



Testimony

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Before the Appropriations, Commerce, Finance, Revenue & Bonding and Planning & Development Committees

House Chamber

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Re: Report: Commission on Fiscal Stability & Economic Growth

Connecticut's ongoing fiscal challenges have placed an untenable burden on property taxpayers. Towns are struggling to address deep cuts in municipal aid, including midyear deficit hold backs and lapses, and, recently, a \$30 million cut in Town Aid Road grants. In addition, towns have been required to absorb responsibility for administering and/or funding all or a portion of the costs of various state mandated programs, including the Elderly Circuit Breaker program and the Renters' Rebate program.

As a result, many towns have been forced to 1) issue supplemental property tax bills; 2) reduce services and personnel; and/or 3) draw down on fund balances. Unfortunately, given that municipal aid could once again be on the chopping block, towns are facing tremendous uncertainty in crafting and adopting local budgets.

This uncertainty is also raising concerns with bond rating companies, which have recently downgraded the bond ratings for many towns, triggering increased borrowing costs and making it more costly to move forward with building and infrastructure projects. We are very concerned that property taxpayers are at a tipping point and will not tolerate any additional increases in property tax levels. And, given the elimination of the State and Local Tax (SALT) deduction on federal income taxes, towns are under enormous pressure to hold the line on property tax levels.

The Report of the Commission on Fiscal Stability & Economic Growth underscores how urgent it is that the administration and the state legislature act now to adopt systemic, structural reforms that will put Connecticut on a solid fiscal path forward.

The Connecticut Council of Small Towns (COST) applauds the work of the Commission to address these issues to give Connecticut back its future. COST fully endorses the following recommendations in the Report:

MANDATE RELIEF

- Amend binding arbitration laws to 1) provide a irrefutable presumption that a town's fund balance of 15% of less is not available for the payment of the cost of any item subject to arbitration; 2) permit compromise awards in between last best offers; 3) require the consent of both parties to enter into binding arbitration; 4) set time limits on the process; and 5) provide for the random selection of a single neutral arbitrator.
- Increase the prevailing wage threshold for municipal renovation projects to \$1 million.
- Require municipal unions in towns proposing shared services arrangements to create a coalition collective bargaining agent that would apply to such arrangements.

MUNICIPAL REVENUE DIVERSIFICATION

- Allows municipalities to raise fees and an additional 0.5% sales tax to augment the existing property tax system, tied to policies promoting regional service delivery at the local level.
- Allows towns or their respective Councils of Government to charge fees for Services in Lieu of Taxes on private colleges and hospitals, while allowing these institutions to maintain their property tax exempt status.
- Gives towns, COGs or a consortia of COGs, the option to raise local revenue for capital projects by authorizing them to impose supplemental, time limited, sales or property taxes by special referenda.
- Enables COGs to levy up to .5% in an additional sales taxes to fund regional economic development and shared service arrangements.

MUNICIPAL AID

- Rejects efforts to shift teachers' pension costs to municipalities, recognizing that this would overwhelm property taxpayers.
- Requires the state to increase state-owned property PILOT grants to municipalities.
- Requires the state to convene a public-private task force to study and make recommendations to rationalize and make the state's various municipal aid programs more predictable
- Supports efforts to have the COGS receive federal designation as counties, in order potentially to qualify for additional federal funding.

BOND LOCK

- Recommends delaying implementation of the Bond Lock, a new cap placed on bond authorizations, and other spending caps, until a thorough review has been undertaken to determine the impact on state spending, including municipal aid.

The report also notes, however, that there is a need for \$1 billion in additional state spending cuts and notes that municipal aid is a major category of state funding. The Report cautions policymakers, however, that these cuts should not be taken from municipal aid given the burden that this would place on already overburdened property taxpayers.

COST urges lawmakers to adopt the Commission's recommendations to restore Connecticut's fiscal stability. It's time to give Connecticut back its future.

COST is an advocacy organization committed to giving small towns a strong voice in the legislative process. COST champions the major policy needs and concerns of Connecticut's suburban and rural towns.