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## OLR Bill Analysis

### sHB 5273

#### ***AN ACT CONCERNING THE RECOMMENDATIONS OF THE INTERGOVERNMENTAL POLICY AND PLANNING DIVISION WITHIN THE OFFICE OF POLICY AND MANAGEMENT.***

#### **SUMMARY**

This bill:

1. makes various changes to the regional performance incentive program (RPIP), including its application requirements and selection criteria (§ 7);
2. changes the rental rebate program's deadlines for filing and processing applications and eliminates the ability to apply to the Office of Policy and Management (OPM) for an extension (§§ 8 & 9);
3. reduces, from 25% to 20%, the minimum revaluation phase-in factor for municipalities opting to phase in a portion of a revaluation increase, which allows them to phase-in up to 80%, rather than 75%, over a maximum of five assessment years; and
4. limits the discretionary state funding applications to which municipalities must attach a letter if they have not updated their local plans of conservation and development (C&D) (§ 6).

The bill also makes the following changes to conform to current OPM practice:

1. shifts, from municipal tax collectors to assessors, the requirement to certify to OPM the revenue loss associated with the property tax exemption for totally disabled homeowners (§ 1) and
2. requires the annual statements municipal and special taxing

district tax collectors provide to OPM on their mill rate and tax levy to be based on data for the ensuing, rather than preceding, fiscal year, beginning with the FY 25 statements (§§ 2 & 3).

It also extends this annual mill rate and tax levy reporting requirement to municipal special services districts and subjects them to the same \$100 fine for failing to file a true and correct statement that applies to special taxing districts under existing law (§ 4). Lastly, the bill eliminates an obsolete (1) state grant program designed to provide formula grants to municipalities to address urban problems and (2) provision on allocating payment in lieu of taxes grants for the Torrington courthouse (§§ 10 & 11).

EFFECTIVE DATE: July 1, 2024, except that the provisions on annual mill rate and tax levy reporting to OPM are effective upon passage and the revaluation phase-in provisions are applicable to assessment years beginning on or after October 1, 2024.

## **§ 7 — RPIP**

### ***Eligible Purposes***

The bill expands the eligible purposes for which OPM may award RPIP grants to include services that two or more participating municipalities or boards of education can provide on a regional and ongoing basis, rather than services that one or more of these entities currently provide but not on a regional basis. By law, eligibility for RPIP grants is limited to councils of governments (COG) and regional educational services centers (RESC).

As under existing law, OPM may also award the grants for (1) redistributing specified state grants to municipalities according to regional priorities, (2) regional revenue sharing among municipalities that have entered certain agreements to do so, and (3) qualifying regional special education initiatives.

### ***Application Requirements***

By law, applicants must include certain information about the proposal and its projected benefits and implementation plan as part of

their RPIP applications. The bill makes the following changes to this required information:

1. requires applicants to include an estimate of the proposal's anticipated savings or costs that will be avoided during the grant award period and in future fiscal years, rather than the amount by which participating municipalities will reduce their mill rates as a result of these savings;
2. requires that the implementation plan for the proposed regional service or initiative address any potential growth or reduction in participation rates during the grant award period; and
3. specifies that it include a copy of an acknowledgment, rather than an acknowledgment itself, from any employer organization (e.g., labor union) potentially impacted by the proposal that it was informed and consulted about it.

By law, the proposal must also include a resolution endorsing the proposal from the COG's or RESC's governing body. Under current law, this resolution must state that the entity will fund at least 25% of the proposal's first year costs and all of its costs by the fourth year. The bill instead requires that the resolution affirm that the entity will fund an increasing proportion of the proposal's costs during the grant award period, including 50% of the proposal's costs by the end of the period and all of its costs afterwards.

### ***Selection Criteria***

Current law requires the OPM secretary to award grants to proposals that he determines best meet specified criteria, including that the project demonstrate, compared to existing service delivery, increased capacity and efficiency, a cost benefit to members, increased cost savings, and a diminished need for state funding. The bill instead requires that the secretary award grants to proposals that best reduce municipal and state costs, enhance service delivery capacity, or improve the level of service provided compared to having it delivered at the local level.

It also makes a conforming change by eliminating the criteria that the

proposal include a statement that the applicant will fund at least 25% of the proposal's first year costs and all its costs by the fourth year.

***Required Report to the Legislature***

The bill requires the OPM secretary, in his annual report to the legislature on RPIP, to describe the local or state cost savings, rather than property tax reductions, achieved by the program.

**§§ 8 & 9 — RENTAL REBATE PROGRAM**

The bill advances the application deadline for the rental rebate program by one day, from October 1 to September 30, and eliminates the ability to apply to OPM for an extension by November 15 of the claim year. Under current law, the OPM secretary can grant an extension (1) for good cause or (2) if the applicant provides a certificate (signed by a qualifying medical professional) that he or she was ill or incapacitated because of extenuating circumstances.

By law, unchanged by the bill, local officials must forward rental rebate applications to the OPM secretary by the end of the month following the month in which the renter applied. By advancing the application deadline to September 30, the bill also pushes up the deadline for towns to forward applications to OPM from November 30 to October 31.

The bill correspondingly pushes back, from October 15 to November 15, the date by which OPM must make a list of approved applications and forward them to the comptroller for payment. By law, unchanged by the bill, the comptroller must draw an order on the state treasurer within 15 days after receiving the list of approved payments from OPM.

Lastly, the bill makes a conforming change by eliminating a requirement that renters apply for the rebate within a year after the year for which they are requesting the grant.

**§ 5 — REVALUATION PHASE-INS**

Connecticut law allows municipalities to phase-in post-revaluation assessment increases in property values over a period of up to five years. When a revaluation is phased-in, the real property assessment

represents less than 70% of the property's revalued fair market value for each year of a phase-in term. Phase-ins give taxpayers time to adjust to assessment increases after a revaluation.

Existing law gives municipalities four options for phasing-in revaluations, including one option that phases-in just a portion of the increase in values or the overall rate at which they increased. Under current law, if a municipality chooses this option, it may phase-in no more than 75% of either increase. The amount or portion the town phases-in is called the "phase-in factor," and the town must uniformly apply it to all types of property. The bill reduces the minimum phase-in factor from 25% to 20%, which in turn allows municipalities to phase-in up to 80%, rather than 75%, of either increase over a maximum of five assessment years.

In practice, OPM applies this factor to all revaluation phase-ins, regardless of whether they phase in all or part of the revaluation increase. Based on this current practice, municipalities may only phase-in revaluation increases for up to four years with a minimum phase-in factor of 25% per year. So, reducing the phase-in factor from 25% to 20% allows towns to phase-in a revaluation for up to five years. The law, however, already allows towns to phase-in revaluation increases for up to five years.

## **§ 6 — DISCRETIONARY STATE FUNDING APPLICATIONS**

Under current law, any municipality that fails to update its plan of C&D every 10 years must (1) submit a letter to specified state officials explaining why it was not amended and (2) include a copy of this letter in each application for discretionary funding it submits to any state agency. The bill limits the funding applications for which municipalities must attach this letter to those that exceed \$25,000.

By law, unchanged by the bill, municipalities that fail to update their plans of C&D or submit the letter described above are disqualified from receiving discretionary state funds unless the OPM secretary waives this provision.

**COMMITTEE ACTION**

Planning and Development Committee

Joint Favorable Substitute

Yea 19 Nay 2 (03/15/2024)