



CCM 2013 Testimony

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PLANNING & DEVELOPMENT COMMITTEE

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Good Morning,

My name is Art Ward. I am Mayor of Bristol, and 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 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.

CCM strongly supports H.B. 5097, 5099, 5101, 5172, 5341, 5273, 5274, 5439, 5528, 5529, and SB 223, which would enact a **statutory prohibition against new unfunded 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 this year.

This testimony and that of Mayor Ryan Bingham includes lists of mandate reform proposals for action during this Session.

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.). *Separate testimony on HB 5295, which would remove the entire mandate, has been provided to the Committee.*

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

Mayor Ryan Bingham of Torrington has submitted a set of mandate reform proposals that the General Assembly should enact this year. In addition to eliminating the legal notices mandate (HB 5530 and 5532) and removing the mandate to store the possessions of evicted tenants (HB 5295), 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. 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.**

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.