



MUNICIPAL SPENDING CAP

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ISSUE

How does the recently enacted municipal spending cap work? Does the Office of Policy and Management (OPM) have discretion in applying the cap?

The municipal spending cap is a feature of the new municipal revenue sharing grant program funded by state sales tax revenue directed to the Municipal Revenue Sharing Account (MRSA). Towns receive the revenue sharing grants beginning in FY 17. The law sets each town's grant amount for FYs 17 to 19 and requires OPM to determine the grant amounts for FY 20 and thereafter according to a newly established formula ([CGS § 4-66/\(d\) and \(f\), 2016 supplement](#)).

Beginning in FY 18, OPM must reduce the grants to municipalities whose spending, with certain exceptions, exceeds the specified spending cap. The cap is the greater of the inflation rate or 2.5% or more of the prior fiscal year's authorized general budget expenditures. Towns that increase their general budget expenditures over the previous fiscal year by an amount over this cap receive a reduced revenue sharing grant. The reduction is equal to 50 cents for every dollar the municipality spends over the cap. The law does not give OPM discretion in applying these grant reductions ([CGS § 4-66/\(h\), 2016 supplement](#)).

Towns must annually certify to the OPM secretary, on an OPM-prescribed form, whether they have exceeded the spending cap and if so, the excess amount.



By law, municipal spending does not include expenditures:

1. for debt service, special education, or implementing court orders or arbitration awards;
2. associated with a major disaster or emergency declaration by the president or disaster emergency declaration issued by the governor under the civil preparedness law; or
3. for motor vehicle property tax grants or municipal revenue sharing grants disbursed to special taxing districts ([CGS § 4-66\(h\), 2016 supplement](#))

Please note that the spending cap provision applies only to the municipal revenue sharing grants. It does not apply to the other grants (e.g., supplemental payments in lieu of taxes and motor vehicle property tax grants) also funded through MRSA.

RP:cym