

OFFICE OF FISCAL ANALYSIS

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sSB-1141

AN ACT CONCERNING MUNICIPAL CAPACITY AND PROPERTY
TAX REFORM.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 20 \$	FY 21 \$
Resources of the General Fund	GF - Revenue Loss	100 million	100 million
Office of Policy and Management	Municipal Capacity Fund - Revenue Gain	100 million	100 million

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 20 \$	FY 21 \$
Various Municipalities	Revenue Gain	95 million	95 million
Various Municipalities	Potential Revenue Loss	See Below	See Below

Explanation

The bill establishes a Municipal Capacity Fund and transfers \$100 million in General Fund revenues to it in FY 20 and FY 21. It specifies that \$5 million of these funds be distributed to regional councils of government, and that \$95 million be distributed to certain financially distressed municipalities. This results in a revenue loss of \$100 million to the state and a corresponding \$100 million revenue gain to councils of government and financially distressed municipalities.

The bill requires the Office of Policy and Management to determine

the distribution of funding to municipalities by determining a fiscal capacity gap metric for each municipality, calculated in accordance with the New England Public Policy Center's 2015 research report. This has no fiscal impact.

The bill also allows commercial property owners to choose among three different property tax relief options if they make an investment resulting in an increase in their property's assessed value. Each of these options results in a revenue loss to the municipality where the property is located. Such revenue loss would vary based on the option chosen, and the change in assessed value that occurs as a result of the investment.

The Out Years

The annualized ongoing fiscal impact identified above, as it relates to commercial property tax relief, would continue into the future subject to changes in municipal grand lists and mill rates

The provisions concerning the Municipal Capacity Fund have no fiscal impact in the out years, as the bill specifies a revenue source for the fund in FY 20 and FY 21 only.