CONNECTICUT CONFERENCE OF MUNICIPALITIES
THE VOICE OF LOCAL GOVERNMENT

CCM 2013 Testimony

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APPROPRIATIONS COMMITTEE

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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 92% 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.

Good afternoon, on behalf of CCM -- Connecticut's statewide association of towns and cities -- my name is **Art Ward, Mayor of Bristol**. Thank you for the opportunity to speak before you regarding S.B. No. 272, "An Act Concerning State Mandates".

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.

A statutory prohibition would (a) place the burden of proof on the State to demonstrate why a mandate is needed, and (b) present the General Assembly with the issue of municipal reimbursement up-front, as the issue of enactment is debated. The Legislature, through use of a "notwithstanding clause", may avoid full or even partial reimbursement for a new or expanded mandate if there are compelling public policy reasons to do so. Still, this needed reform would require the General Assembly to inject cost-benefit analyses into debates on state mandates yet provide the State with the needed flexibility to enact truly necessary mandates.

Connecticut towns and cities empathize with the State's fiscal problems. Municipalities across our state have enacted painful budget cuts and are making preparations for additional cuts. Deep cuts in services and massive layoffs have occurred in Connecticut's central cities – with the prospect of additional cuts and layoffs on the horizon. Municipalities must still provide the services residents depend on such as education, public safety and infrastructure maintenance, regardless of the economy.

At a time when towns and cities are struggling mightily to continue to provide needed services to residents and businesses, meaningful mandates relief is needed <u>this year</u>.

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 "de facto mandates" 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, 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.).

Special Role of Appropriations Committee

The Appropriations Committee has a special statutory obligation to analyze and act on proposed unfunded mandates (CGS 2-32b). Any bill which "creates or enlarges a state mandate to local governments" is to be sent to the Committee for special scrutiny:

> On and after January 1, 1985, (1) any bill reported by a joint standing committee of the General Assembly which may create or enlarge a state mandate to local governments, as defined in subsection (a) of this section, shall be referred by such committee to the joint standing committee of the General Assembly having cognizance of matters relating to appropriations and the budgets of state agencies, unless such reference is dispensed with by a vote of at least two-thirds of each house of the General Assembly, and (2) any bill amended by either house of the General Assembly or by the report of a committee on conference in such a manner as to create or enlarge a state mandate shall be referred to said committee, unless such reference is dispensed with by a vote of at least two-thirds of each house of the General Assembly. Any such bill which is favorably reported by said committee shall contain a determination by said committee concerning the following: (A) Whether or not such bill creates or enlarges a state mandate, and, if so, which type of mandate is created or enlarged; (B) whether or not the state shall reimburse local governments for costs resulting from such new or enlarged mandate, and, if so, which costs are eligible for reimbursement, the level of reimbursement, the timetable for reimbursement and the duration of reimbursement.

Studies, Studies and Yet More Studies

Municipal mandates reform is an often studied, but seldom acted-upon issue. Let's be frank: the issue has been studied and studied and studied.

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)

Mandate Relief Proposals to Enact This Year

The Committee should support the following proposals, make them a priority and ensure that they are enacted:

A. **Phase out the health-insurance premium tax on municipalities**: (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.

B. **Increase the statutorily set employee contributions to the Municipal Employee Retirement System (MERS)** by 1% annually over the next three years (but, not to exceed 15% of a pension per year) to a total employee contribution to MERS of 5.25%. From 2002-2012, municipal contribution rates have risen 444% (3.75% of payroll to 16.65%) for public safety employees; and 392% (3% to 11.76%) for all others employees.

C. **CCM supports SB 1112, which would allow towns and cities to post legal and other notices on their websites, rather than in newspapers.** This is a costly – and unnecessary – unfunded state mandate.

D. **Amend the State's prevailing wage rate mandate** [CGS 31-53(g)]: (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. The current thresholds have not been raised since 1991.

E. **Modestly modify state-mandated compulsory binding arbitration laws** under the Municipal Employee Relations Act (MERA) and the Teacher Negotiation Act (TNA) by (a) requiring that all neutral municipal arbitrators be members of the American Arbitration Association, and (b) preventing an arbitration panel from considering a municipal reserve fund balance when determining municipalities' financial capability.

F. **Eliminate the Minimum Budget Requirement (MBR)** that prevents municipalities from finding savings and efficiencies in board of education budgets. At the very least, the **MBR should be eliminated** for FYs 14-15 to allow municipalities to find reasonable savings for their property taxpayers, **or at the very least provide for reductions if certain cost savings or efficiencies can be achieved.** CCM supports ensuring that state education aid is spent on education - *every community in Connecticut already spends more on K-12 public education than they receive from the State.*

G. **Allow municipalities that are scheduled to conduct a property revaluation – particularly physical -- in 2013 and 2014, the option to delay that revaluation for at least one year**, as a reasonable response to the uncertainties of the current market.

H. **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.

I. Clarify the **statutory definition of "department head"** for purposes of excluding such personnel from collective bargaining.

J. **Repeal the statute that requires one union for the uniformed employees of municipal police departments and municipal fire departments.** Present law requires rank and file employees and supervisors to be in the same union – which has a chilling effect on management authority.

While a statutory prohibition would provide serious mandates reform –it must be noted that it does not provide ***relief from the most onerous current unfunded state mandates.*** *Comprehensive mandates reform cannot occur without significant change to these very costly mandates.*

Please remember: Serious mandates reform = serious relief to Connecticut's hard-pressed property taxpayers.

Thank you.

If you have any questions, please contact Ron Thomas (rthomas@ccm-ct.org) or Jim Finley (jfinley@ccm-ct.org) at (203) 498-3000.