



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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