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Before the Planning & Development Committee
February 13, 2015

SUPPORT – SB-188- AN ACT ELIMINATING MUNICIPAL MANDATES.

Connecticut's small towns and cities are once again facing enormous pressure to hold the line on local budget and property tax increases. For small towns, state aid to municipalities has been largely flat funded for several years, requiring towns to absorb the increased costs associated with delivering critical education, public health and safety services.

Towns are looking for ways to do more with less. Unfortunately, unfunded state mandates continue to drive up local costs beyond the control of our small towns and cities. Connecticut must help to relieve some of the burden on our small towns and cities by providing relief from unfunded mandates and refraining from adopting any new unfunded mandates, however well-intentioned.

The Connecticut Council of Small Towns (COST) therefore urges support for the following mandate relief measures:

Publication of Legal Notices

The cost of publishing legal notices in the newspapers has increased significantly. Moreover, many newspapers serving small towns and cities are no longer in business, forcing towns to publish notices in the more expensive metropolitan newspapers.

Increasingly, taxpayers go to their municipal websites to find up-to-date information on issues affecting towns, including legal notices. Input from our small towns indicates that towns spend from $5,000 - $30,000 each year to publish legal notices in newspapers.

Recognizing that consumers are more likely to receive information online than in newspapers, lawmakers have approved legislation allowing state agencies to post certain legal notices online rather than in newspapers. For example, Public Act 13-205 allows the state Department of Energy & Environmental Protection (DEEP) commissioner, under certain circumstances, to publicly notice a tentative determination for a permit that requires newspaper publication on the department's website.

COST recommends support for legislation to allow towns to post full legal notices on their websites and limit publication in the newspapers to a summary of the notices.

Elimination of Health Insurance Premium Tax

COST supports efforts to exempt municipalities from the 1.75% premium loading tax on health insurance policies. This proposal recognizes that the state and local governments must work together as partners to reduce health insurance costs which contribute to property tax increases.

The skyrocketing costs of local employee and retiree health insurance represent one of the most serious fiscal challenges facing small towns. Double digit increases in health insurance costs have begun to dominate budget growth in many communities resulting in fewer resources available for other critical services, including education and public safety.

The insurance premium tax, which costs Connecticut's towns and cities an estimated $11 million per year, is particularly onerous for Connecticut's small towns because they cannot afford to self-insure to avoid the tax and other mandated health insurance costs.

Property Storage Mandate

COST supports efforts to relieve towns from the cost and burden associated with storing the personal possessions of evicted tenants.

A 2006 report prepared by the Office of Legislative Research (OLR) indicates that, "In the overwhelming majority of the 37 states that we researched, a landlord may dispose of personal property that a tenant leaves in dwelling units by selling it after first notifying the tenant of his intent and storing the property for a period prior to the sale."

Under Connecticut law, however, the responsibility for storing the property is shifted to the municipality, which places a heavy financial burden on our towns and cities. The requirement that towns store an evicted tenant's possessions is extremely costly and burdensome, particularly at a time when towns are struggling to provide residents with services without raising property taxes.

There are an estimated 2,500 residential evictions per year. Storage costs average between $10 and $15 per day, per eviction, for an average of 15 days. This can range from approximately $12,000 to $165,000 per municipality.

Probate Costs

Towns are picking up an increasing portion of probate court's operating costs. The probate court system should refrain from shifting these costs to the municipalities. The probate court system was structured in a way that the fees generated by the court system should be sufficient to offset operating costs. COST supports provisions in SB-188 which recognize that towns are shouldering the burden for expenses beyond what were anticipated when the probate courts were consolidated.

In addition to the mandate relief issues outlined in SB-188, COST urges lawmakers to incorporate the following proposals in the bill:

Address Escalating Municipal Pension Costs

Pension and benefit costs are increasingly driving up municipal budgets. For municipalities participating in the Municipal Employees Retirement System (MERS), this is due to inequities in how the system is funded.

According to the Office of Legislative Research, the statutorily set employee contribution rate has not changed since MERS was established in 1947. State law caps the municipal employee contribution rate at

2 ¼% of earnings subject to Social Security taxes or 5% of earnings not subject to Social Security taxes. *In the past 12 years, however, the employer contribution rate has been increased 12 times.*

As a result, from FY 02 – FY 12, for employees covered by social security, the employer share for regular employees has increased from 37% to 70% and from 35% to 75% for hazardous duty employees. For employees not covered by social security, the employer share for regular employees has increased from 55% to 84% and from 63% to 88% for hazardous duty employees for the same time period.

This imbalance in funding the Municipal Employees Retirement System is straining the budgets of municipalities, forcing reductions in critical services or increases in property taxes.

COST supports legislation to increase the employee contribution by 1% annually over the next three years for a total increase of 5.25% or to, at a minimum, allow municipalities to create a tier for new hires, consistent with the state. This is a modest proposal which will more equitably fund the system and ensure its continued financial viability.

Minimum Budget Requirement

To ensure that towns appropriate the statutorily set foundation level for each student, the state enacted the Minimum Budget Requirement (MBR) and, formerly, the Minimum Expenditure Requirement (MER). As currently constructed, however, the MBR requires municipalities to budget at least the same amount for education as they did in the previous year, with certain limited exceptions. Towns that violate the MBR are faced with hundreds of thousands of dollars in forfeiture penalties.

The current MBR mandate does not provide towns with the flexibility to achieve meaningful cost savings. Even where efficiencies can be found in school budgets to help reduce costs, the state mandates that local education budgets cannot be reduced below current spending levels.

COST recommends support for legislation to authorize towns to reduce the Minimum Budget Requirement (MBR) to reflect actual cost savings.

Prevailing Wage Thresholds

The prevailing wage mandate is often cited as one of the most costly and burdensome unfunded mandate, particularly for some of our smaller communities. Local taxpayers – individuals and businesses alike – are increasingly frustrated by increases in their property taxes when local governments have to raise additional revenue due to unfunded state mandates.

Under current law, workers employed on new state and local building projects costing more than $400,000 or on state and local renovation projects costing more than $100,000, must be paid a prevailing wage rate, which is generally substantially higher than the market rate, resulting in significantly higher costs for state and local projects. For example, in 2007, the median wage for electricians was about the same statewide as it was in the City of Hartford, approximately $24.13 per hour. However, during that same time, the prevailing wage set by the state for Hartford was $32.30 per hour plus a fringe benefit rate of $17.38 per hour – more than 25% higher.

In fact, a 1995 study by the Connecticut Advisory Commission on Intergovernmental Relations (ACIR) concluded that prevailing-wage rates increase construction costs for towns and cities as much as 21% annually. Some studies, including a study recently released by Columbia University* estimate these costs to be much higher. Clearly, these additional costs make it harder to fund necessary repairs and improvements to municipal offices, schools and other buildings.

Unfortunately, due to the project thresholds which have not been increased since 1991, relatively small projects, such as garages, pavilions and salt sheds, are subject to prevailing wage rates, substantially increasing the cost of such projects.

COST is an advocacy organization committed to giving small towns a strong voice in the legislative process.

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