OLR Bill Analysis
sSB 1141

AN ACT CONCERNING MUNICIPAL CAPACITY AND PROPERTY TAX REFORM.

SUMMARY

This bill establishes a new Municipal Capacity Fund to fund (1) annual grants to municipalities based on their relative fiscal capacities and (2) a capacity building grant program for councils of government (COGs). It requires the state comptroller to transfer $100 million each year in FYs 20 and 21 from the General Fund to the fund. The bill reserves $5 million of this amount for the capacity building grant program and requires the fund's balance to be used for the municipal capacity grants described below.

The bill also establishes three property tax relief options for taxpayers making investments in commercial or industrial real property that increase a property's assessed value. It gives such taxpayers discretion to choose from among the three programs.

EFFECTIVE DATE: July 1, 2019

MUNICIPAL CAPACITY FUND

The bill establishes the Municipal Capacity Fund as a separate, nonlapsing fund and authorizes the fund to receive any moneys the law requires to be deposited into it. It requires the Department of Revenue Services (DRS) commissioner to use the fund as described below (however, the bill does not specify a role for the DRS commissioner in dispersing the funds).

Municipal Capacity Grants

The bill requires the balance remaining in the Municipal Capacity Fund each year to be distributed to municipalities based on the Office of Policy and Management's (OPM) calculations.

Under the bill, the OPM secretary must annually calculate and publish a municipal fiscal capacity gap metric for each municipality calculated in accordance with the New England Public Policy Center's 2015 research report (i.e."Measuring Municipal Fiscal Disparities in Connecticut")(see BACKGROUND). OPM must calculate the metric in accordance with the report's methodologies, except that each metric must be multiplied by minus one.

Under the bill, municipalities with a negative fiscal capacity gap metric (i.e., those that lack sufficient revenue raising capacity to provide a common level of municipal services) are eligible for a municipal capacity grant. For each such municipality, the OPM secretary must calculate a "remaining gap figure" by:

1. multiplying the municipality's fiscal capacity gap metric by its population, as estimated in the most recent State Register and Manual, and

2. subtracting the amount of noneducational municipal aid it received from the state for the fiscal year.

The grants must be apportioned from the balance remaining in the Municipal Capacity Fund in proportion to each eligible municipality's "remaining gap figure" as a fraction of the total figures for all eligible municipalities.

Capacity Building Grant Program

The bill requires the OPM secretary to solicit grant proposals from COGs to (1) replace a program, service, or function currently performed by individual members of the COG's planning region or (2) establish a new program, service, or function. To qualify, the proposed program must be offered to all of a COG's member municipalities. Such municipalities may choose to participate in the program, service, or function and must be given the opportunity to change their election at least annually.

The OPM secretary must establish (1) requirements, procedures, and guidelines for the program; (2) grant amounts; and (3) deadlines for proposed submissions and final grant awards.

PROPERTY TAX RELIEF FOR COMMERCIAL AND INDUSTRIAL PROPERTY INVESTMENTS

Under the bill, any taxpayer making investments in commercial or industrial real property that increase the property's assessed value may choose one of the following forms of property tax relief:

1. The taxpayer may claim a credit equal to the amount of the increase in the property's assessed value that is attributed to the taxpayer's investment. The credit may be applied against the taxpayer's property tax liability for the fiscal year in which the assessment increase occurs and unused credits may be carried forward to future fiscal years until they are fully used.

2. The taxpayer may choose to have the portion of the property's increased assessment attributed to the investment taxed at the lesser of 10 mills or 25% of the current mill rate for a seven-year period.

3. The taxpayer may choose to have the portion of the property's increased assessment excluded from property tax for three years and phase in the tax on that portion over the next four years in equal increments.

BACKGROUND

"Measuring Municipal Fiscal Disparities in Connecticut"

The New England Public Policy Center's study measured the fiscal disparities across Connecticut's municipalities by calculating each municipality's "cost-capacity gap," or the difference between the cost of providing non-school public services in a given municipality and the economic resources available to pay for those services. Under the study, a positive gap indicates a municipality that lacks sufficient revenue-raising capacity to provide a given common level of municipal services, with larger gaps indicating a worse fiscal condition. A negative gap indicates that a municipality has a higher revenue-raising capacity to provide this common level of municipal services.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute				
Yea	32	Nay	17	(05/01/2019)