



Testimony
Barbara Henry
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On Behalf of the Connecticut Council of Small Towns
Before the Finance, Revenue & Bonding Committee
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My name is Barbara Henry and I am the First Selectman of Roxbury and a member of the Board of Directors of the Connecticut Council of Small Towns (COST) and a Past President of the organization.

I would like to address Section 1(h) of the bill which modifies the Municipal Spending Cap enacted last session. COST is very concerned that the Municipal Spending Cap is ill-defined and unfairly ties the hands of local government.

In small towns where budgets are approved at town meetings or in budget referendums, the Municipal Spending Cap undermines the ability of residents to approve local budgets that reflect the priorities of their community. It also penalizes communities that are investing in local infrastructure projects or growing their grand lists because such initiatives are likely to result in expenditures above the Municipal Spending Cap.

As drafted, beginning in FY 18, the Municipal Spending Cap requires municipalities to limit "general budget expenditures" to 2.5% above the previous year or the rate of inflation, whichever is greater. For towns that exceed the cap, Municipal Revenue Sharing Account grants are reduced 50 cents for every dollar the municipality spends over the cap.

Although there are certain exemptions to the cap, the exemptions are confusing or otherwise problematic. For example, why exempt arbitration awards? Placing arbitration awards outside the cap makes it difficult for the town to negotiate collective bargaining agreements that reflect the town's fiscal constraints.

SB-466 attempts to modify the exemptions but the changes are confusing and raise more concerns than they address. Why exempt nonrecurring capital expenditures of \$100,000 or more? Is this a per project threshold or does it refer to the overall capital improvement budget? Why wouldn't all capital expenditures be exempt from the cap?

The reference to audited deficits is confusing. The reference to expenditures from non-budgeted funds is unclear. The bill further provides that the MRSA grant will not be reduced by an amount



proportionate to any increase in its population over the previous year. Wouldn't an increase in the grand list also warrant an exemption from the MRSA grant reduction?

Clearly, the Municipal Spending Cap is fundamentally flawed. The confusion regarding the cap and whether or not certain expenses qualify as exemptions is compounded by the uncertainty associated with the state budget and municipal aid.

Given the state's ongoing budget deficit, COST urges lawmakers to repeal or suspend the municipal spending cap, which will only serve to disrupt the delivery of critical local services in the wake of continued flat or reduced municipal aid.

COST is an advocacy organization committed to giving small towns a strong voice in the legislative process. Its members are Connecticut towns with populations of less than 30,000. COST champions the major policy needs and concerns of Connecticut's suburban and rural towns.