



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,

The 2005-2006 Commission on Unfunded Mandates was charged with (a) studying the actual need for numerous unfunded and partially funded mandates, (b) quantifying the actual costs to local governments for such mandates, and (3) analyzing the effects of eliminating or reducing such mandates. The creation of the

Commission rightfully acknowledged that “the sooner we cut costs to cities and towns...the sooner cities and towns will be able to pass those savings to their residents.” Unfortunately, the Commission’s draft proposals were never acted on.

The M.O.R.E. Commission also made several meaningful mandates reform recommendations that were never implemented.

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.

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.

