House of Representatives

General Assembly

File No. 528

January Session, 2025

Substitute House Bill No. 7151

House of Representatives, April 3, 2025

The Committee on Planning and Development reported through REP. KAVROS DEGRAW of the 17th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT REQUIRING THE OFFICE OF POLICY AND MANAGEMENT TO PROVIDE TECHNICAL ASSISTANCE TO CERTAIN MUNICIPALITIES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. Section 4-66*l* of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2025*):

(a) For the purposes of this section:

(1) "FY 15 mill rate" means the mill rate a municipality used during the fiscal year ending June 30, 2015;

(2) "Mill rate" means, unless otherwise specified, the mill rate a municipality uses to calculate tax bills for motor vehicles;

(3) "Municipality" means any town, city, consolidated town and city or consolidated town and borough;

(4) "Municipal spending" means:

$$\frac{\text{Municipal spending for the fiscal year prior to the current fiscal year} - \text{Municipal spending for the fiscal year two years prior to the current year}}{\text{Municipal spending for the fiscal year two years prior to the current year}} \times 100 = \text{Municipal spending;}$$

"Municipal spending" does not include expenditures for debt service, special education, implementation of court orders or arbitration awards, expenditures associated with a major disaster or emergency declaration by the President of the United States, a disaster emergency declaration issued by the Governor pursuant to chapter 517 or any disbursement made to a district pursuant to subsection (c) or (e) of this section, budgeting for an audited deficit, nonrecurring grants, capital expenditures or payments on unfunded pension liabilities.

(5) "Per capita distribution" means:

$$\frac{\text{Municipal population}}{\text{Total state population}} \times \text{Sales tax revenue} = \text{Per capita distribution;}$$

(6) "Pro rata distribution" means:

$$\frac{\text{Municipal weighted mill rate calculation}}{\text{Sum of all municipal weighted mill rate calculations combined}} \times \text{Sales tax revenue} = \text{Pro rata distribution;}$$

(7) "Regional council of governments" means any such council organized under the provisions of sections 4-124i to 4-124p, inclusive;

(8) "Municipal population" means the number of persons in a municipality according to the most recent estimate of the Department of Public Health;

(9) "Total state population" means the number of persons in this state according to the most recent estimate published by the Department of Public Health;

(10) "Weighted mill rate" means a municipality's FY 15 mill rate divided by the average of all municipalities' FY 15 mill rate;

(11) "Weighted mill rate calculation" means per capita distribution multiplied by a municipality's weighted mill rate;

(12) "Sales tax revenue" means the moneys in the account remaining for distribution pursuant to subdivision (3) of subsection (b) of this section;

(13) "District" means any district, as defined in section 7-324; **[**and**]**

(14) "Secretary" means the Secretary of the Office of Policy and Management;

(15) "Adopted budget expenditures" means any expenditure from a municipality's general fund or any nonbudgeted funds; and

(16) "Capital expenditure" means a nonrecurring capital expenditure of one hundred thousand dollars or more.

(b) There is established an account to be known as the "municipal revenue sharing account" which shall be a separate, nonlapsing account within the General Fund. The account shall contain any moneys required by law to be deposited in the account. The secretary shall set aside and ensure availability of moneys in the account in the following

order of priority and shall transfer or disburse such moneys as follows:

(1) For the fiscal years ending June 30, 2022, and June 30, 2023, moneys sufficient to make motor vehicle property tax grants payable to municipalities pursuant to subsection (c) of this section shall be expended not later than August first annually by the secretary;

(2) For the fiscal years ending June 30, 2022, and June 30, 2023, moneys sufficient to make the grants payable pursuant to subsection (d) of section 12-18b, subdivisions (1) and (3) of subsection (e) of section 12-18b, subsection (b) of section 12-19b and subsections (b) and (c) of section 12-20b shall be expended by the secretary; and

(3) For the fiscal years ending June 30, 2022, and June 30, 2023, moneys in the account remaining shall be expended annually by the secretary for the purposes of the municipal revenue sharing grants established pursuant to subsection (d) of this section. Any such moneys deposited in the account for municipal revenue sharing grants, including moneys accrued to the account during each fiscal year but received after the end of such fiscal year, shall be distributed to municipalities not later than October first following the end of each fiscal year. Any municipality may apply to the Office of Policy and Management on or after July first for early disbursement of a portion of such grant. The Office of Policy and Management may approve such an application if it finds that early disbursement is required in order for a municipality to meet its cash flow needs. No early disbursement approved by said office may be issued later than September thirtieth.

(c) (1) For the fiscal year ending June 30, 2022, motor vehicle property tax grants to municipalities that impose mill rates on real property and personal property other than motor vehicles greater than 45 mills or that, when combined with the mill rate of any district located within the municipality, impose mill rates greater than 45 mills, shall be made in an amount equal to the difference between the amount of property taxes levied by the municipality and any district located within the municipality on motor vehicles for the assessment year commencing October 1, 2017, and the amount such levy would have been if the mill

rate on motor vehicles for said assessment year was equal to the mill rate imposed by such municipality and any district located within the municipality on real property and personal property other than motor vehicles.

(2) Not later than fifteen calendar days after receiving a property tax grant pursuant to this section, the municipality shall disburse to any district located within the municipality the amount of any such property tax grant that is attributable to the district.

(3) For the fiscal year ending June 30, 2023, and each fiscal year thereafter, motor vehicle property tax grants shall be made to:

(A) Municipalities that imposed mill rates greater than 32.46 mills on real property and personal property other than motor vehicles for the preceding fiscal year, in an amount equal to the difference between (i) the amount of property taxes the municipality would have levied on motor vehicles for the preceding fiscal year if the mill rate imposed on motor vehicles for such year was 32.46 mills, and (ii) the amount of property taxes the municipality would have levied on motor vehicles for the preceding fiscal year if the mill rate imposed on motor vehicles for such year was equal to the mill rate imposed on real property and personal property other than motor vehicles for such year; and

(B) Districts that imposed mill rates that, when combined with the mill rate of the municipality in which the district is located, were greater than 32.46 mills on real property and personal property other than motor vehicles for the preceding fiscal year, in an amount equal to the difference between (i) the amount of property taxes the district would have levied on motor vehicles for the preceding fiscal year if the mill rate imposed on motor vehicles for such year, when combined with the mill rate imposed on motor vehicles for such year by the municipality in which the district is located, was 32.46 mills, and (ii) the amount of property taxes the district would have levied on motor vehicles for the preceding fiscal year if the mill rate imposed on motor vehicles for such year, when combined with the mill rate imposed on motor vehicles for such year by the municipality in which the district is located, was equal

to the mill rate imposed by the district on real property and personal property other than motor vehicles for such year.

(d) For the fiscal year ending June 30, 2020, and each fiscal year thereafter, each municipality shall receive a municipal revenue sharing grant as follows:

(1) (A) A municipality having a mill rate at or above twenty-five shall receive the per capita distribution or pro rata distribution, whichever is higher for such municipality.

(B) Such grants shall be increased by a percentage calculated as follows:

$$\frac{\text{Sum of per capita distribution amount for all municipalities having a mill rate below twenty-five – pro rata distribution amount for all municipalities having a mill rate below twenty-five}}{\text{Sum of all grants to municipalities calculated pursuant to subparagraph (A) of subdivision (1) of this subsection.}}$$

(C) Notwithstanding the provisions of subparagraphs (A) and (B) of this subdivision, Hartford shall receive not more than 5.2 per cent of the municipal revenue sharing grants distributed pursuant to this subsection; Bridgeport shall receive not more than 4.5 per cent of the municipal revenue sharing grants distributed pursuant to this subsection; New Haven shall receive not more than 2.0 per cent of the municipal revenue sharing grants distributed pursuant to this subsection and Stamford shall receive not more than 2.8 per cent of the equalization grants distributed pursuant to this subsection. Any excess funds remaining after such reductions in payments to Hartford, Bridgeport, New Haven and Stamford shall be distributed to all other municipalities having a mill rate at or above twenty-five on a pro rata

basis according to the payment they receive pursuant to this subdivision; and

(2) A municipality having a mill rate below twenty-five shall receive the per capita distribution or pro rata distribution, whichever is less for such municipality.

(3) For the purposes of this subsection, "mill rate" means the mill rate for real property and personal property other than motor vehicles.

(e) Except as provided in subsection (c) of this section, a municipality may disburse any municipal revenue sharing grant funds to a district within such municipality.

(f) (1) Except as provided in **[**subdivision (2)**]** subdivisions (2) and (3) of this subsection, for the fiscal year ending June 30, 2018, and each fiscal year thereafter, the amount of the grant payable to a municipality in any year in accordance with subsection (d) of this section shall be reduced if such municipality increases its adopted budget expenditures for such fiscal year above a cap equal to the amount of adopted budget expenditures authorized for the previous fiscal year by 2.5 per cent or more or the rate of inflation, whichever is greater. Such reduction shall be in an amount equal to fifty cents for every dollar expended over the cap set forth in this subsection. **[**For the purposes of this section, (A) "municipal spending" does not include expenditures for debt service, special education, implementation of court orders or arbitration awards, expenditures associated with a major disaster or emergency declaration by the President of the United States, a disaster emergency declaration issued by the Governor pursuant to chapter 517 or any disbursement made to a district pursuant to subsection (c) or (e) of this section, budgeting for an audited deficit, nonrecurring grants, capital expenditures or payments on unfunded pension liabilities, (B) "adopted budget expenditures" includes expenditures from a municipality's general fund and expenditures from any nonbudgeted funds, and (C) "capital expenditure" means a nonrecurring capital expenditure of one hundred thousand dollars or more.**]** Each municipality shall annually certify to the secretary, on a form prescribed by **[**said**]** the secretary,

whether such municipality has exceeded the cap set forth in this subsection, and if so, the amount by which the cap was exceeded by such municipality, except that in any fiscal year for which the secretary publishes a list of payments made to municipalities by state agencies on the Internet web site of the Office of Policy and Management, such certification shall not be required.

(2) For the fiscal year ending June 30, 2018, and each fiscal year thereafter, the amount of the grant payable to a municipality in any year in accordance with subsection (d) of this section shall not be reduced in the case of a municipality whose adopted budget expenditures exceed the cap set forth in subdivision (1) of this subsection by an amount proportionate to any increase to its municipal population from the previous fiscal year, as determined by the secretary.

(3) For the fiscal year ending June 30, 2026, the amount of the grant payable to a municipality in accordance with subsection (d) of this section shall not be reduced in the case of a municipality whose adopted budget expenditures exceed the cap set forth in subdivision (1) of this subsection.

(g) For the fiscal years ending June 30, 2020, to June 30, 2023, inclusive, the amount of the grant payable to a municipality in any year in accordance with subsection (d) of this section shall be reduced proportionately **[**in the event that**]** if the total of such grants in such year exceeds the amount available for such grants in the municipal revenue sharing account established pursuant to subsection (b) of this section.

(h) For the fiscal year ending June 30, 2025, and each fiscal year thereafter, the secretary shall provide technical assistance upon request to any municipality that receives a grant pursuant to subsection (c) of this section for the purpose of assisting such municipality in determining such municipality's eligibility for such grant in subsequent fiscal years.

This act shall take effect as follows and shall amend the following sections:		
Section 1	*October 1, 2025*	4-66*l*

PD *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact: None

Municipal Impact: See below

Explanation

The bill prohibits enforcement of the municipal spending cap in FY 26. This may reduce any potential revenue loss to municipalities in FY 26 that would have otherwise occurred to the extent they violated the municipal spending cap and received a penalty.[1] Enforcement of the municipal spending cap is through a reduction in the Municipal Revenue Sharing Grant – MRSF which is comprised of funds paid out at the end of each fiscal year.[2]

Any impact is dependent on the extent a municipality violated the spending cap and what funds are available for the grant used to enforce the spending cap.[3] If there are no funds remaining in the Municipal Revenue Sharing Fund for this grant at the end of the fiscal year, no grant will be paid out.[4] Current projections show that no funds will be available at the close of FY 25 to be paid out for this grant in FY 26.

The bill also requires the Office of Policy and Management (OPM) to

[1] As of March 24, 2025, no municipal spending cap violations have been enforced.
[2] This grant is comprised of the remaining funds in the Municipal Revenue Sharing Fund (MRSF) at the close of the fiscal year. The MRSF is funded via a sales tax revenue diversion and a transfer from the General Fund. The following grants are paid out from the MRSF (1) Tiered PILOT, (2) Motor Vehicle Tax Grant, (3) Supplemental Revenue Sharing Grant, and (4) the Municipal Revenue Sharing Grant – MRSF.
[3] The municipal spending cap violation penalty results in a 50-cent reduction for every dollar spend over the cap.
[4] There were no funds available at the close of FY 24 to be paid out in FY 25.

provide technical assistance to municipalities upon request to help determine if they will continue to be eligible for the Motor Vehicle Tax grant. This does not result in a fiscal impact as OPM has the resources and expertise necessary to provide this assistance.

The Out Years

State Impact: None

Municipal Impact: None

OLR Bill Analysis

sHB 7151

AN ACT REQUIRING THE OFFICE OF POLICY AND MANAGEMENT TO PROVIDE TECHNICAL ASSISTANCE TO CERTAIN MUNICIPALITIES.

SUMMARY

Current law generally requires the Office of Policy and Management (OPM) to reduce a municipality's municipal revenue sharing grant if the municipality's budget expenditures exceed the statutory spending cap (see BACKGROUND). For FY 26, this bill prohibits OPM from doing so.

The bill also requires the OPM secretary, upon a municipality's request, to give the municipality technical assistance to help it determine whether it will continue to be eligible for a motor vehicle property tax grant in subsequent fiscal years. The secretary must provide this assistance for FY 25, as well as future years. (These grants reimburse municipalities for some of the lost revenue attributable to the motor vehicle mill rate cap.)

Lastly, the bill also makes minor and technical changes to reorganize certain defined terms.

EFFECTIVE DATE: October 1, 2025

BACKGROUND

Municipal Spending Cap

The cap is the greater of the inflation rate or 2.5% or more of the prior fiscal year's "adopted budget expenditures" (spending from a municipality's general fund and any nonbudgeted funds). Municipalities that increase their general 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 (CGS § 4-66l(f)).

COMMITTEE ACTION

Planning and Development Committee

Joint Favorable Substitute
Yea 21 Nay 0 (03/28/2025)