



MUNICIPAL REVENUE SHARING PROGRAM

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ISSUE

Describe the municipal revenue sharing program.

SUMMARY

The legislature enacted the municipal revenue sharing program in 2015 by diverting a portion of sales tax revenue to a dedicated account to fund four new grant programs for municipalities. Although the program's funding mechanism was later modified in 2016, its four grant programs take effect in the next two fiscal years. This report describes these programs and their funding:

- **Municipal revenue sharing grants:** For FYs 17 through 19, municipalities will receive these grants according to amounts listed in statute. (Certain special taxing districts will also receive these grants in FY 17.) In FY 20 and subsequent years, the grants are calculated according to a statutory formula. Beginning in FY 18, the grant amounts are reduced for municipalities whose spending exceeds a municipal spending cap.
- **Supplemental payment in lieu of taxes (PILOT) grants:** For FYs 17 through 19, 42 specified municipalities and districts will receive a supplemental PILOT grant according to amounts listed in statute. These grants are in addition to the annual PILOT grants for state-owned, college, and hospital property. In FY 20 and subsequent years, the grants are for the 35 municipalities (and in some cases, districts) with the highest percentage of tax-exempt property on their grand lists and mill rates on real and personal property (other than motor vehicles) of at least 25.
- **Regional services grants for councils of governments (COGs):** Beginning in FY 17, COGs will receive these grants according to a formula determined by the Office of Policy and Management (OPM). They must use the grants for planning purposes, regionalizing services, and, beginning in FY 18, helping regional education service centers work with municipalities in their regions to provide merged human resource, finance, or technology services.



- **Motor vehicle property tax grants:** Beginning in FY 18, municipalities that impose mill rates on real and personal property (other than motor vehicles) greater than 32 mills will receive these grants. Grants amounts are determined according to a statutory formula that is based on the amount of property taxes municipalities and districts levied on motor vehicles in FY 15.

FUNDING MECHANISM

In FY 17, all of the revenue sharing grants are funded through a newly established Municipal Revenue Sharing Fund (MRSF). The FY 17 budget act created the fund and appropriated \$185 million to it from the General Fund ([PA 16-2, May Special Session](#) (MSS) (§§ 8 & 41).

Beginning in FY 18, the grants are funded through the Municipal Revenue Sharing Account (MRSA) by a sales tax revenue diversion. By law, beginning July 1, 2017, the Department of Revenue Services (DRS) commissioner must begin diverting to MRSA 7.9% of the sales tax revenue that the state receives each month (from the state's 6.35% sales tax rate). (The law previously required the DRS commissioner to direct 4.7% of sales tax revenue to MRSA for May and June 2016. This diverted revenue funded \$10 million in supplemental education cost sharing grants for FY 16; the FY 17 budget act transferred the remaining \$22.8 million to the General Fund for FY 17.)

The OPM secretary may establish receivables for the revenue anticipated from MRSA and sales tax revenue directed into MRSA. (A receivable is an amount due from another source or party.) This allows OPM to make specified MRSA grant payments, as described below, before sufficient sales tax revenue has accumulated in the account.

MRSA Distribution Schedule

The OPM secretary must set aside and ensure availability of MRSA funds in a specified order of priority and transfer or disburse them accordingly (CGS § 4-66/(b)). Table 1 provides the disbursement schedule for FY 18 and subsequent fiscal years.

Table 1: MRSA Disbursement Schedule

FY	Required Disbursement
18 and 19	Amount sufficient to make motor vehicle property tax grants to municipalities by August 1
	Amount sufficient to make grants payable from the select PILOT account
	Amount sufficient to pay municipal revenue sharing grants, according to statutory amounts, by October 31
	\$7 million for regional services grants to COGs
20 and thereafter	Amount sufficient to make motor vehicle property tax grants to municipalities by August 1
	Amount sufficient to make grants payable from the select PILOT account
	\$7 million for regional services grants to COGs
	Amount sufficient to pay municipal revenue sharing grants according to a statutory formula

GRANT PROGRAMS

Municipal Revenue Sharing Grants

Municipalities will receive a new municipal revenue sharing grant beginning in FY 17. (Specified districts will also receive these grants for FY 17 only.) The grant amounts are listed in statute for FYs 17, 18, and 19; they are determined according to a statutory formula beginning in FY 20. Appendix 1 lists the FY 17 grant amounts. Appendix 2 describes the statutory formula for FY 20 and subsequent years.

Municipal Spending Cap. Beginning in FY 18, the revenue sharing grants are tied to a new municipal spending cap mechanism that reduces grant amounts for municipalities whose spending exceeds the cap. The cap is the greater of the inflation rate or 2.5% or more of the prior fiscal year’s adopted budget expenditures, including expenditures from a municipality’s general fund and any nonbudgeted funds.

Municipalities that increase their adopted budget expenditures over the previous fiscal year by an amount that exceeds this cap receive a reduced revenue sharing grant. The reduction is equal to 50 cents for every dollar the municipality spends over the cap. However, OPM may not reduce a municipality’s grant in any year in which its adopted budget expenditures exceed the cap by an amount proportionate to its population increase over the previous fiscal year (based on the most recent Department of Public Health population estimate).

Municipalities 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.

The spending cap does not apply to expenditures:

1. for debt service, special education, implementing court orders or arbitration awards, budgeting for an audited deficit, nonrecurring grants, nonrecurring capital expenditures of at least \$100,000, or payments on unfunded pension liabilities;
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/\(h\)](#), as amended by [PA 16-3, MSS](#) (§ 189)).

Supplemental PILOT Grants

In FYs 17 through 19, 42 specified municipalities and districts will receive a supplemental PILOT grant that is in addition to their annual PILOT grants for state-owned, college, and hospital property. The grants are funded through the select PILOT account by a transfer from MRSF in FY 17 and MRSA in FYs 18 and 19. Table 3 lists the FY 17 grant amounts.

Table 3: FY 17 Supplemental PILOT Grant Amounts

Ansonia	\$19,652	North Canaan	\$4,203
Bridgeport	3,095,669	Norwich	248,588
Chaplin	10,692	Plainfield	15,417
Danbury	593,619	Simsbury	20,731
Deep River	1,876	Stafford	41,189
Derby	132,817	Stamford	528,332
East Granby	9,474	Suffield	51,434
East Hartford	205,669	Wallingford	58,914
Hamden	593,967	Waterbury	3,141,669
Hartford	11,883,205	West Hartford	202,308
Killingly	44,593	West Haven	324,832
Ledyard	2,881	Windham	1,193,950
Litchfield	13,303	Windsor	9,241
Mansfield	2,516,331	Windsor Locks	31,122
Meriden	248,303	Borough of Danielson (Killingly)	2,135
Middletown	695,770	Borough of Litchfield	137
Montville	25,080	Middletown: South Fire District	1,121
New Britain	1,995,060	Plainfield - Plainfield Fire District	296
New Haven	14,584,940	West Haven First Center (D1)	1,136
New London	1,297,919	West Haven: Allingtown FD (D3)	50,751
Newington	169,211	West Haven: West Shore FD (D2)	33,544

Beginning in FY 20, the 35 municipalities (and in some cases, districts) with the highest percentage of tax-exempt property on their grand lists and mill rates on real and personal property (other than motor vehicles) of at least 25 will receive increased PILOT grants payable from the select PILOT account. OPM must calculate the grants based on a statutory formula described in Appendix 3.

Regional Services Grants

Beginning in FY 17, COGs will receive a regional services grant funded by \$3 million from MRSF in FY 17 and \$7 million from MRSA in FY 18 and subsequent years. COGs must use the grants for planning purposes and to achieve efficiencies in delivering municipal services on a regional basis, including regionally consolidating services, without diminishing the quality of the services. Beginning in FY 18, they must also use 35% of the grant funds to help regional education service centers merge their human resource, finance, or technology services with such services provided by municipalities in the region. By law, a COG's council members must unanimously approve any regional services grant expenditure.

The grant amounts are set according to a formula determined by the OPM secretary. FY 17 grants, listed in Table 2, were calculated by applying a pro rata reduction (approximately 12%) to each COG's FY 16 state grant-in-aid (SGIA).

Table 2: FY 17 Regional Services Grants by Planning Region

<i>Planning Region</i>	<i>Grant Amount</i>
Capitol	\$538,075.15
Metropolitan	249,705.13
Lower CT River Valley	297,043.70
Naugatuck Valley	417,082.87
Northeastern	152,379.28
Northwest Hills	270,474.03
South Central	360,487.69
Southeastern	235,948.14
Western	478,804.01

Source: OPM

Beginning by October 1, 2017, COGs must biennially report to the Planning and Development and Finance, Revenue and Bonding committees (1) on how they have spent the grants and (2) with recommendations for expanding, reducing, or modifying them ([CGS § 4-66\(e\)](#), as amended by [PA 16-2, MSS](#) (§ 42) and [PA 16-3, MSS](#) (§ 189)).

Motor Vehicle Property Tax Grants

The motor vehicle property tax grants, which begin in FY 18, are designed to mitigate a portion of the revenue loss attributed to the motor vehicle rate cap that took effect as of the 2015 assessment year. The grants were originally scheduled to begin in FY 17, to coincide with the fiscal impact of the mill rate cap. However, the FY 17 budget act eliminated the grants for FY 17, effectively merging them with the municipal revenue sharing grants described above ([CGS § 4-66\(c\)](#)), as amended by [PA 16-2, MSS](#) (§§ 42)).

OPM must distribute the grants to municipalities that impose mill rates on real and personal property (other than motor vehicles) greater than 32 mills (i.e., the capped motor vehicle mill rate). The grant amounts, which are determined according to a statutory formula, are based on the amount of property taxes municipalities and their special taxing districts levied on motor vehicles in FY 15, before the cap took effect. Figure 1 shows the statutory formula.

Figure 1: Motor Vehicle Property Tax Grant Formula

$$\begin{array}{l} \text{Motor vehicle property taxes levied for the 2013} \\ \text{assessment year by the municipality and special taxing} \\ \text{districts} \end{array} - \begin{array}{l} \text{Amount of the 2013} \\ \text{levy at 32 mills} \end{array} = \begin{array}{l} \text{Motor vehicle property} \\ \text{tax grant amount} \end{array}$$

The grant amounts municipalities receive take into account the motor vehicle mill rates of their special taxing districts; within 15 calendar days after receiving the grants, municipalities must disburse to districts the portion of the grants attributable to them.

Appendix 1: FY 17 Municipal Revenue Sharing Grant Amounts by Municipality and District

Andover	\$66,705	Derby	\$462,718	Lisbon	\$45,413
Ansonia	605,442	Durham	150,019	Litchfield	169,828
Ashford	87,248	East Granby	106,222	Lyme	21,862
Avon	374,711	East Haddam	186,418	Madison	372,897
Barkhamsted	76,324	East Hampton	263,149	Manchester	1,972,491
Beacon Falls	123,341	East Hartford	3,877,281	Mansfield	525,280
Berlin	843,048	East Haven	593,493	Marlborough	131,065
Bethany	114,329	East Lyme	243,736	Meriden	1,315,347
Bethel	392,605	East Windsor	232,457	Middlebury	154,299
Bethlehem	42,762	Eastford	23,060	Middlefield	91,372
Bloomfield	438,458	Easton	155,216	Middletown	964,657
Bolton	106,449	Ellington	321,722	Milford	1,880,830
Bozrah	53,783	Enfield	911,974	Monroe	404,221
Branford	570,402	Essex	74,572	Montville	401,756
Bridgeport	14,476,283	Fairfield	795,318	Morris	28,110
Bridgewater	15,670	Farmington	335,287	Naugatuck	2,405,660
Bristol	1,276,119	Franklin	26,309	New Britain	5,781,991
Brookfield	343,611	Glastonbury	754,546	New Canaan	168,106
Brooklyn	103,910	Goshen	30,286	New Fairfield	288,278
Burlington	193,490	Granby	244,839	New Hartford	140,338
Canaan	14,793	Greenwich	366,588	New Haven	2,118,290
Canterbury	58,684	Griswold	243,727	New London	750,249
Canton	211,078	Groton	433,177	New Milford	565,898
Chaplin	48,563	Guilford	456,863	Newington	651,000
Cheshire	594,084	Haddam	170,440	Newtown	572,949
Chester	57,736	Hamden	4,491,337	Norfolk	20,141
Clinton	268,611	Hampton	38,070	North Branford	292,517
Colchester	330,363	Hartford	13,908,437	North Canaan	66,052
Colebrook	29,694	Hartland	27,964	North Haven	487,882
Columbia	111,276	Harwinton	113,987	North Stonington	107,832
Cornwall	11,269	Hebron	208,666	Norwalk	3,401,590
Coventry	252,939	Kent	26,808	Norwich	1,309,943
Cromwell	288,951	Killingly	351,213	Old Lyme	79,946
Danbury	2,079,675	Killingworth	85,270	Old Saybrook	101,527
Darien	171,485	Lebanon	149,163	Orange	284,365
Deep River	93,525	Ledyard	307,619	Oxford	171,492

Appendix 1 (continued)

Plainfield	\$310,350	Stamford	\$2,372,358	Wilton	\$380,234
Plainville	363,176	Sterling	77,037	Winchester	224,447
Plymouth	255,581	Stonington	202,888	Windham	513,847
Pomfret	54,257	Stratford	1,130,316	Windsor	593,921
Portland	192,715	Suffield	321,763	Windsor Locks	256,241
Preston	58,934	Thomaston	158,888	Wolcott	340,859
Prospect	197,097	Thompson	114,582	Woodbridge	247,758
Putnam	76,399	Tolland	303,971	Woodbury	200,175
Redding	189,781	Torrington	2,435,109	Woodstock	97,708
Ridgefield	512,848	Trumbull	745,325	Bloomfield, Blue Hills FD	92,961
Rocky Hill	405,872	Union	17,283	Enfield Thompsonville FD#2	354,311
Roxbury	15,998	Vernon	641,027	Manchester – Eighth Utility District	436,718
Salem	85,617	Voluntown	33,914	Middletown – City Fire	910,442
Salisbury	20,769	Wallingford	919,984	Middletown So Fire	413,961
Scotland	36,200	Warren	11,006	Norwich CCD	552,565
Seymour	343,388	Washington	25,496	Norwich TCD	62,849
Sharon	19,467	Waterbury	13,438,542	Simsbury FD	221,536
Shelton	706,038	Waterford	259,091	Windham, Special Service District #2	640,000
Sherman	39,000	Watertown	453,012	West Haven First Center (D1)	1,039,843
Simsbury	567,460	West Hartford	1,614,320	West Haven: Allingtown FD (D3)	483,505
Somers	141,697	West Haven	1,121,850	West Haven: West Shore FD (D2)	654,640
South Windsor	558,715	Westbrook	80,601		
Southbury	404,731	Weston	211,384		
Southington	889,821	Westport	262,402		
Sprague	89,456	Wethersfield	940,267		
Stafford	243,095	Willington	121,568		

Source: CGS § 4-66I, as amended by PA 16-2, MSS (§ 42)

Appendix 2: Formula for Calculating Municipal Revenue Sharing Grants in FY 20 and Subsequent Years

The statutory formula for calculating each municipality's revenue sharing grant amount depends on its mill rate for real and personal property (other than motor vehicles). As explained below, it gives more weight to municipalities with relatively high mill rates by setting a 25-mill threshold and basing the distribution on whether a municipality's mill rate is above or below that threshold.

Municipalities Below the Threshold

OPM must calculate grant amounts for municipalities below the 25-mill threshold using specified per capita and pro rata formulas. A municipality's grant is the lesser of the per capita and pro rata distributions.

OPM calculates a municipality's per capita distribution by multiplying its share of the state's total population by the total amount of funds available for the revenue sharing grants. It determines a municipality's pro rata distribution by:

1. calculating a municipality's "weighted mill rate," which is its mill rate for FY 15 divided by the average FY 15 mill rate for all municipalities;
2. multiplying the municipality's weighted mill rate by its per capita distribution (i.e., the "municipal weighted mill rate calculation"); and
3. (a) dividing the municipal weighted mill rate calculation by the sum of all municipal weighted mill rate calculations and (b) multiplying the result by the total amount of funds available for the revenue sharing grants.

Municipalities At or Above the 25-mill Threshold

The formula for municipalities at or above the 25-mill threshold also begins by calculating the per capita and pro rata distributions, but OPM must select the greater of the two amounts and increase it based on a specified percentage. OPM must determine that percentage by:

1. subtracting the total pro rata grants for municipalities below the 25-mill threshold from the total per capita grants for these municipalities and
2. dividing the difference by the sum of the pro rata and per capita distributions for municipalities at or above the 25-mill threshold.

The law caps the grant amounts for specified municipalities. It caps Hartford's grant at 5.2% of the total amount of revenue sharing grants distributed, Bridgeport's at 4.5%, New Haven's at 2.0%, and Stamford's at 2.8%. OPM must redistribute any funds remaining after determining these caps to all other municipalities with mill

Appendix 2 (continued)

rates at or above the 25-mill threshold according to the pro rata distribution formula used to determine their initial grant amounts ([CGS § 4-66\(f\)](#), as amended by [PA 16-3, MSS](#) (§ 189)).

Appendix 3: PILOT Grants for FY 20 and Subsequent Years

Beginning in FY 20, the law establishes a mechanism for increasing PILOT grants for the 35 municipalities (and in some cases, districts) with the highest percentage of tax-exempt property on their grand lists, provided their mill rates are at least 25. It establishes minimum reimbursement rates for specific types of PILOT-eligible property, based on a municipality's mill rate, as described below. And it requires that PILOTs for all other eligible properties be proportionately reduced if the amount appropriated is not enough to fully fund them, but no lower than the reimbursement rate the municipality received in FY 15 for such property.

Minimum Reimbursement Rates for Select PILOT-Eligible Property

The law establishes minimum reimbursement rates for PILOTs on (1) select state property (i.e., the category of state-owned property reimbursed at 45%); and (2) select college and hospital property (i.e., private, nonprofit colleges and universities, nonprofit general and chronic disease hospitals, and certain urgent care facilities). State property PILOTs are paid to towns, cities, boroughs, consolidated towns and cities, and consolidated towns and boroughs. College and hospital property PILOTs are paid to these municipalities and also to village, fire, sewer, and combination fire and sewer districts and other municipal organizations authorized to levy and collect taxes.

OPM must rank each municipality (and district, in the case of college and hospital PILOTs) based on (1) its mill rate for real and personal property (other than motor vehicles) and (2) the percentage of tax-exempt property on its 2012 grand list, excluding correctional and juvenile detention facilities. Boroughs and districts receive the same ranking as the municipalities in which they are located.

Municipalities and districts are then divided into three tiers based on their rankings. Each tier receives a minimum reimbursement rate for its select property, as shown in Table 1. The portion of the grants made to tiers one and two that exceeds the minimum reimbursement rate for tier three (i.e., 32% for college and hospital PILOTs and 24% for state property PILOTs) is paid from the select PILOT account.

Table 1: Minimum PILOT Reimbursement Rates

<i>Municipalities*</i>	<i>Select College and Hospital Property</i>	<i>Select State Property</i>
Tier one: 10 municipalities with the highest percentage of tax-exempt property and a mill rate of at least 25	42%	32%
Tier two: Next 25 municipalities with a mill rate of at least 25	37%	28%
Tier three: All other municipalities	32%	24%

*Includes districts for purposes of college and hospital property PILOTs

If the amount appropriated for the grants and available in the select PILOT account is not enough to fund the minimum reimbursement rates in Table 1, OPM must reduce them as follows:

1. select college and hospital property PILOTs must be proportionately reduced so that the tier one and tier two grants are 10 percentage points and five percentage points greater than the tier three grants, respectively.
2. select state property PILOTs must be proportionately reduced so that the tier one and tier two grants are eight percentage points and four percentage points greater than the tier three grants, respectively.

OPM must pay the grants to tiers one and two that exceed the grants paid to tier three from the select PILOT account ([CGS § 12-18b](#), as amended by [PA 16-146](#) and [PA 16-3, MSS](#) (§§ 190-191)).

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