	\$165,713
Middletown: Westfield Fire	\$8,805

Middletown City Fire	\$27,038
New Hartford: Village Fire D.	\$5,664
New Hartford: Pine Meadow	\$104
New Hartford: South End Fire D.	\$8
Plainfield: Central Village Fire D.	\$1,167
Plainfield: Moosup: Fire D.	\$1,752
Plainfield: Plainfield Fire D.	\$1,658
Plainfield: Wauregan Fire D.	\$4,360
Pomfret F.D.	\$841
Putnam: E. Putnam F.D.	\$8,196
Simsbury: Simsbury Fire D.	\$2,135
Stafford Springs Service Dist.	\$12,400
Sterling: Sterling Fire D.	\$1,034
Stonington: Mystic F. D.	\$478
Stonington: Old Mystic Fire D.	\$1,999
Stonington: Pawcatuck Fire D.	\$4,424
Stonington: Quiambaug FireD.	\$65
Stonington: Wequetequock Fire D.	\$58
Trumbull: Center District	\$461
Trumbull: Long Hill Fire D.	\$889
Trumbull: Nichols Fire D.	\$3,102
West Haven: Allingtown Fire D.	\$17,230
West Haven: First Center Fire D. #1	\$7,410
West Haven: West Shore FireD. #2	\$29,445
Windsor: Wilson Fire D.	\$170
Windsor: Windsor Fire D.	\$38
Windham: First D.	\$7,096
SUBTOTAL	\$803,885
TOTAL	\$50,271,099



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MUNICIPAL REVENUE SHARING

- ❖ Beginning this fiscal year, there is additional funding for towns and cities from the new Municipal Revenue Sharing Account (MRSA).
- ❖ The MRSA is funded from a portion of the increased state sales tax (0.1%) and the entire increased portion of the state real estate conveyance tax (0.25%). An estimated \$93 million will be generated in FY2012 and another \$99 million will be generated in FY2013.
- ❖ Two grants will be paid from the MRSA.
 - **Manufacturing Transition Grants replace the PILOT: Manufacturing Machinery and Equipment (MME) program.** Municipalities will receive in FY2012 and FY2013 the same grant amount they received for the MME grant in FY2011. Any municipality that did not receive a grant in FY2011 due to filing error will receive an amount equal to its FY2012 estimated payment. The grants total an estimated \$50 million statewide and will be paid quarterly in November, February, May, and August.
 - **Property Tax Relief (PTR) grants will be funded from any remaining revenue in the Municipal Revenue Sharing Account after the Manufacturing Transition Grants are paid.** The amount is currently estimated to be about \$43 million statewide. All towns and cities will receive a grant, and the distribution will be through a combination of the Local Property Tax Relief Trust Fund formula (50%) and the population in each municipality (50%). These new grants are expected to be paid in August.
- ❖ There is an additional **Regional Performance Incentive Account (RPIA)**, which will provide grants to RPOs and municipalities on a competitive basis for regional projects. The RPIA grants are funded through an increase in the hotel (1.0%) and car rental (1.0%) taxes. That revenue is estimated to be about \$7.2 million statewide in FY2012.
- ❖ This year marks the first year of direct state-local revenue sharing and it establishes a foundation upon which to reduce the overdependence on property taxes to fund municipal services, particularly Pre K-12 public education.



APPROPRIATIONS COMMITTEE SPECIAL FORUM FOR MUNICIPAL OFFICIALS

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MANDATES RELIEF FOR TOWNS AND CITIES

- The CT Advisory Commission on Intergovernmental Relations has reported that **there are currently over 1,200 state mandates on towns and cities.**
- Mandates relief is a critical part of resolving the property tax crisis.
- Mandates relief doesn't cost the State a dime.
- The Appropriations Committee has a special statutory obligation to analyze and act on proposed unfunded mandates (CGS 2-32b).
- To provide meaningful mandates reform during a challenging fiscal crisis, CCM urges the Committee to be bold and support the following reforms:
 - Enact a Constitutional amendment or **statutory prohibition to prohibit the passage of unfunded or underfunded state mandates without a 2/3 vote of both chambers of the General Assembly.**
 - Clarify **municipal authority to assess**, for the purposes of local property taxes, **partially constructed structures** by amending CGS 12-64 to include **"improvements that are partially completed or under construction"**.
 - Establish a long-term, stable solution to maintain state reimbursements for the **Manufacturing Machinery & Equipment (MM&E) PILOT.**
 - **Allow municipalities to defer revaluations** to (a) provide savings from the cost of conducting them, and (b) provide a measure of relief to hard-pressed residential property taxpayers.
 - Require the **Mortgage Electronic Registration Systems (MERS) to file mortgage assignments with municipal clerks** to (1) enable homeowners facing foreclosure to know who owns their homes and (2) prevent MERS from avoiding recording fees that costs municipalities and the State tens of millions of dollars each year.

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- **Amend the State's prevailing wage rate mandate:** (a) adjust the thresholds for renovation construction projects from \$100,000 to \$400,000; (b) adjust the thresholds for new construction projects from \$400,000 to \$1 million; and (c) index both thresholds for inflation thereafter. Also, **exempt municipal school construction projects from the State's mandated prevailing wage rate law.** This modest adjustment could offset reductions in state aid for school construction projects and therefore, enable such projects to continue.
 - **Modify state-mandated compulsory binding arbitration laws to:**
 - (a) Amend CGS 7-473c within the Municipal Employee Relations Act (MERA) – to **impose deadlines for interest arbitration which would require that the negotiation process and binding arbitration be completed no later than one year from the date binding arbitration is imposed by the State.**
 - (b) Amend CGS 31-98(a) to **require that a grievance arbitration award be issued not more than 60 days following the date post-hearing briefs are filed** therefore, establish mandatory time limits to issue grievance arbitration awards in cases before the State Board of Mediation and Arbitration.
 - **Allow municipalities and regions to levy (1) a "land value" tax, and (2) a \$10 surcharge on registered motor vehicles** for local infrastructure needs.
 - Modify the requirements for posting legal notices in newspapers to allow municipalities the **ability to publish notice of the availability of a particular document on their website**, instead of having to publish the entire document.
 - Amend CGS 7-148v to **increase the threshold for requiring competitive bidding**, from \$7,500 to \$15,000.
- Over the past few years the General Assembly has rejected numerous proposed new mandates that would have collectively imposed huge costs on property taxpayers.
- Please remain vigilant. Even this year, mandates are being proposed. *Commit to ensuring that no new unfunded state mandate passes through the Committee.*



TESTIMONY

of the

CONNECTICUT CONFERENCE OF MUNICIPALITIES

to the

EDUCATION COMMITTEE

February 22, 2012 - R

The Connecticut Conference of Municipalities (CCM) is Connecticut's statewide association of towns and cities and the voice of local government - your partners in governing Connecticut. Our members represent over 90 percent of Connecticut's population. We appreciate the opportunity to testify today on proposed legislation of interest to towns and cities.

Senate Bill 24 "An Act Concerning Educational Competitiveness"

CCM applauds the Governor for making PreK-12 public education reform a priority despite the difficult fiscal challenges facing the State and local governments.

The Governor's proposals are ambitious, far-reaching, and complicated. The full implications of the proposals on local school districts, towns and cities, and local property taxpayers are difficult to evaluate based on the information presently available.

CCM will comment on the pros and cons of S.B. 24 as we presently understand it and raise questions about aspects of the proposal we are unsure of.

CCM asks the Committee to consider holding another hearing, at least an informational one, in a couple of weeks so as to fully delve into all the implications of the Governor's initiatives as new details emerge.

Overview of PreK-12 Education

- *There were approximately 556,000 students enrolled in Connecticut's public schools in the 2010-11 school year.¹*
 - Magnet Schools - 31,000 (5.6%)
 - CT Technical High School System - 10,600 (1.9%)
 - State Charter Schools - 5,700 (1.0%)
 - Traditional Public School Districts - 509,000 (91.5%)

- *Thus, traditional school districts educate 91.5 percent of public school students in Connecticut. Charter and magnet schools educate 6.6 percent.*

¹ State Department of Education, CEDaR (latest data available from SDE)

- *Expenditures on elementary and secondary education totaled \$9.9 billion in 2009-10 school year.²*
 - Local Share - \$5.2 billion (52.9%)
 - State Share - \$3.7 billion (37.4%)
 - Federal Share - \$921.4 million (9.3%)
 - Other - \$42.1 million (0.4%)
- *On average, PreK-12 public education is 59 percent of municipal budgets.*
- *\$0.62 out of every property tax dollar goes to pay for PreK-12 public education.*
- *The ECS grant is now underfunded by over \$700 million.*

As the facts above make clear, Connecticut is the most reliant state in the nation on property taxes to fund PreK-12 public education. The property tax is the largest state-local tax in our state, and the largest on business. Because of chronic state underfunding of PreK-12 education, the town side of municipal government has actually shrunk in size over the last decade in order to fund the increasing costs of education services.

The key to property tax reform in Connecticut is education finance reform.

As the Committee is aware, funding of PreK-12 public education has long been controversial in Connecticut. There has been almost 40 years of litigation (see Appendix C) on whether the State is meeting its state constitutional funding responsibilities. In every instance, the State has been found to be in noncompliance with its own constitution.

Absent a settlement, CCM is confident that the plaintiffs in the most current lawsuit, *CCJEF v Rell*, will prevail. The State is, yet again, failing to meet its constitutional responsibilities to adequately and equitably fund PreK-12 public education.

Proposed Changes to the Education Cost Sharing Grant

The Governor has proposed significant changes to the Education Cost Sharing (ECS) grant. Below are details on the proposed changes.

- *There is a proposed \$54.5 million increase in ECS funding.*
 - \$50 million will be distributed to traditional school districts. Of that amount, \$39.5 million will go to new “Conditional Funding Districts,” which are the 30 lowest-performing districts based on CT Mastery Test scores (see Appendix A for a list of the districts).
 - An additional \$4.5 million will be available on a competitive basis, with \$3.5 million going to conditional funding districts.
- *There are proposed changes to the formula elements.*
 - The foundation would be increased to \$12,000, from the current \$9,687.

² State Department of Education (Latest data available from SDE. See Appendix B for CCM estimated updates.)

- Bilingual students would be added to Limited English Proficiency (LEP) student count, though the weighting toward need-student counts would remain at 15 percent.
 - HUSKY A enrollment would be used as a poverty measure, replacing Title 1 poverty, though the weighting toward need-student counts would remain at 33 percent.
 - The minimum aid ratio would be reduced to zero, while it will be 20 percent for conditional funding districts.
 - The Minimum Budget Requirement (MBR) would add a provision that allows districts not designated as conditional funding districts to reduce education appropriations if they can show intra-district efficiencies or regional collaboration. Conditional funding districts would have to maintain current funding and meet the new minimum local funding percentage.
 - A hold-harmless provision is established so that no school district will receive less in the future than it receives today.
 - Wealth would be measured using Median Household Income (MHI) as obtained by DECD. This measure replaces the Census Bureau's MHI.
- *The Governor is also proposing changes to funding for charter schools.*
 - Funding for state charter schools will be incorporated into ECS, though the funds will not be distributed through the formula. The current funding total for charter schools, in a separate state budget line item, is \$59.8 million.
 - The per-pupil, state grant would be increased from \$9,400 to \$11,000. Towns in which the student resides would be required to contribute \$1,000 per pupil, so charter school funding would increase to \$12,000 per pupil, a 28 percent increase over the current grant.
 - An additional \$14.1 million in new funding for state charter schools would also be part of ECS.

Discussion of Proposed Changes in S.B. 24

We applaud the Governor's proposal to increase ECS funding. This is long overdue. There has been level-funding of ECS since FY 2009. The proposed phase-in of increased funding is an important first step, but there must be a sustained commitment to significantly increase ECS over a reasonable period of time until full funding is achieved. A fully funded ECS grant under the nascent formula proposed in S.B. 24 would total over \$4 billion.

We support these additional resources and the fact that municipalities will be held harmless. CCM also supports the proposed changes to the ECS foundation, poverty, and wealth measures, and need-student counts. CCM understands that the Governor's ECS Task Force will continue to discuss and recommend further changes to the ECS formula.

CCM has some concerns with other aspects of the Governor's proposal, however.

ECS Formula Elements (Sections 1-3)

In the original ECS formula, the **foundation** was to adjust to costs each year, starting in 1993-94. That way, as actual costs rose, the foundation - and each town's ECS grant - would rise as well.

In practice, the foundation remained significantly below actual costs. Between FY1994 and FY2007 the foundation was raised three times, going from \$4,800 to \$5,891. In FY2007, the foundation was increased to \$9,687, and it has remained there ever since. All the while, per-pupil expenditures continue to rise, reaching \$11,864 in FY2007 and \$13,584 in FY2010. **The proposed increase in the foundation to \$12,000 is welcome and appreciated.**

The failure of the foundation to keep pace with costs devastated the efficacy of the ECS formula. Even though needier towns have the highest aid ratios, the foundation gap erodes the equalizing power of ECS because towns of moderate or low fiscal capacity are least able to fund the gap with local property tax revenues. Their only options are to underfund other critical local services and overburden local property taxpayers.

The foundation should be based on a sound analysis of what it costs to provide appropriate learning opportunities consistent with the State's high standards, the performance improvements under No Child Left Behind (NCLB), and all that is expected of schools in adequately preparing a highly competitive future workforce. The foundation should also be tied to a cost index.

CCM believes one of the key steps to determining appropriate funding for PreK-12 public education is to conduct a study to determine just how much it costs to appropriately educate a child in Connecticut. With information from such an adequacy study, policymakers can then further refine an education financing mechanism that would generate and target the necessary resources.

The Governor's proposal makes no changes to the **State Guaranteed Wealth Level (SGWL)** - the mechanism that determines each town's ECS aid percentage.

Although one of the more complex ECS calculations, the SGWL has a very simple purpose and is the single biggest factor that drives the ultimate state share of foundation level spending. Each town's wealth is compared to the SGWL to determine what percentage of the foundation it will receive from ECS and what will have to come from local revenue (property tax) sources.

Originally, the SGWL was to be set at a level that would give the median town - the town ranked 85th in fiscal capacity out of the state's 169 communities - 50 percent of the foundation per student from ECS. Towns below the median would receive higher amounts than 50 percent of the foundation, and those above the median would receive amounts less than 50 percent. At this original SGWL rate (2.0 x median wealth), the average state share of PreK-12 public education costs would tend to be around 50 percent.

From the inception of ECS, the SGWL was reduced several times to a low of 1.55 times median wealth where the median town only qualified for a 35-percent aid percentage, thereby reducing the State's overall share of the foundation accordingly. In 2007, the SGWL was increased to 1.75 times median wealth, short of its original level. **At the current level, the median town percentage is up to 43 percent. The overall state share of the foundation cannot reach 50 percent until the SGWL is restored to its originally intended level of 2.0 times median wealth.**

The **wealth measurement** in the current formula relies on outdated data. **The proposal to replace the measures with a more up-to-date estimate of Median Household Income is a good step.** These data would be collected by a third party, so efforts must be made to ensure that the data remains available and as current as possible.

Another and more promising source for income data is the CT Department of Revenue Services (DRS). The annual income data produced by DRS may be more consistent, though two concerns arise.

First, the DRS data is now collected by zip code rather than by town, and zip codes are often associated with more than one town. CCM understand that income data will soon be collected by town to get a more accurate reading for purposes of a town-by-town calculation.

Secondly, many Connecticut residents are not required to file a tax return, so they would be left out of the data. These are generally lower-income residents. This issue may be partially addressed as the new Earned Income Tax Credit (EITC) is resulting in more filers.

The proposed change in the **poverty measure**, from Title I to HUSKY A, is a positive step. CCM and others feel that the Title I measure underestimates poverty numbers.

Minimum Budget Requirement (Section 4)

The proposed changes to the Minimum Budget Requirement (MBR) would add a provision that allows districts not designated as conditional funding districts to reduce education appropriations if they can show intra-district efficiencies and regional collaborations. The existing proposal that allows a reduction in appropriations if there is a decrease in enrollment remains in place.

Conditional funding districts would have to maintain current funding and meet the new minimum local funding percentage. The SDE Commissioner may permit a municipality designated as a conditional funding district to reduce its budgeted appropriation for education if such municipality can demonstrate that its local contribution has increased when compared to the local contribution used in determining its local funding percentage.

Charter Schools (Section 7)

Charter schools are seen by some as part of the answer in addressing Connecticut's achievement gap. Though charter schools educate only one percent of the public students statewide, they are a focus of the Governor's proposal.

Funding for state charter schools has historically been outside the ECS formula. This was due in part to the fact that these schools are chartered and regulated by the State and do not answer to local school districts. These schools are free of many of the requirements of traditional schools. They were originally sold to the State as a more efficient and effective deliverer of education services. Another reason charter schools were not part of ECS is because the State now pays \$9,400 per pupil directly to charter schools regardless of need factors. Many of these charter schools have substantial private endowments or contributions that they are not required to disclose and that supplement their state-guaranteed per pupil subsidy. There is not a traditional school district in Connecticut that now receives \$9,400 per pupil in state funding. The Governor is proposing a 28% increase in charter school funding. The traditional school districts that host

charter schools will remain responsible for the special education and transportation costs of charter school students.

Why incorporate funding for charter schools into the ECS grant when such funding is not run through this needs formula? What is the policy goal here?

S.B. 24 also **requires municipalities to fund \$1,000 of the new \$12,000 per-pupil grant for state charter schools.** This increased cost is supposedly balanced by additional funding in ECS. **Why would the State not fund the entire \$12,000 directly to charter schools instead of embedding the unique charter school transaction in a needs-based education equalization formula?** The local portion of this new charter school funding, \$6.4 million, is taken directly from the \$50 million proposed increase in ECS. It means that **the ECS increase is really \$43.6 million in net new dollars.**

CCM understands that charter schools may be a component of an effective strategy to narrow Connecticut's achievement gap. However, in the context of chronic state underfunding of the ECS grant, **it is inappropriate to require resource-starved municipalities to pay \$1,000 per pupil to state charter schools.**

New Minimum Local Funding Percentage

Another component of the Governor's proposal that CCM is concerned about is the new mandated minimum local funding percentage. This would initially require that local governments fund at least 20 percent of the education costs of conditional school districts, with that percentage increasing each year until it reaches 30 percent in FY2016.

While it may only impact a few municipalities, it would place an added burden on already strained local budgets and property taxpayers. The municipalities most likely to be impacted are Connecticut's poorest communities with already high effective property tax rates and with significant municipal overburden (high demand for non-education services).

How does the minimum local funding requirement aid in reducing the over-reliance on property taxes to fund PreK-12 public education? How does it meet the State's constitutional responsibility to adequately and equitably fund PreK-12 public education?

Conditional Funding Districts (Sections 1 & 4)

The proposal calls for 30 districts to be designated as conditional funding districts. It is unclear as to why the number 30 was chosen. Is the cutoff random? What if the weighted test scores for the 31st or 32nd districts are only just slightly above the 30th district? One could argue that they have the same or close to the same need as the 30th or possibly the 29th, yet they would not be eligible for additional resources.

It is understandable that more will be expected of the conditional funding districts in order to receive additional resources. What is unclear, however, is the eventual impact on districts that fail to meet the required objectives. Presumably, they'll lose funding and other support. This would place an even bigger strain on municipal budgets. A clearer picture of how the entire conditional component will work is needed.

Special Education

One significant aspect of education finance that is missing from the reform dialogue is special education. This is the single largest driver of cost in PreK-12 public education, growing at an estimated 5-6 percent annually. Towns and cities already fund about 60 percent of these program costs, and, like the ECS grant, the state Excess Cost grant has been level funded since FY2009. The grant is supposed to provide reimbursement for costs that exceed 4.5 times the average per-pupil cost in each district. Level state funding means that each municipality's reimbursement is capped. **Special education reform is an essential element of education reform.**

Regional Consolidation (Section 11)

S.B. 24 contains language designed to make small school districts consolidate. Small school districts are defined as those with less than 1,000 students. One provision would start reducing funding beginning in FY2016 for such districts that have per-pupil costs that exceed the state average per-pupil cost by at least 10 percent. Those districts would be given a per-pupil reduction in funding of \$1,000 times 10 percent (\$100), with the percentage increasing by an additional 10 percent each year through year five.

The bill also requires the State Department of Education to provide, within available appropriations, funding to small districts to support efforts to examine school district consolidation. An additional provision requires the Commissioner of Education to submit recommendations to incentivize small district consolidation.

CCM is opposed to a "stick" approach to consolidation. CCM supports a "carrot" approach that provides incentives to such districts to consolidate.

Authority to Employ Teachers and Administrators (Section 29)

The bill eliminates the authority of school boards to play a role in hiring teachers and school administrators. It would mandate that such authority be solely vested with the school superintendent. It eliminates a statutory provision that allows school boards to retain such authority or delegate it to the school superintendent.

CCM questions why the authority now granted to elected school boards is being eliminated.

ECS Task Force

The Education Cost Sharing Task Force is in the middle of its work. It is scheduled to deliver a final report in October with recommended changes to education funding that can inform further reform efforts. CCM commends the Governor for initiating the establishment of this Task Force.

Conclusion

CCM commends the Governor for laying out a bold path to education reform. We understand the fiscal challenges facing the State and appreciate the increased funding he proposes.

CCM also supports many of the ECS formula changes proposed in S.B. 24. They begin the march toward true education finance reform.

CCM asks that you consider the concerns we have raised and also schedule a follow-up hearing to more fully discuss the implications of S.B 24.

Thank you.

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If you have any questions, please contact Jim Finley (jfinley@ccm-ct.org), Executive Director and CEO, George Rafael (grafael@ccm-ct.org), Senior Government Finance Analyst, or Kachina Walsh-Weaver (kweaver@ccm-ct.org), Senior Legislative Associate of CCM via email or via phone at 203-498-3000.

Attachments

Appendix A

Conditional Funding Districts and Proposed New Education Funding

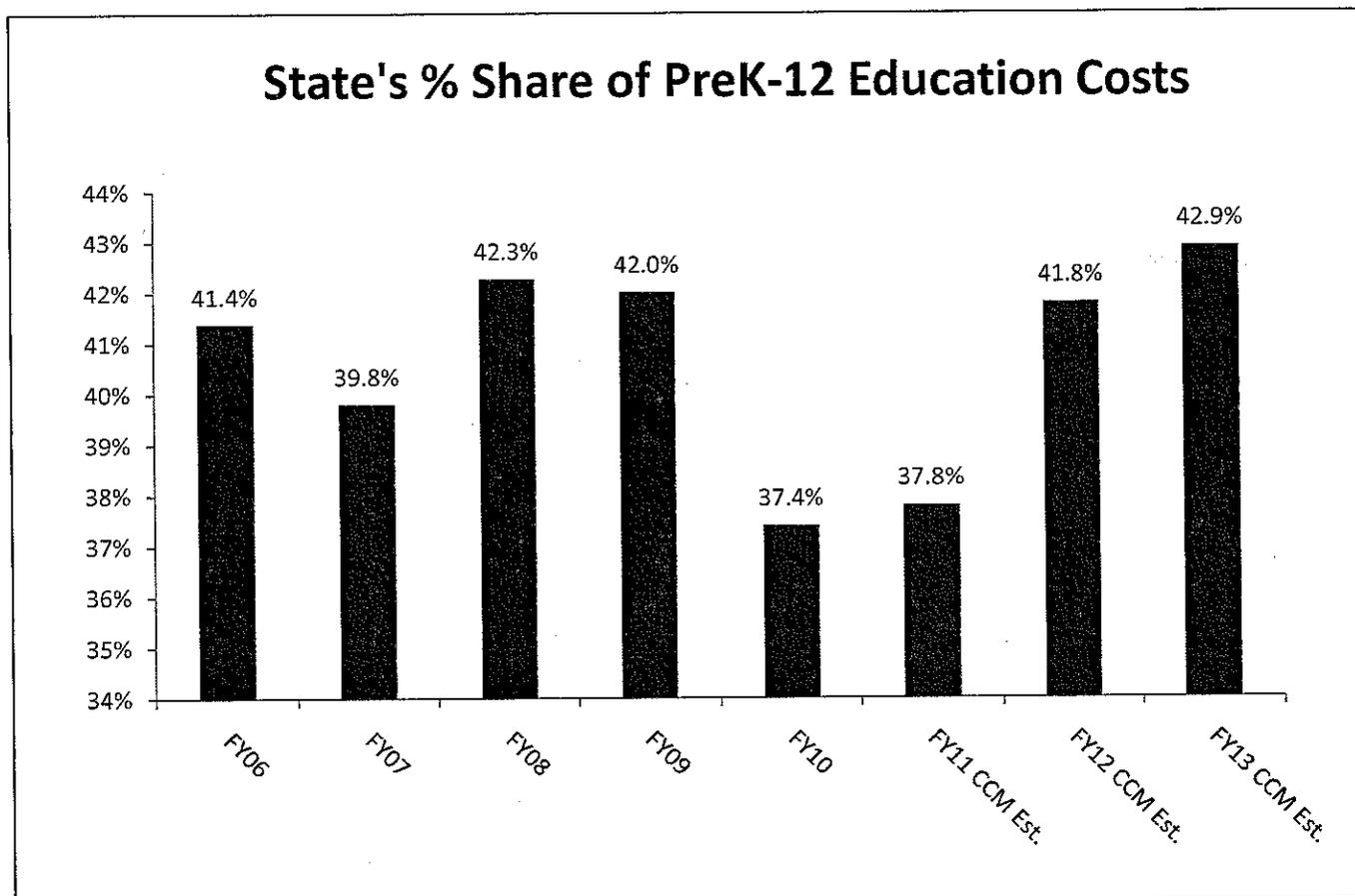
Ansonia	Naugatuck
Bloomfield	New Britain
Bridgeport	New Haven
Bristol	New London
Danbury	Norwalk
Derby	Norwich
East Hartford	Putnam
East Haven	Stamford
East Windsor	Vernon
Hamden	Waterbury
Hartford	West Haven
Killingly	Winchester
Manchester	Windham
Meriden	Windsor
Middletown	Windsor Locks

	New Funding (millions)	Share for Conditional Districts (millions)
ECS	\$50.0	\$39.5
Competitive Grants (added to ECS)*	\$4.5	\$3.0
Charter Schools (added to ECS)*	\$14.1	\$12.8
Commissioner's Network	\$24.8	\$24.8
Early Childhood	\$7.0	\$5.6
Talent Development	\$12.0	\$4.8
CTHSS Supplies	\$0.5	-
Magnets	\$7.3	\$5.8
Other Initiatives	\$7.8	\$6.2
Total New Funding	\$128.0	\$102.6
		80%

*Not run through the ECS formula.

APPENDIX B

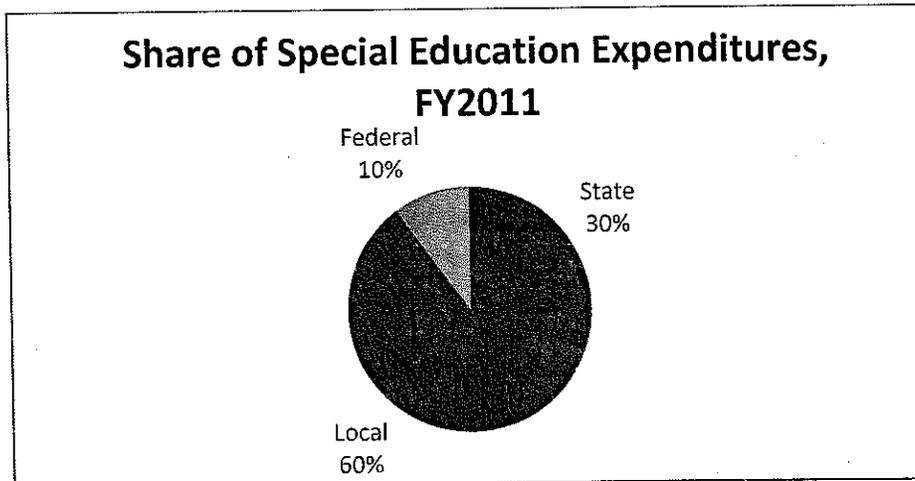
Supplemental Information



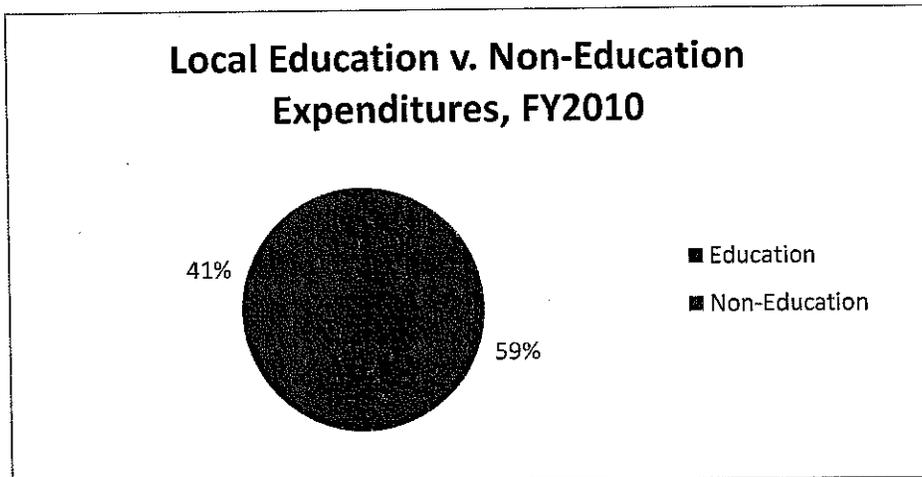
Source: Governor's Proposed FY13 Midterm Adjustments; CCM, February 2012

Note: State funds include all state revenues on behalf of public elementary and secondary education, including state grants, bond funds, and department expenditures - including the Connecticut Technical High School System, teacher's retirement costs, and unified school district expenditures.

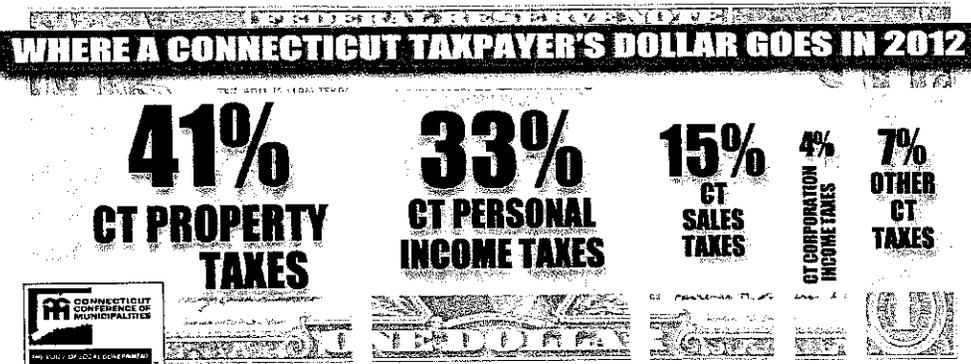
FY2010 Shares of Education Costs (Latest Audited Data)	\$	%
Local Share	\$5.24	52.9%
State Share	\$3.70	37.4%
Federal Share	\$0.92	9.3%
Other	\$0.04	0.4%
Total Estimated Local Education Expenditures	\$9.91	100.0%



Source: SDE, CCM Calculations



Source: OPM Municipal Fiscal Indicators



APPENDIX C

School Funding: 39 Years under Fire A Brief History of Education Litigation in Connecticut

1973: Canton parents, led by parent and lawyer Wesley Horton, file suit against then-Gov. Thomas J. Meskill and other state officials charging the system of financing public education violates the state constitution.

1977: The State Supreme Court, in *Horton v. Meskill*, rules that the system for paying for education is unconstitutional because it relies too heavily on the local property tax.

1985: The State Supreme Court, in response to a challenge by the Horton plaintiffs, orders the State to come up with a school financing plan providing more aid to needy towns.

1988: The legislature creates the "Equalized Cost Sharing Formula," (ECS) a far-reaching remedy providing more money to communities for schools, based on a sliding scale. The formula considers a town's property wealth, income, number of students, student performance, and poverty when figuring how much additional state aid a school district is eligible for. A minimum "foundation" for an adequate education is also established and set at \$4,800 per pupil.

1989: Another lawsuit - *Sheff v. O'Neill* - filed by a group of city and suburban parents against then-Gov. William A. O'Neill claiming that Hartford's segregated and underfunded schools violate the State Constitution.

1990: In the first of a series of amendments, the legislature limits the overall amount of education funds available to towns under the ECS formula.

1992: Pressed by the recession, legislators seek to balance the State budget by amending the school funding formula further, cutting overall education grants and placing a cap limiting the increase in aid a municipality could receive. The education foundation is frozen at \$4,800.

1995: State legislators increase foundation for education spending to \$5,711, but place a cap on increases in education aid from the State to no more than 2 percent. The increase in the foundation is attributed to combining the special education reimbursement grant with the ECS grant. No municipality can receive a cut that is more than 9 percent over the previous year. Aid to selected poorly performing districts, particularly Hartford, increases.

1996: In the *Sheff v. O'Neill* case, the state Supreme Court rules that the racial segregation in Hartford violates the state constitution.

1997: State legislators continue to dramatically increase funds for Hartford schools, but a cap on increases in aid to other municipalities continues. The Connecticut Conference of Municipalities estimates that the State has shortchanged schools by nearly \$1 billion through changes in the ECS formula.

1998: Seven children file suit - *Johnson v. Rowland* - against the State claiming that the State Supreme Court's order in the *Horton v. Meskill* case is not being implemented. Among the dozen municipalities funding the lawsuit are Bridgeport, Manchester, Meriden, New Britain, and New Haven.

1999: In response to the Governor's Task Force to Study the Education Cost Sharing Grant, state legislators raise the ECS cap from 0-5% to 0-6% for three years and make plans to eliminate the cap in 2003-04. It is anticipated that the total removal of the cap will result in a \$100-\$120 million balloon payment by the State. Legislators also implement (1) a hold-harmless provision which guarantees municipalities no less funding than they received in the current year; (2) a minimum aid level of funding equal to 6% of the foundation (\$350 per need student), subject to the provisions of the cap; and (3) increasing the foundation by 2%, to \$5,891.

2001: State legislators provide each town whose ECS grant is capped a proportional share of \$25 million for 2001-02 and \$50 million for 2002-03. Each town's share is based on the difference between its capped grant and the amount its grant would be without the cap (excluding any density supplements). Also implement a minimum grant increase of 1.68% for all towns in 2001-02 and a minimum increase of 1.2% in 2003-03. The foundation of \$5,891 is unchanged.

2002: State budget maintains the prior year commitments to provide \$50 million in cap relief and a minimum increase of 1.2%, but cuts overall municipal aid by .8% and caps funding for special education, adult education, and school transportation.

2003: Funding for the ECS grant increased by 4.2% in FY 02-03, and by just .5% for FY 03-04. *Johnson v. Rowland* is withdrawn due to a lack of funding for legal costs. Efforts immediately begin to organize a new, broader-based statewide coalition to continue the struggle for school finance reform.

2004: The Connecticut Coalition for Justice in Education Funding (CCJEF) is incorporated and Yale Law School undertakes to provide pro bono representation. CCJEF commissions an education adequacy cost study to be performed by a nationally prominent consulting firm.

2005: CCJEF files education adequacy and equity lawsuit. *CCJEF v. Rell* challenges the constitutionality of Connecticut's entire education system, alleging that the State is failing to prepare its schoolchildren to pursue higher education, secure meaningful employment, and participate in the political lives of their communities. The complaint cites deficiencies and disparities in educational resources as the cause of this constitutional violation and Connecticut's persistent failures in educational outcomes as evidence that the State is failing to meet its constitutional obligations. Plaintiffs ask the court, among other things, to (1) declare the State's system of funding public education unconstitutional, (2) bar the state from continuing to use it, and (3) if necessary due to inaction by the General Assembly, appoint a special master to evaluate and make recommendations to the court concerning possible reforms.

2006: Governor Rell forms a Commission on Education Finance. The bipartisan Commission meets for several months and hears testimony from a variety of experts.

2007: Governor Rell proposes significant changes to education finance laws, based on the recommendations of the Commission. Her proposals would, among other things, increase the ECS grant \$1.1 billion over the next five years to \$2.7 billion by FY 11-12. She proposed significant changes to the grant to (a) increase the foundation to \$9,867 from the current \$5,891, (b) increase the State Guaranteed Wealth Level (SGWL) to 1.75, (c) raise the minimum aid ratio to 10 percent from six percent, (d) calculate the "need students" using 33 percent of a district's Title I poverty count and 15 percent of students with Limited English Proficiency, and (e) eliminate grant caps. She also proposed increases in other areas, such as reimbursement for special education costs. When finally agreed to by the General Assembly and Governor, the adopted budget included several significant changes, including a \$237 million increase in overall education funding, including \$182 million for the ECS grant. The budget increased the foundation to \$9,687, increased the minimum aid ratio to 9% of the foundation and to 13% for the 20 school districts with the highest concentration of low income students, increased the SGWL to 1.75, and other changes.

2008: Oral arguments before the Connecticut Supreme Court are heard in *CCJEF v. Rell* (see below).

2010: *The Connecticut Supreme Court, in a landmark decision, ruled in CCJEF v. Rell that all school children in the state are guaranteed not just a free public education, but a "suitable" one that prepares them for productive, employed, and civically engaged life. The Court's opinion included the following.*

- *"The fundamental right to education is not an empty linguistic shell."*
- *A suitable education is one that prepares school children to ...*
 - *"participate fully in democratic institutions, such as jury service and voting"*
 - *"progress to institutions of higher education"*
 - *"attain productive employment"*
 - *"contribute to the state's economy"*

Absent settlement, the next step is for the CCJEF lawsuit to go to trial to determine if public school students in Connecticut are being provided with a constitutionally suitable education.

CCM 2012 Testimony

900 CHAPEL STREET, 9th FLOOR, NEW HAVEN, CT 06510-2807 PHONE (203) 498-3000 FAX (203) 562-6314

EDUCATION COMMITTEE

March 5, 2012

The Connecticut Conference of Municipalities (CCM) is Connecticut's statewide association of towns and cities and the voice of local government - your partners in governing Connecticut. Our members represent over 90% of Connecticut's population. We appreciate the opportunity to testify on bills of interest to towns and cities.

CCM opposes the following bills, which would create new unfunded state mandates on towns and cities:

- House Bill 5349 *"An Act Concerning the Inclusion of CPR and EAD Training in the Public School Curriculum."*
- Senate Bill 304 *"An Act Concerning the Inclusion of Labor History in the Public School Curriculum."*
- Senate Bill 210 *"An Act Concerning the Inclusion of Personal Financial Management in the Public School Curriculum."*
- House Bill 5354 *"An Act Concerning Athletic Directors and Incorporating Physical Activity into the School Day."*
- House Bill 5348 *"An Act Concerning School Nurses and School Medical Advisors."*
- House Bill 5350 *"An Act Concerning Achieving Universal Literacy by Grade Three."*

Understand that CCM is not taking issue with the policy goals that these bills represent, rather we must clearly point out that **each one of these bills would add yet another unfunded state mandate** on school time, school curriculum, school staffing, and school resources.

These bills do not even have a fiscal note yet, therefore leaving at question what each proposal will cost towns and cities to implement. Not to mention that what is blatantly missing from each proposal is a clear mechanism for state funding of these new mandates. Each year new curriculum mandates are proposed. Absent relief from other curriculum mandates, at what point will additional hours have to be added to the school day in order to accommodate each and every one?

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Even with the proposed one-time increase in ECS, there is significantly inadequate state funding to local governments to meet the costs of the hundreds of existing mandates on towns and cities and school districts.

And, on top of that, some districts (those in most need) stand to lose some of their ECS funding under S.B. 24. Such "conditional" districts will, starting in FY 14, have to apply for funding and show progress before getting aid that was previously an entitlement.

Connecticut is the most reliant state in the nation on property taxes to fund Pre K-12 public education.

CCM remains surprised that the business lobby is silent on the need to reduce the reliance on property taxes to fund Pre K-12 public education. The property tax is the largest and fastest growing tax on businesses in Connecticut.

CCM also remains surprised that organizations representing boards of education, school superintendents, school business officials, charter school advocates (who are supporting a new mandate in S.B. 24 to have school districts that have been chronically underfunded by the State subsidize state charter schools by \$1000 per pupil), and others remain silent on the need to reduce the reliance on property taxes to fund Pre K-12 public education. In the end, these groups are more than willing to use the MBR to force hard-pressed property taxpayers to make up for state underfunding of public education.

As a result, the burden of the most regressive tax in Connecticut - the property tax - continues to increase, and non-education municipal services needs (public safety, elderly and youth services, road and bridge repair, recreation, etc.) go underfunded or unmet.

CCM reiterates its position that comprehensive education reform must include education finance reform to ensure that education is financed adequately and equitably by the State so that (1) every student, no matter where they live in our state, has the opportunity to achieve educational excellence, and (2) residential and business property taxpayers are not unfairly burdened by the costs of Pre K-12 public education. Until such task is undertaken, adding more layers of well-intentioned but unfunded mandates on already burdened local districts is unfair and shortsighted.



If you have any questions, please contact Jim Finley (jfinley@ccm-ct.org), Executive Director and CEO, George Rafael (grafael@ccm-ct.org), Senior Government Finance Analyst, or Kachina Walsh-Weaver (kweaver@ccm-ct.org), Senior Legislative Associate of CCM via email or via phone at 203-498-3000.



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EDUCATION COMMITTEE

March 5, 2012

The Connecticut Conference of Municipalities (CCM) is Connecticut's statewide association of towns and cities and the voice of local government - your partners in governing Connecticut. Our members represent over 90% of Connecticut's population. We appreciate the opportunity to testify on bills of interest to towns and cities.

CCM supports Senate Bill 298 "An Act Concerning the Minimum Budget Requirement."

This bill would call for a study to be conducted regarding the Minimum Budget Requirement – which mandates a level of funding to local districts based on the previous year's allocations.

Let's be clear - every community in Connecticut spends more on K-12 public education than they receive in state funding from the State. Statements to the contrary are false and serve only to muddy the issue rather than help to address it.

The imposition of the MBR mandate over the last many years has meant that no matter what efficiencies have been found in board of education budgets, the budgets cannot be reduced. In an era in which every other state and local agency are having their budgets closely examined, one entity – boards of education – have been beyond effective scrutiny and shielded from taxpayer control. Connecticut – on the state and local levels - continue to grapple with the current bad economic climate. Exempting any part of government from being reviewed for efficiencies and savings is inappropriate.

K-12 public education costs approach 70% of most municipal budgets in our state. Yet, the MBR has historically placed the biggest chunk of the municipal budget beyond the democratic control of the people. Think about that for a moment. Elected municipal appropriating authorities and taxpayers currently have no say over the minimum funding level for education services in their town or city.

And, on top of that, some districts (those in most need) stand to lose some of their ECS funding under SB 24. Such "conditional" districts will, starting in FY 14, have to apply for funding and show progress before getting aid that was previously an entitlement.

Connecticut is the most reliant state in the nation on property taxes to fund Pre K-12 public education.

CCM remains surprised that the business lobby is silent on the need to reduce the reliance on property taxes to fund Pre K-12 public education. The property tax is the largest and fastest growing tax on businesses in Connecticut.

-over-

CCM also remains surprised that organizations representing boards of education, school superintendents, school business officials, charter school advocates (who are supporting a new mandate in SB 24 to have school districts that have been chronically underfunded by the State subsidize state charter schools by \$1000 per pupil), and others remain silent on the need to reduce the reliance on property taxes to fund Pre K-12 public education. In the end, these groups are more than willing to use the MBR to force hard-pressed property taxpayers to make up for state underfunding of public education.

As a result, the burden of the most regressive tax in Connecticut - the property tax - continues to increase, and non-education municipal services needs (public safety, elderly and youth services, road and bridge repair, recreation, etc.) go underfunded or unmet.

CCM reiterates its position that comprehensive education reform must include education finance reform to ensure that education is financed adequately and equitably by the State so that (1) every student, no matter where they live in our state, has the opportunity to achieve educational excellence, and (2) residential and business property taxpayers are not unfairly burdened by the costs of Pre K-12 public education.

The State, which has chronically cutback its funding commitments for K-12 public education, instead forces municipalities to comply with the MBR and other mandates to pay for the State's underfunding through even higher property taxes. No wonder Connecticut is the most reliant state in the nation on property taxes to fund K-12 public education.

In fact, the general government side of municipalities in Connecticut has shrunk in size over the last decade due to chronic state underfunding and the need to transfer scarce local resources to the always increasing education side of local budgets.

CCM believes the MBR mandate should be eliminated, but at least a study of its impact would be a step in the right direction. In addition, while we wish it went further, CCM supports the modifications to the MBR as proposed by Governor Malloy in SB 24.



If you have any questions, please contact Jim Finley (jfinley@ccm-ct.org), Executive Director and CEO, George Rafael (grafael@ccm-ct.org), Senior Government Finance Analyst, or Kachina Walsh-Weaver (kweaver@ccm-ct.org), Senior Legislative Associate of CCM via email or via phone at 203-498-3000.

CCM 2012 Testimony

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PLANNING & DEVELOPMENT COMMITTEE

February 22, 2012

Good Morning.

My name is Art Ward. I am Mayor of Bristol, as well as a member of the Connecticut Conference of Municipalities' Board of Directors.

CCM is Connecticut's statewide association of towns and cities and the voice of local government - your partners in governing Connecticut. Our members represent over 90% of Connecticut's population. We appreciate this opportunity to testify before this joint committee on the issue of mandates reform, a top priority of CCM's.

CCM strongly supports **H.B. 5035, "An Act Reducing Mandates for Municipalities"**

There are over 1,200 state mandates imposed on Hometown Connecticut and their residential and business property taxpayers. Relief from some of these mandates is important to the recovery of municipalities during the biggest fiscal crisis in recent memory.

At a time when towns and cities are struggling mightily to continue to provide needed services to residents and businesses, mandates relief should be a priority.

State Mandates

Unfunded and under-funded state mandates are corrosive elements that deteriorate critical municipal programs and services -- and the bottom-line of municipal budgets. They are burdensome requirements and standards imposed by the State on towns and cities that affect residential and business property taxpayers by imposing significant costs.

Make no mistake -- local officials do not question the merit of many state mandates, such as special education, public health, recycling of reusable wastes, and clean water requirements. However, local officials object when the State does not (1) provide commensurate funding to implement and deliver what these mandates require, and (2) adjust certain onerous state mandates to conform with the current economic climate.

Too often municipalities in Connecticut are forced to carry out state policies with little or no state funding. It is fundamentally inappropriate and inequitable to force towns and cities to assume all or most of the costs of policies the State has decided to implement – and thus to pass these costs on to local property taxpayers. It's buying something that may be good – but with someone else's money.

In addition, towns and cities lose staggering amounts of revenue as the result of about 65 state-mandated property tax exemptions including exemptions from the real and personal property owned by the State and by private colleges and hospitals. These state-imposed obligations and state-imposed revenue losses force all municipalities to increase their property tax rates.

The Many Faces of Mandates

Not all state mandates are obvious.

State mandates come in all shapes and sizes. Sometimes, although the State does not specifically direct a mandate to municipalities, it effectively imposes one. These "mandates in effect" occur when the State abandons necessary state-provided services that citizens rely on and need. This is a particular danger when state budgets are tight.

Municipalities must then continue to provide these services at local expense. For example, deinstitutionalization or cuts in funds for mental health institutions and for juvenile homes shifts the service burden to local health personnel, social workers, police officers, and others. Similar shifts occur when the state inadequately prepares people for reentry into communities from prison or jail. The effect of state mandates compromises the goal of reentry strategies and subsequently releases prisoners disproportionately into major metropolitan areas without providing needed resources.

In some cases, the General Assembly passes legislation that a municipality may adopt by local option which, as a practical political matter, the town or city cannot avoid. For example, in recent years the legislature has given municipalities the option of increasing property tax breaks to military veterans at local taxpayers' expense – a worthy cause, but an option that many municipalities will feel compelled to enact, especially when the country is involved in two wars. In a situation such as this, the State has again bought good will from a segment of the public – with local property tax dollars.

The State's Response to Date

Some positive first steps have been made in the fight against state mandates, such as establishing legislative procedures to (a) indicate the fiscal impact on municipalities of proposed legislation, and (b) labeling some legislative proposals as potential state mandates. Other noteworthy progress includes:

Mandates reform legislation was enacted in 1993 that established (a) a one-year delay in the municipal implementation of new and costly state mandates, (b) reporting of newly enacted state mandates after each legislative session, and (c) periodic report detailing all constitutional, statutory and regulatory state mandates on towns and cities, and,

Recent Studies

Municipal mandates reform is an often studied, but seldom acted-upon issue. Among the recent studies are:

- “Compendium of Statutory and Regulatory Mandates on Municipalities in Connecticut,” Connecticut Advisory Commission on Intergovernmental Relations (ACIR) (2011)
- Municipal Opportunities and Regional Efficiencies (M.O.R.E.) Commission (2010)
- “How to Spell Relief,” CCM (2010)
- “Governor’s Commission on Un-Funded Mandates” (December 2006)
- “Binding Arbitration for Municipal and School Employees,” Legislative Program Review and Investigations Committee (2005)
- “Prevailing Wage Law in Connecticut,” Legislative Program Review and Investigations Committee (1996)

Municipalities recognize that it is neither practical nor desirable to eliminate all unfunded or inadequately funded state mandates, but relief is long overdue. Reform to state mandates is a logical approach to offset depleting state revenues and a growing state deficit.

Governor’s Mandate Reform Package

H.B. 5035, the Governor’s mandates reform package, contains several proposals that make plain common sense – and would save property taxpayers millions of dollars. CCM urges the General Assembly to support this important bill – and make it a priority.

H.B. 5035 would:

A. Clarify municipal authority to assess partially constructed structures

Kasica v. Columbia, a Superior Court decision dated October 6, 2011, decreed that municipalities are not permitted to assess partially constructed structures until completion and the issuance of a certificate of occupancy.

According to results of a survey conducted by the Connecticut Association of Assessing Officers (CAAO), *not enacting this proposal could cost municipalities approximately \$30 million statewide in lost property tax revenue.*

Although there are several statutory references to municipal authority to assess properties (CGS 12-63; 12-55; 12-53), this proposal would specifically identify “improvements that are partially completed or under construction” as properties that are assessable – and would therefore, conform state law to generations of public policy standards.

Simply put, even partially constructed properties have some level of fair market value within their communities. In fact, Connecticut’s property tax system functions on the core principle known as “ad valorem” (Latin for “according to value”) – which ensures local taxing authorities (towns and cities) perform appraisals of the monetary values of local properties, which are then assessed in proportion to that value.

Improvements to properties that are partially complete or under construction, that would ordinarily be assessed, have never been exempt from these local taxing policies. Evidence of this fact is implicit in

GCS 12-88, which stipulates that those properties ordinarily exempt from local property taxes (i.e. churches, hospitals, etc.), are also exempt from partial assessments while under construction. This stipulation therefore, acknowledges the fact that other "taxable" properties shall be assessed while partially complete or under construction.

This is a simple legislative solution and a logical means of protecting your hometowns' scarce yet, much-needed property tax revenues.

B. Phase out the health-insurance premium tax on municipalities

The proposal would (a) cut the tax rate by 50% beginning 2014, (b) by another 25% for 2015, and (c) eliminate the premium tax on municipalities altogether for 2016.

CCM has long advocated for protecting municipalities from the premium tax as a tangible step that the State can take to help cut costs for property taxpayers. The premium tax *costs municipalities up to \$9 million* each year. The tax is 1.75% on fully insured municipal premiums. Municipalities that are self-insured do not pay the premium tax. But some municipalities, particularly small towns, cannot reasonably consider self-insurance as an option, because just one catastrophic illness could have a severe negative impact on a local budget.

C. Provide relief to local governments from the requirement to redact certain personal information for certain individuals from public documents requested via FOIA

In June 2011, the Connecticut Supreme Court decided *Commissioner of Public Safety, et al v. Freedom of Information Commission* (2011). The court held that General Statutes §1-217 requires local assessors to redact the addresses of certain classes of "safety-sensitive" individuals (judges, police officers, Department of Correction personnel and other similar) from motor vehicle grand lists.

While the decision specifically addresses motor vehicle grand lists, it is impossible to conclude that it does not at the same time impact all other documents maintained as public records: voter lists, land records, tax assessments, tax bills, any zoning application or permit, testimony before a public agency, legal notices published in newspapers, meeting minutes, etc.

The intent of the initial legislation was to provide protection to certain individuals from retaliation for actions they took in the course of doing their jobs. However, due to modern technology, names and addresses for any one of these "protected" individuals can be found simply by doing a quick Internet search.

The law places an impossible burden on local government agencies to modify governmental records in an attempt to comply. One of the greatest flaws of this law is that it does not take into account how a public agency is supposed to identify all of the individuals within their jurisdiction whose information should be redacted.

CCM, the Connecticut Association of Municipal Attorneys (CAMA), the Connecticut Town Clerks Association, the Connecticut Association of Assessing Officers (CAAO), the Connecticut Tax

Collectors Association, the Registrars of Voters Association of Connecticut, the Secretary of the State of Connecticut, the Connecticut Freedom of Information Commission, the Connecticut BAR Association, and numerous other groups representing realtors, title companies, newspapers, and others are united in their position that legislative change is necessary to make it possible to meet the intent of the law – providing protection for certain individuals, while not hampering the integrity of important governmental documents and imposing a huge and costly mandate on local governments.

CCM urges the Committee to make reform of this onerous decision a priority.

D. Establish a minimum threshold of at least 600 work-hours of service for part-time, temporary, or seasonal municipal employees' eligibility for unemployment benefits.

This threshold would protect existing, limited funds and protect against abuse of benefits – while also offering towns and cities some financial and administrative relief.

E. Allow municipalities to assess landlords for the cost of storing evicted tenants' possessions, and would then, stipulate towns and cities store such items for an additional 15 days.

Although some relief was provided in 2010 by eliminating the mandate that requires towns and cities transport the possessions of evicted tenants – the existing mandate to store items continues to drain local finances and resources. While municipalities are allowed to try to recoup some of the costs by auctioning off the items, municipalities must incur costs associated with conducting an auction (including publicizing the auction, etc.). And, usually the possessions are not sellable – ultimately, the municipality receives little or no reimbursement.

According to OLA Research Report #2006-R-0164 "*State Laws on Landlord's Treatment of Abandoned Property*", **of the 37 states researched, Connecticut is the only state that mandates that municipalities remove and store the possessions of evicted tenants.** In other states, landlords or sheriffs have the responsibility.

The tenant evictions mandate is still costly to municipalities. It is estimated that there are about 2,500 residential evictions per year - this is a conservative estimate.

*While H.B. 5035 provides serious mandates reform, it must be noted that it does not provide relief from the most onerous unfunded state mandates – the **prevailing wage rate** and **binding arbitration**. Comprehensive mandates reform cannot occur without significant change to these very costly mandates.*

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CCM strongly urges the Committee to support the Governor's mandates reform package. It would provide serious relief to Connecticut's hard-pressed property taxpayers.

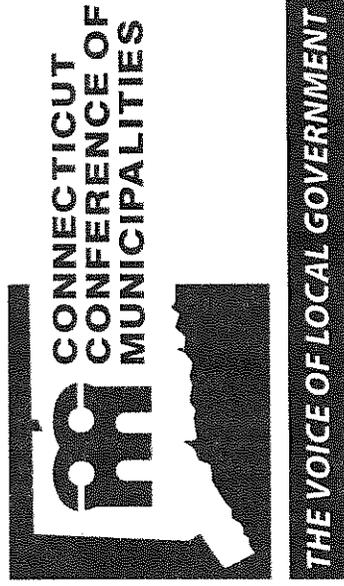
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If you have any questions, please contact Ron Thomas, Public Policy & Advocacy Director, at rthomas@ccm-ct.org or (203) 498-3000.

Governor's Proposed FY2013 Midterm Budget Adjustments

Aid to Municipalities

March 6, 2012



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Governor's Proposed FY2013 Midterm Budget Adjustments

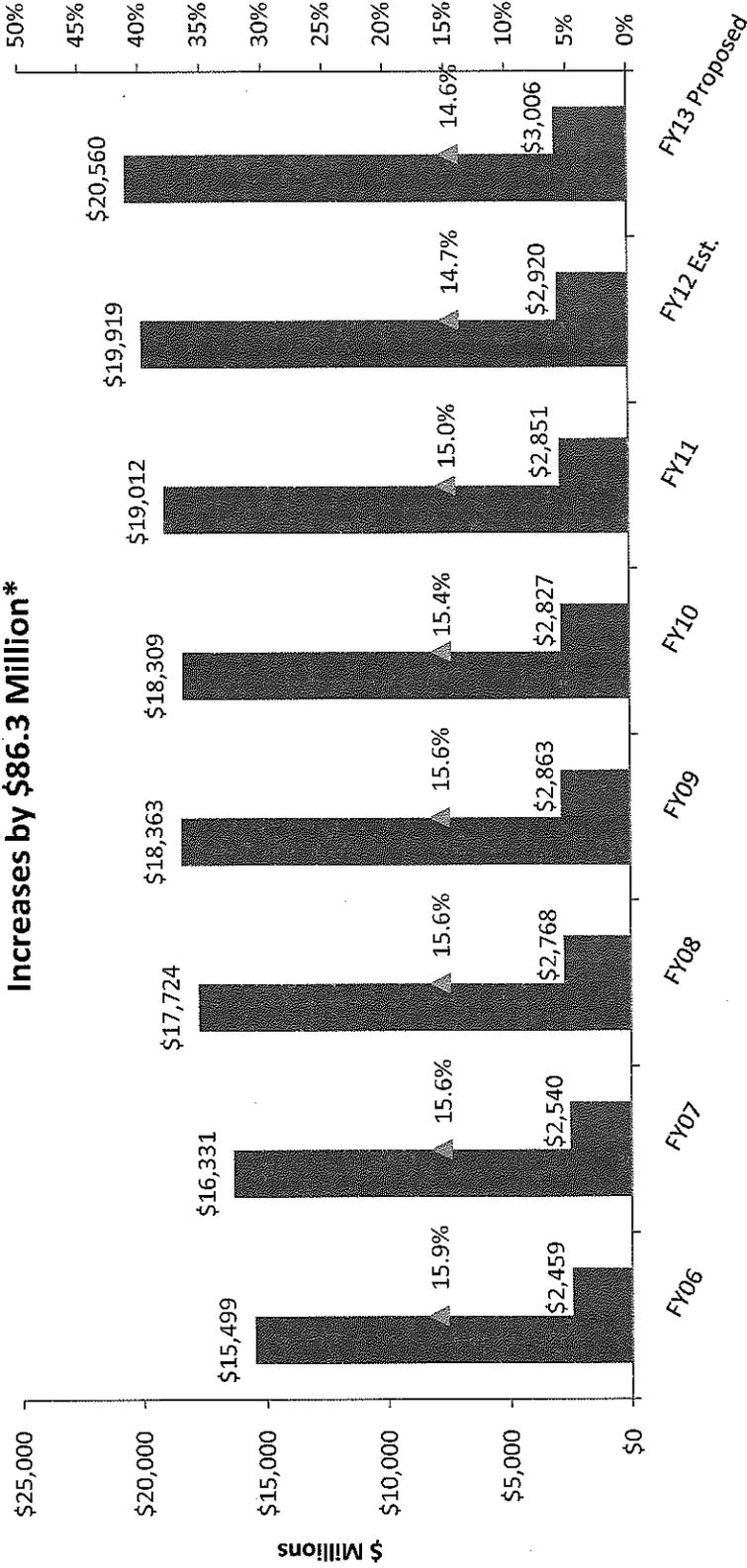
Aid to Municipalities

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If you have questions, please call George Rafael or Jim Finley of CCM at (203) 498-3000.

Total Municipal Aid

Increases by \$86.3 Million*



■ Total State Budget Expenditures (General Fund and Transportation Fund)

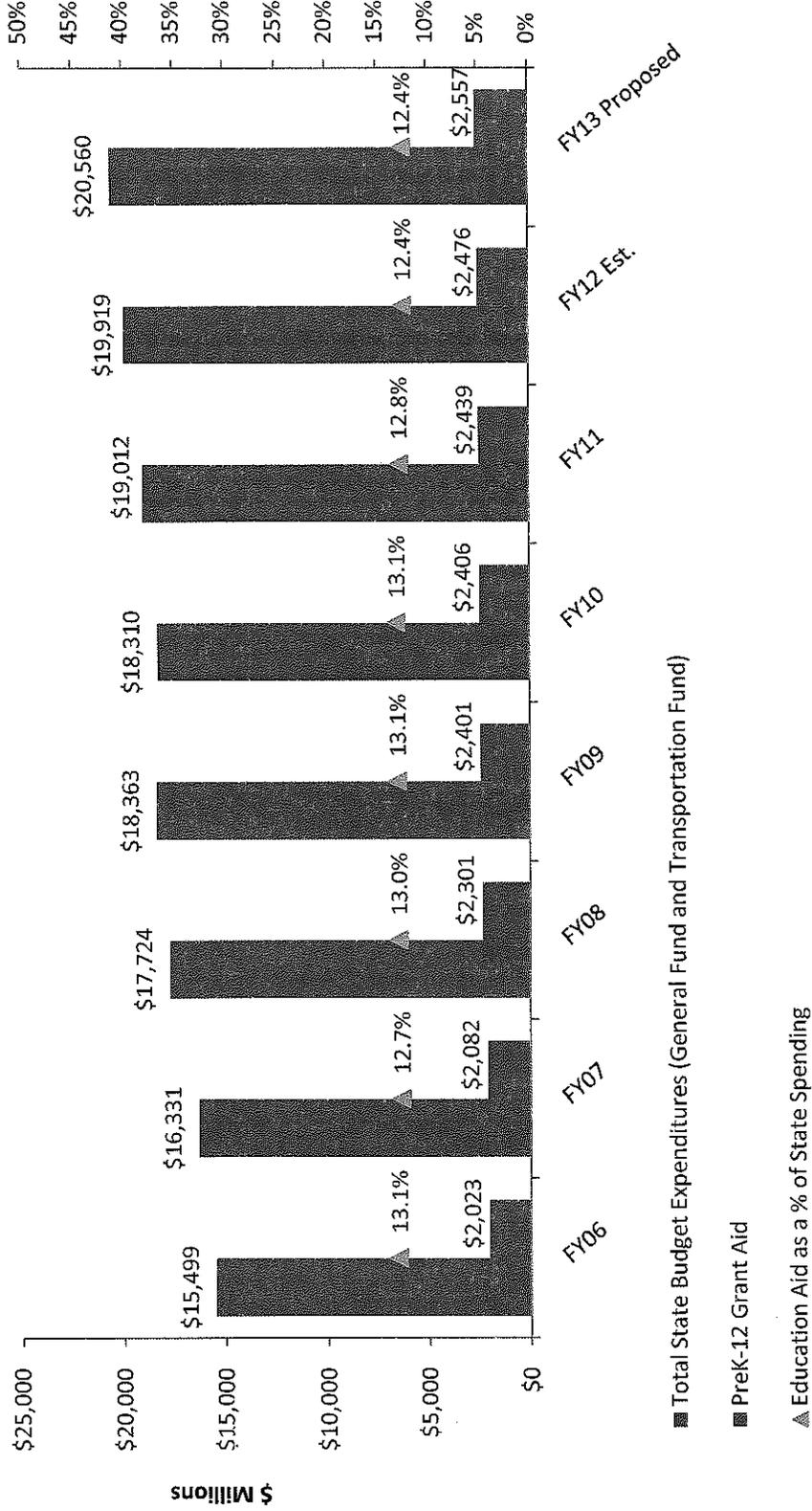
■ Municipal Aid

▲ Municipal Aid as a % of State Spending

Source: Governor's Proposed FY13 Midterm Adjustments; CCM, March 2012

*\$81.2 million increase in education aid and \$5.1 million in non-education aid.

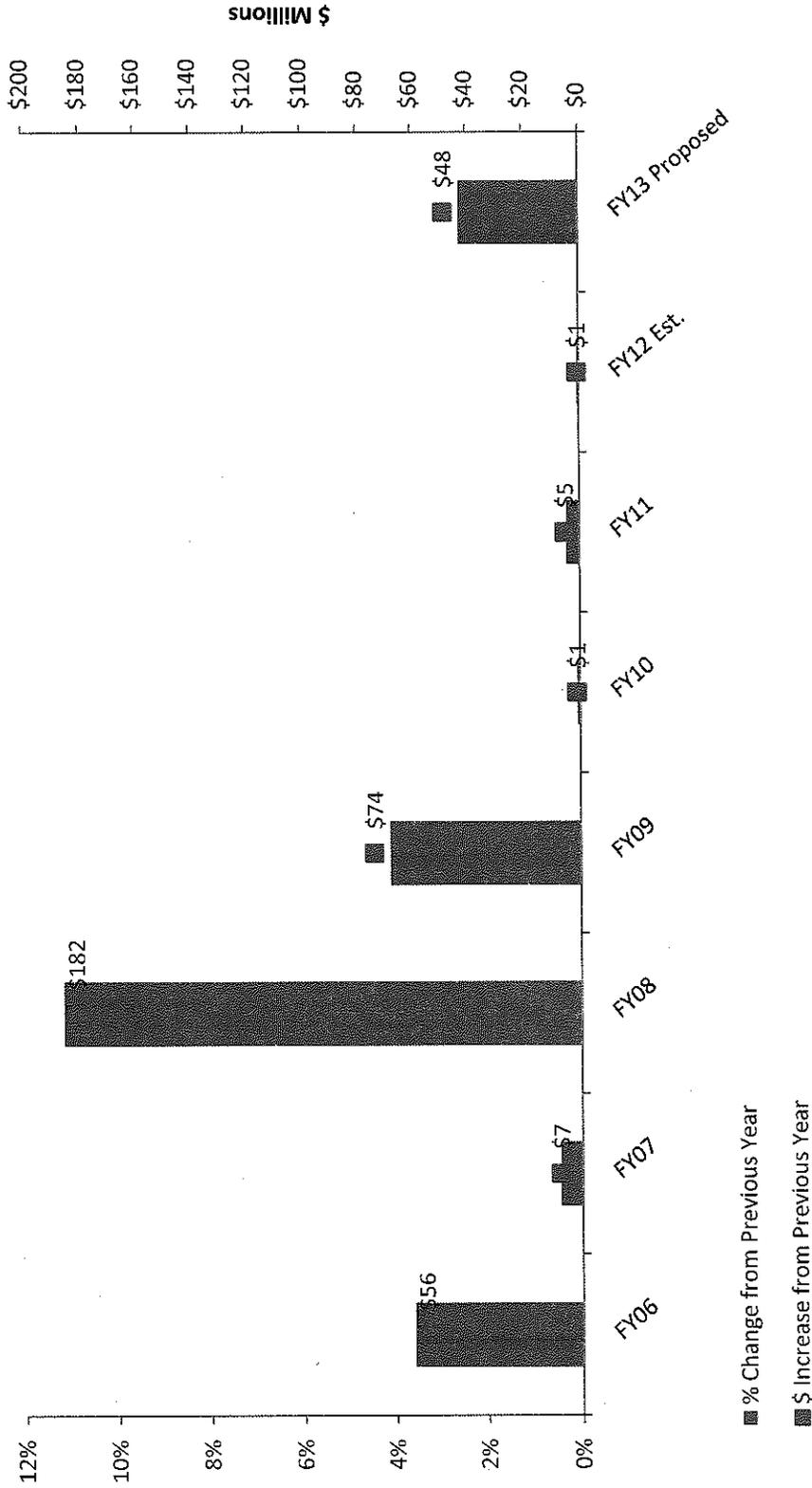
PreK-12 Public Education Grants



Source: Governor's Proposed FY13 Midterm Adjustments; CCM, March 2012

Note: Education aid includes operating grant aid that assists towns and cities. School construction, charter schools, and unified school districts are excluded.

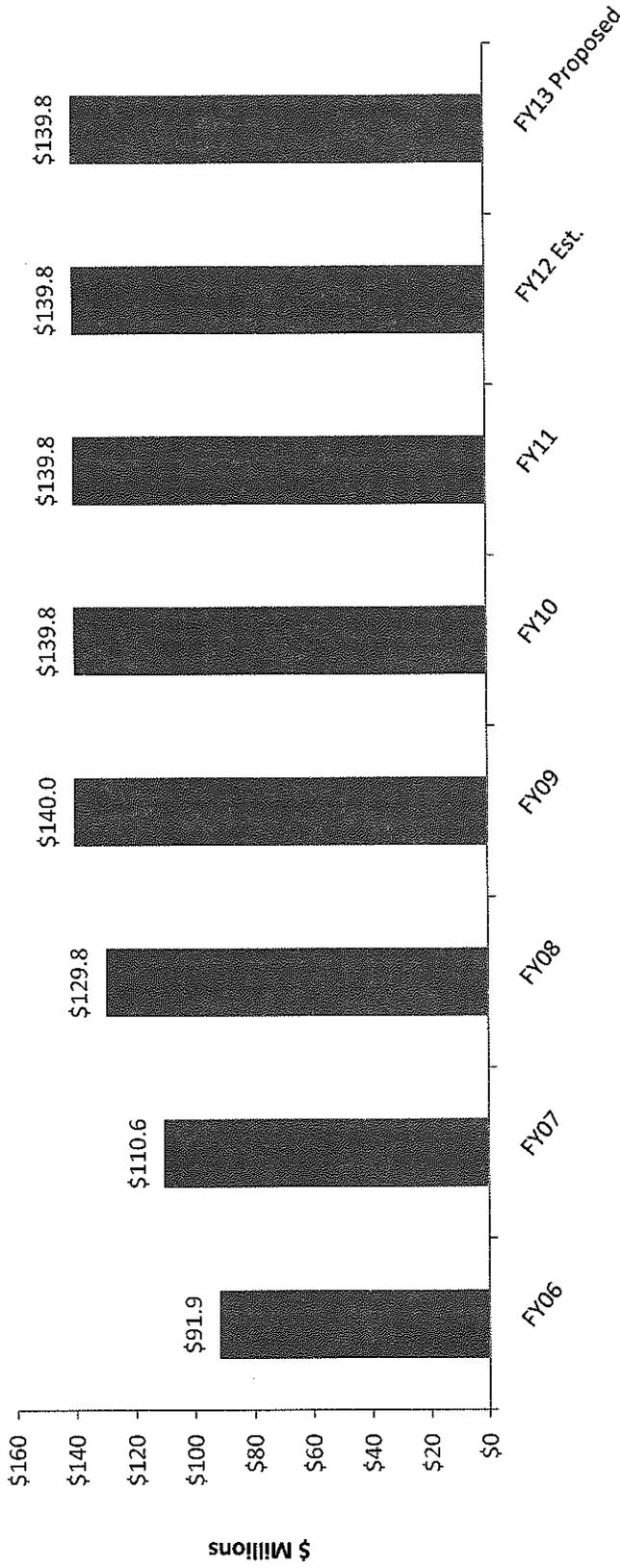
ECS Grant Increase of \$48 Million*



Source: Governor's Proposed FY13 Midterm Adjustments; CCM, March 2012

* Includes \$4.5 million in competitive funding. Excludes \$6.4 million for charter schools that must be funded locally and \$14.1 million in additional state funding for charter schools.

Excess Cost-Student Based Grant Level Funding

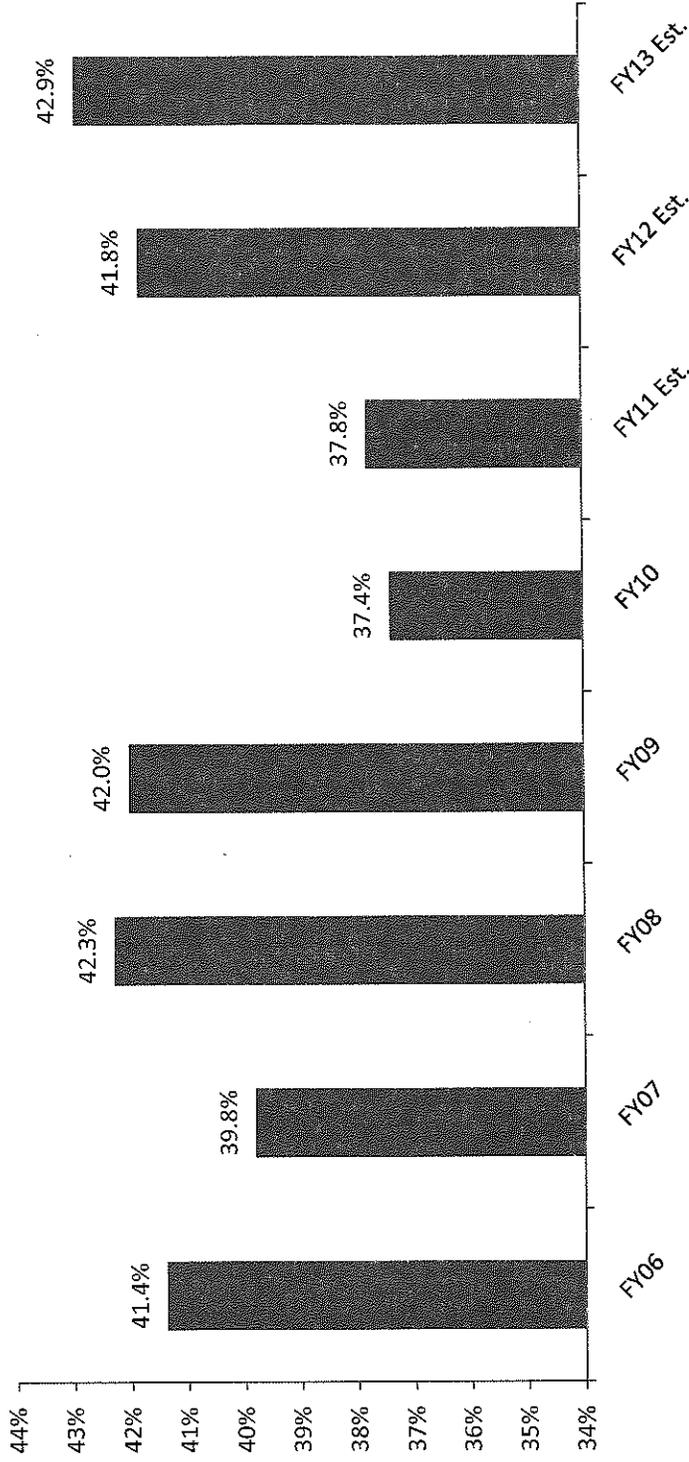


Source: Governor's Proposed FY13 Midterm Adjustments; CCM, March 2012

Note: The Excess Cost - Student Based grant has two components: (1) children whose placement is handled by the Department of Children and Families and (2) children whose placement is handled by a local school district. For children placed by DCF, municipalities are reimbursed for all costs that exceed the local school district's average per-pupil expenditure. For locally placed students, municipalities are reimbursed for all costs that exceed 4.5 times the district's average per pupil expenditure.

The grant is capped at the level of appropriation, so that if reimbursements would cost more than the amount appropriated, municipalities would absorb the difference.

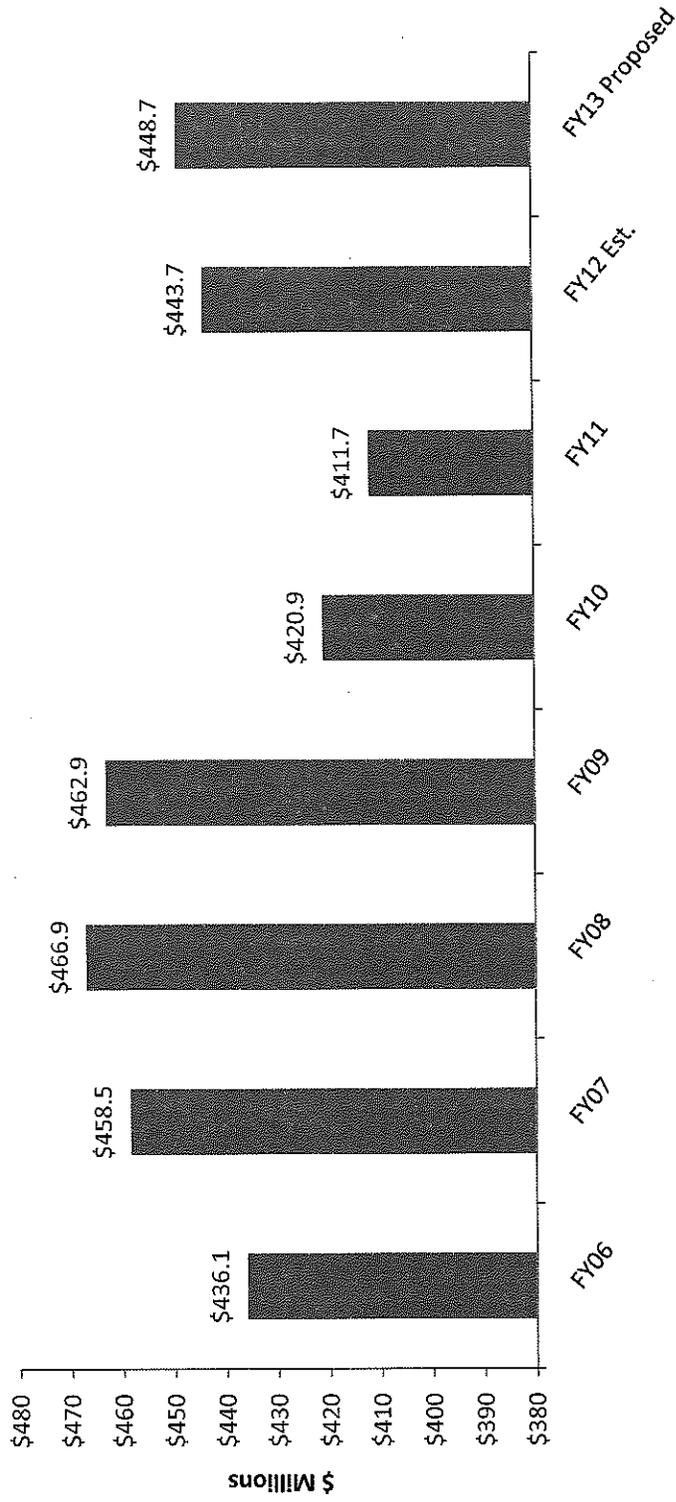
State's % Share of PreK-12 Education Costs



Source: Governor's Proposed FY13 Midterm Adjustments; CCM, March 2012

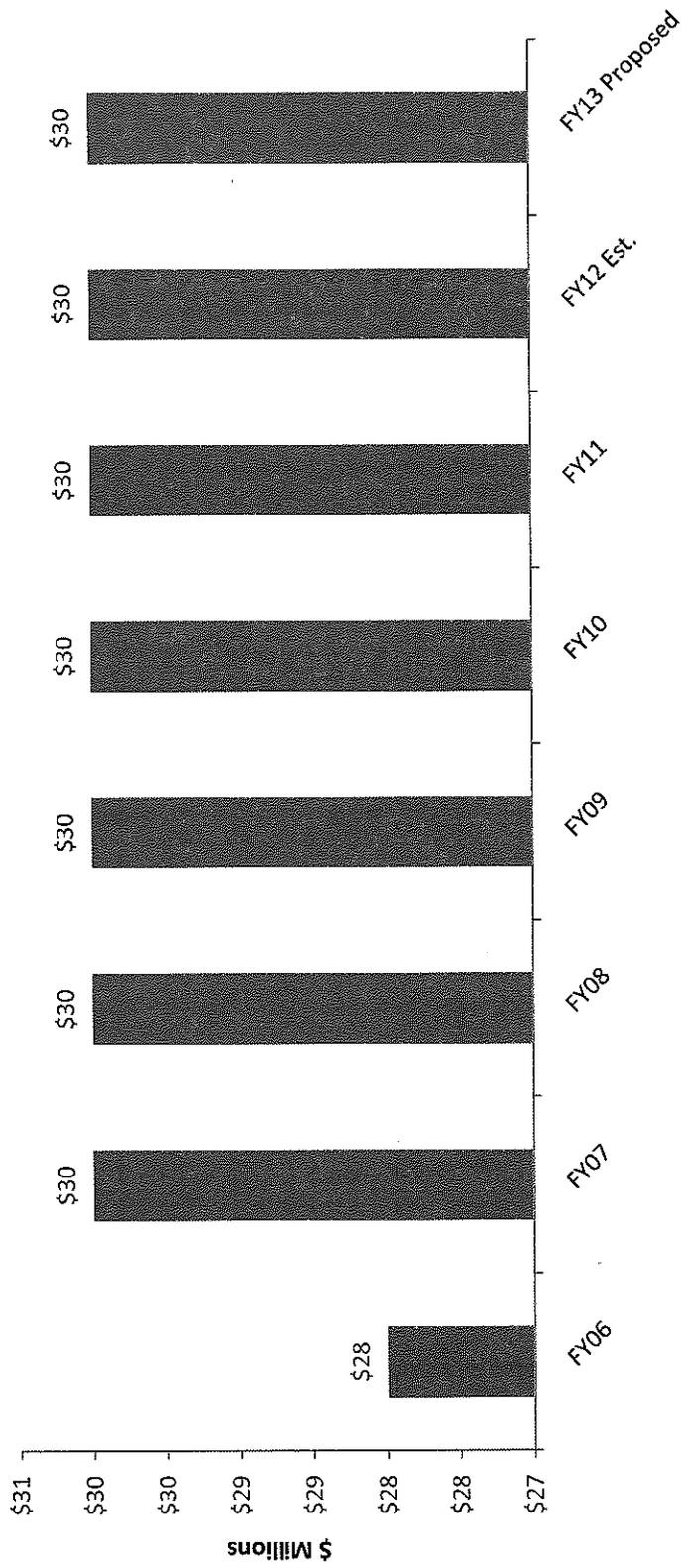
Note: State funds include all state revenues on behalf of public elementary and secondary education, including state grants, bond funds, and department expenditures - including the Connecticut Technical High School System, teacher's retirement costs, and unified school district expenditures.

Non-Education Aid Increases Aid by 1.1% Compared to the Current Year



Source: Governor's Proposed FY13 Midterm Adjustments; CCM, March 2012

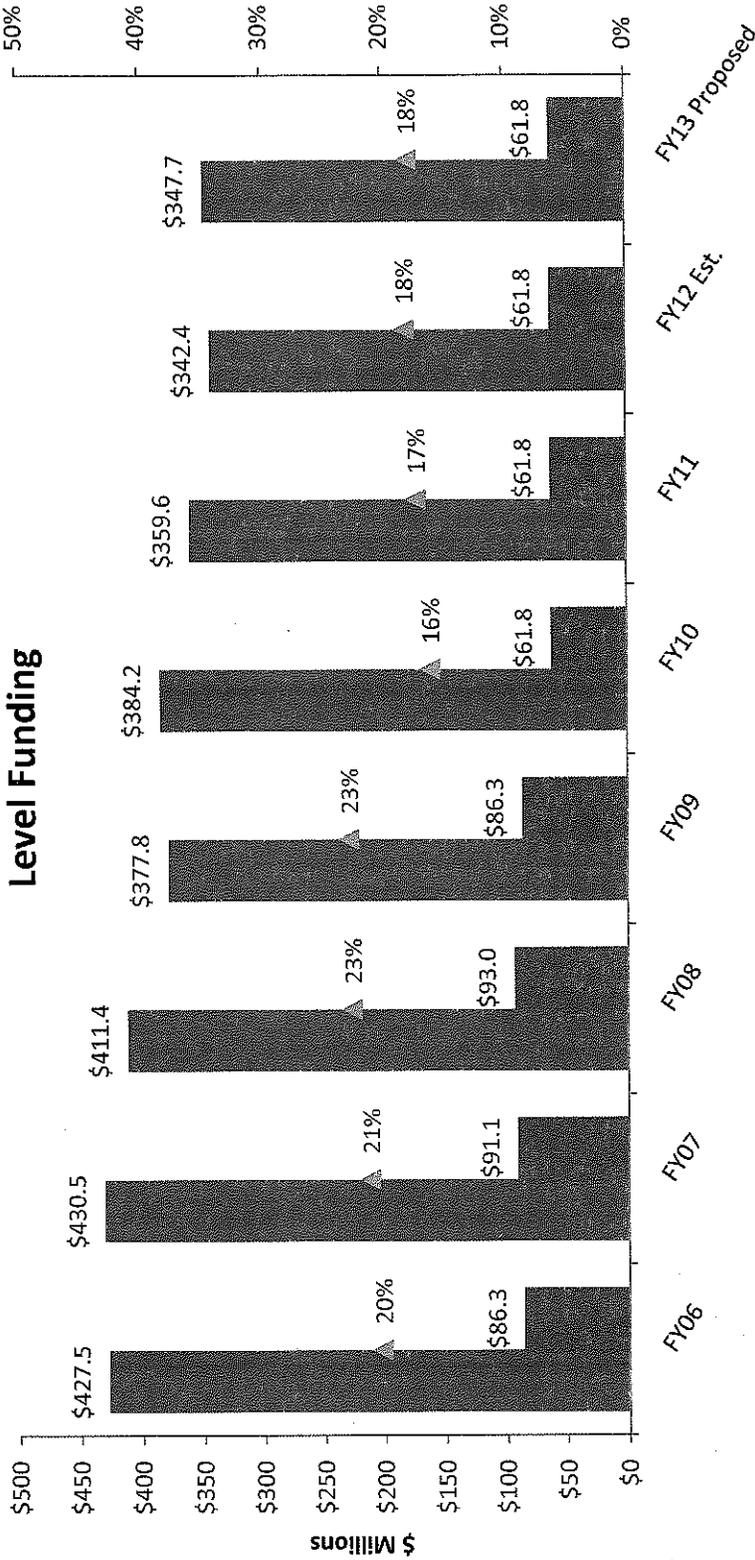
Town Aid Road Grant Level Funding



Source: Governor's Proposed FY13 Midterm Adjustments; CCM, March 2012

Mashantucket Pequot-Mohegan Grant

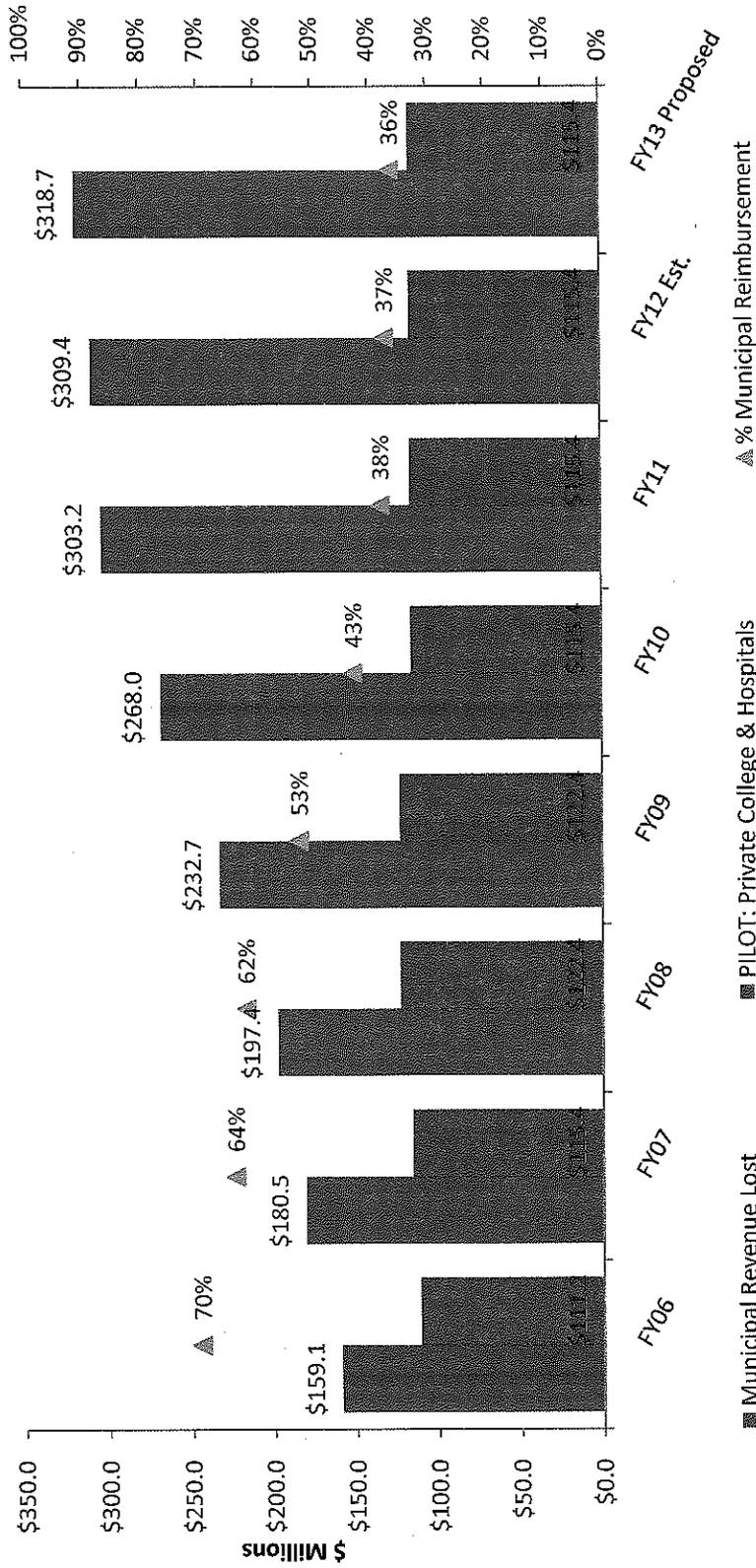
Level Funding



■ Indian Gaming Revenues ■ Mashantucket Pequot-Mohegan Grant ▲ % Municipal Share of Total Indian Gaming Revenues

Source: Governor's Proposed FY13 Midterm Adjustments; CCM, March 2012

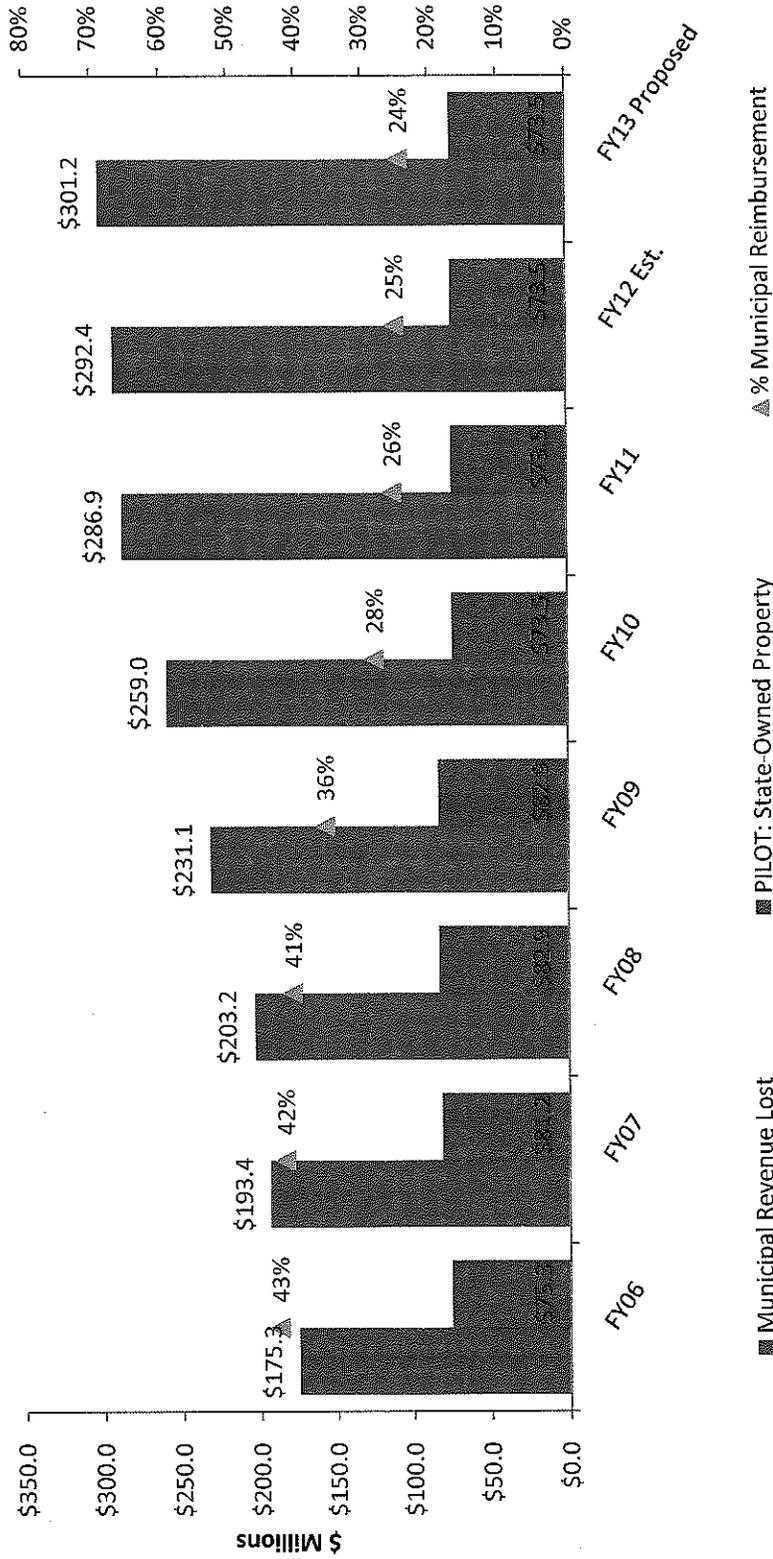
PILOT: Private College and Hospital Property Level Funding



Source: Governor's Proposed FY13 Midterm Adjustments; CCM, March 2012

Note: The reimbursement rate before any reductions due to insufficient appropriations is 77% for most of this property.

PILOT: State-Owned Property Level Funding

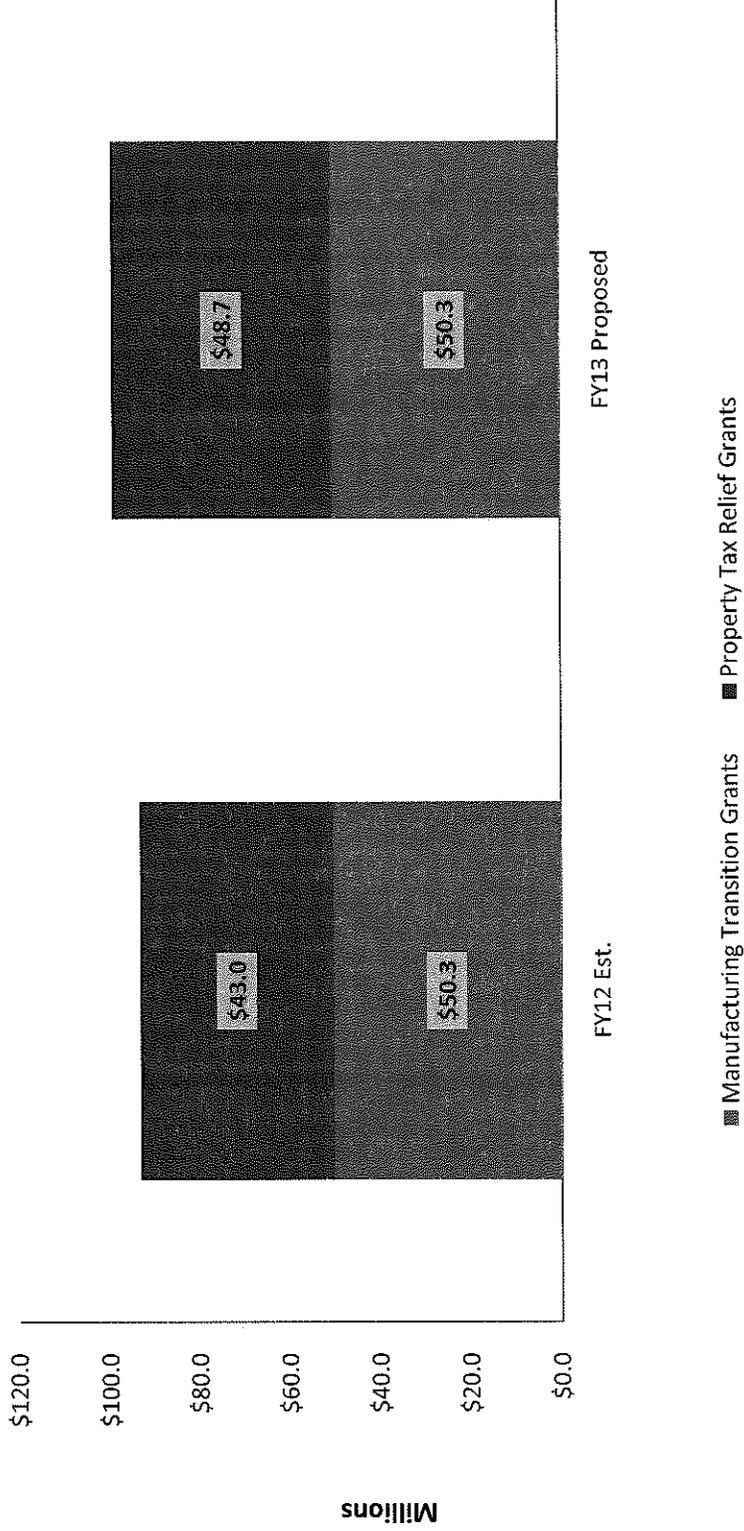


Source: Governor's Proposed FY13 Midterm Adjustments; CCM, March 2012

Note: The reimbursement rate before any reductions due to insufficient appropriations is 45% for most of this property. The rate is 100% for correctional facilities, again, before any reductions.

Municipal Revenue Sharing Account

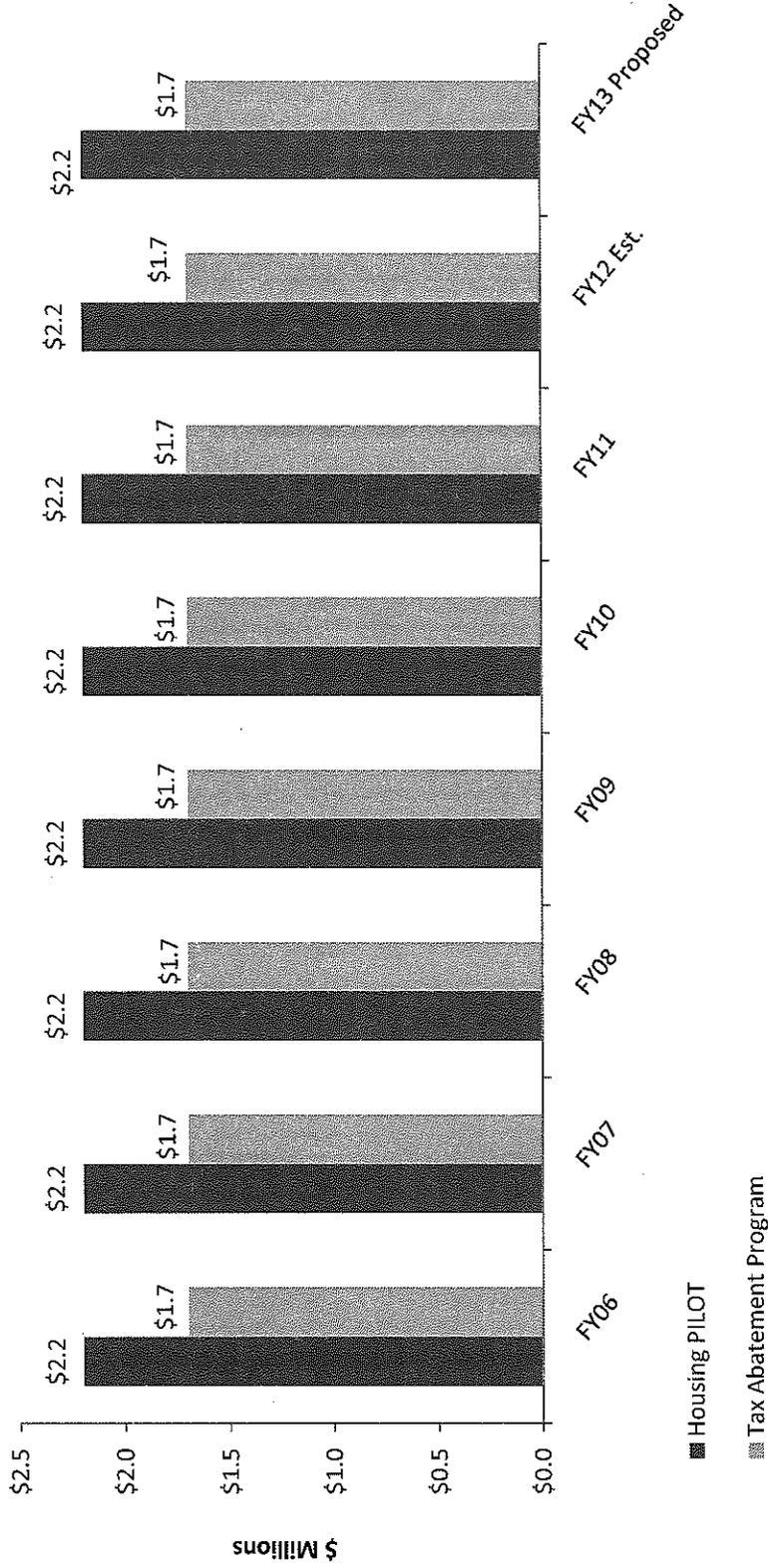
Estimated \$5.7 Million Increase



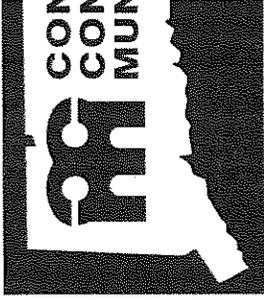
Source: Governor's Proposed FY13 Midterm Adjustments; CCM, March 2012

DECD PILOT and Tax Abatement Grants

Level Funding



Source: Governor's Proposed FY13 Midterm Adjustments; CCM, March 2012



CONNECTICUT CONFERENCE OF MUNICIPALITIES

THE VOICE OF LOCAL GOVERNMENT

The Connecticut Conference of Municipalities (CCM) is Connecticut's statewide association of towns and cities. CCM is an inclusionary organization that celebrates the commonalities between, and champions the interests of, urban, suburban and rural communities. CCM represents municipalities at the General Assembly, before the state executive branch and regulatory agencies, and in the courts. CCM provides member towns and cities with a wide array of other services, including management assistance, individualized inquiry service, assistance in municipal labor relations, technical assistance and training, policy development, research and analysis, publications, information programs, and service programs such as workers' compensation, liability-automobile-property insurance, risk management, and energy cost-containment. Federal representation is provided by CCM in conjunction with the National League of Cities. CCM was founded in 1966.

CCM is governed by a Board of Directors, elected by the member municipalities, with due consideration given to geographical representation, municipalities of different sizes, and a balance of political parties. Numerous committees of municipal officials participate in the development of CCM policy and programs. CCM has offices in New Haven (the headquarters) and in Hartford.

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