

Statutory Formula Grants Program Summaries

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OFFICE OF FISCAL ANALYSIS

Room 5200, Legislative Office Building

Hartford, CT 06106 • (860) 240-0200

E-Mail: ofa@cga.ct.gov

www.cga.ct.gov/ofa

Introduction

This publication provides a summary and description of the nine statutory formula grants that are estimated in the State Formula Aid to Municipalities document. A description of each of the nine grants appears below and includes:

- A brief programmatic summary,
- The entity responsible for administering the grant,
- The relevant statutory references,
- Recently passed legislation impacting the grant,
- The FY 11 appropriated amounts, and
- Payment dates.

Table 1 provides six years of historical data for the nine grants. FY 06 – FY 10 reflect actual expenditures; and FY 11 reflects the appropriation amount.

TABLE 1						
Grant	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11 Appropriation
PILOT: State-Owned Real Property	75,311,215	78,371,215	80,019,144	80,019,144	73,519,215	73,519,215
PILOT: Private College and Hospital	111,231,737	120,731,737	122,430,256	122,430,256	115,431,737	115,431,737
Pequot and Mohegan Grant	86,250,000	91,050,000	92,998,519	92,998,519	61,779,907	61,779,907
Town Aid Road	27,887,928	29,999,993	30,000,000	30,000,000	30,000,000	30,000,000
Local Capital Improvement Program	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000
Transportation Of School Children	47,964,000	47,965,091	47,964,217	47,974,255	28,728,720	28,649,720
Nonpublic School Transportation	3,995,000	3,995,000	3,995,000	3,995,000	3,995,000	3,995,000
Adult Education	18,616,580	18,616,580	19,619,967	19,566,580	19,564,652	20,594,371
Education Equalization Grants	1,619,662,393	1,626,932,345	1,808,802,300	1,882,944,341	1,883,943,766	1,889,609,057
Total	2,020,918,853	2,047,661,961	2,235,829,403	2,309,928,095	2,246,962,997	2,253,579,007

If you have additional questions concerning the specific grants, or any of the information that appears below please contact Sarah Bourne with the Office of Fiscal Analysis at 860-240-0200.

Individual Grant Program Descriptions

(1) State-Owned Real Property Payment-In-Lieu of Taxes

The State-Owned Real Property Payment-In-Lieu of Taxes grant provides a payment in lieu of local property taxes (PILOT) for property owned and used by the State of Connecticut. The payment is equal to a percentage of the amount of taxes that would be paid if the property were not exempt from taxation. The payment percentages are 100% for facilities used as a correctional facility, 100% for any town in which more than 50% of all

property in the town is state-owned real property, 65% for the Connecticut Valley Hospital facility, and 45% for all other property. Payment is made only for real property and does not include payment for tax loss on exempt personal property owned by these facilities or property used for highway purposes.

The Office of Policy and Management administers the grant pursuant to Connecticut General Statutes (CGS): Sections 12-19a, 12- 19b and 12-19c.

The FY 11 appropriation is insufficient to fully fund the grant, which results in a pro rata reduction in the grant amount to each town.

The FY 11 appropriation for this grant was \$73,519,215.

Payments to grantees are made once a year on September 30th.

(2) Private Colleges and General and Free Standing Chronic Disease Hospital Pilot

The Private Colleges and General and Free Standing Chronic Disease Hospital Pilot grant provides a payment in lieu of local property taxes (PILOT) to municipalities for private colleges, general hospitals, and free standing chronic disease hospitals. These facilities are exempt from payment of local property taxes. The PILOT payment is equal to 77% of the amount of taxes that would have been paid if the property were not exempt from taxation. The payment is made only on real estate and does not include payment for a tax loss on exempt personal property owned by these facilities.

The Office of Policy and Management administers the grant pursuant to Connecticut General Statutes (CGS): Sections 12-20a and 12-20b.

The FY 11 appropriation is insufficient to fully fund the grant, which results in a pro rata reduction in the grant amount to each town.

The FY 11 appropriation for this grant was \$115,431,737.

Payments to grantees are made once a year on September 30th.

(3) Mashantucket Pequot and Mohegan Fund Grant

The Mashantucket Pequot/Mohegan Fund annually distributes a grant to each of the state's 169 municipalities. The distribution is based on numerous factors including, but not limited to, the value of state-owned property, private college and general hospitals, population, equalized net grand list, and per capita income.

The Office of Policy and Management administers the grant pursuant to Connecticut General Statutes (CGS): Sections 3-55i, 3-55j, and 3-55k.

The FY 11 appropriation is insufficient to fully fund the grant, which results in a pro rata reduction in the grant amount to each town.

The FY 11 appropriation for this grant was \$61,779,907.

Payments to grantees are made in three equal payments on January 1, April 1, and June 30th.

(4) Town Aid Road

The Town Aid Road grant provides reimburses towns and boroughs for various purposes including the construction and maintenance of public highways, roads and bridges.

Grant calculations depend upon factors that include population data and the number of a municipality's improved and unimproved road miles. There is an allocation to the amounts the statutes specify for each formula calculation. Additionally, there is a proportionate reduction of grant totals, as calculated, to the appropriation.

The Department of Transportation administers the Town Aid Road Fund grant pursuant to CGS §13a-175a through §13a-175e, inclusive, and §13a-175i.

A total of \$30 million is available for this grant program in FY 11. The program's funding source during the current biennium is bond funds: \$8 million from General Obligation bonds and \$22 million from Special Tax Obligation bonds.

Municipalities typically receive 50% of this grant in July and the balance in January pending allocation by the State Bond Commission.

(5) Local Capital Improvement Program (LoCIP)

LoCIP is an entitlement program for municipalities that provides General Obligation (GO) bond funds for eligible projects. Towns begin the process of accessing their LoCIP funds by submitting a proposal to the Office of Policy and Management (OPM) describing a project and certifying that it is part of the town's capital improvement plan. OPM is required by statute to respond within 45 days of the submission. If approval is granted, the town may proceed to carry out the project. Because LoCIP is a reimbursement program, towns must first incur the expense for a project and/or disburse local funds before reimbursement can be requested. Reimbursement may be made in one lump sum for a smaller project or in a series of payments as successive stages of a larger project is completed.

Towns may choose to expend the funds on a series of smaller projects or allow them to accumulate over a period of time for one large project. Reimbursement for an approved project must be requested within 7 years of its approval date, although there may be a waiver of this provision under appropriate terms and conditions. The reimbursement amount cannot exceed the total of a grantee’s unused entitlement. This includes the formula-generated amount for the current fiscal year and the unused portion of all previous entitlements.

LoCIP grants are administered pursuant to CGS Secs. 7-535 through 7-538. Eligible projects are defined in CGS Sec. 7-536(a)(4) as follows:

1. Road construction, renovation, repair or resurfacing
2. Sidewalk and pavement improvements
3. Sewer facilities/lines construction, renovation, enlargement, or repair
4. Public building, other than schools, construction, renovation, code compliance, energy conservation and fire safety
5. Dams/bridges/flood control construction, renovation, enlargement, or repair
6. Water treatment or filtration facilities/mains construction, renovation, enlargement, or repair,
7. Solid waste facilities construction, renovation, or enlargement
8. Public parks improvements
9. Capital improvement plans
10. Emergency communications systems improvements
11. Public housing renovation and improvements,
12. Veterans memorials
13. Thermal imaging systems
14. Bulky waste and landfill projects
15. Conservation & development plans
16. Automatic external defibrillators
17. Floodplain management and hazard mitigation activities
18. On-board oil refining systems
19. Planning of a municipal broadband network

The formula listed below is used to calculate the distribution of LoCIP funds (CGS Sec. 7-536(c)):

Statutory Formula for the Distribution of LoCIP Funds to Towns	
Road miles	30%
Population density	25%
Adjusted equalized net grand list per capita	25%
Ratio of town population to state population	<u>20%</u>
Total	<u>100%</u>

Annual distributions of new LoCIP funds are deposited to municipal accounts on March 1st of each year. A total of \$30 million is available for the LoCIP program in each of FY 10 and FY 11.

(6) Public School Transportation

The Public School Transportation grant reimburses local districts for public school transportation expenditures. Percentages used to reimburse local districts for public school transportation depend on local wealth, based on the ranking of each district's Adjusted Equalized Net Grand List Per Capita (AENGLC).

The Department of Education administers the Public School Transportation grant pursuant to CGS §10-54, §10-66ee, §10-97, §10-158a, §10-266m, §10-273a and §10-277.

In FY 10, the appropriation as enacted by the General Assembly was reduced by \$19.3 million with a transfer of \$19.3 million to the Excess Cost – Student Based grant to meet the federal Individuals with Disabilities Education Act (IDEA) maintenance of effort (MOE) requirements. The appropriation for FY 11 was adjusted for a similar transfer of funding from Public Transportation to Excess Cost – Student Based grant program. The \$19.3 million that was transferred from the Public Transportation grant was done so using the Public Transportation formula, not the Excess Cost formula, so municipalities received the total amount of money that they had anticipated.

The FY 11 appropriation for this grant was \$28,649,720.

Payments are made to local districts in April.

(7) Non-Public School Transportation

The Non-public Transportation grant reimburses local districts for Non-public school transportation expenditures. Percentages to grantees are determined in the same manner as the reimbursement percentages for the Public School Transportation grant.

The Department of Education administers the Non-public School Transportation grant pursuant to CGS §10-266m, §10-277 and §10-281.

The FY 11 appropriation for this grant was \$3,995,000.

Payments are made to local districts in April.

(8) Adult Education

The Adult Education grant reimburses local districts for expenditures related to adult education. The grants are calculated on a sliding scale similar to that used in determining public and non-public school transportation grants, except that the percentage range is 0% to 65%. Districts identified under CGS §10-266p(a) as Priority School Districts (i.e., those with the largest numbers or highest percentages of poor and remedial students) cannot receive a reimbursement percentage of less than 20. Ninety-five percent of the annual appropriation is available for grants; 5% is set aside for administrative purposes.

The Adult Education grant is administered by the Department of Education pursuant to CGS §10-71 and §10-71a.

The FY 11 appropriation for this grant was \$20,594,371.

Grantees receive 66% of the grant total in August and the balance in May.

(9) Education Cost Sharing

The Education Cost Sharing (ECS) grant is the main education grant provided to municipalities to reimburse them for the cost of education. The formulas for calculating ECS grants include:

1. A base-aid ratio that depends on town wealth, the calculation of which is determined 50% by Equalized Net Grand List Per Weighted Student and 50% by Equalized Net Grand List Per Capita, adjusted to reflect each town's per capita and median household incomes. The minimum aid ratio is 9%, except for the 20 towns with the highest concentration of poverty, for which the minimum aid ratio is 13%;
2. A State Guaranteed Wealth Level (SGWL) set at 1.75 times the median town wealth;
3. A foundation amount set at \$9,687 per need student; and
4. Each town's need student count is composed of its resident students, plus 33% of its students eligible for federal Title I aid as of each October 1, plus 15% of its count of Limited English Proficient (LEP) students not funded pursuant to §10-17.

The Education Cost Sharing grant is administered by the Department of Education pursuant to CGS §10-262f, §10-262g, §10-262h, §10-262i and §10-262j.

Section 72 of Public Act 09-3 (June Special Session) specified the amount of each town's ECS entitlement for FY 10. The FY 11 appropriations are the same amount as was

appropriated in FY 10 at \$1.89 billion; therefore the ECS entitlements for municipalities for FY 11 are the same as their entitlements for FY 10.

Section 30 of Public Act 09-6 (September Special Session) requires a town's budgeted appropriation for education, for FY 10 and for FY 11, to be no less than that for FY 09 minus the amount of funds the local board of education receives directly from the State Fiscal Stabilization Fund pursuant to Title XIV of the American Recovery and Reinvestment Act of 2009.

Any town that fails to meet its minimum budget requirement (MBR) is subject to a penalty equal to twice the amount of the funding shortfall. A noncompliant town's ECS grant for the next year must reflect the penalty deduction.

The Department of Education must withhold 20% of a town's increased aid if its school district is in at least the third year of being identified as "In Need of Improvement" under the No Child Left Behind law and has failed to make adequate yearly progress in mathematics or reading at the whole district level. The October payment to a town subject to this requirement reflects a reduction of 20% of the entire amount of the town's ECS increase, and its Superintendent must meet with the Commissioner of the Department of Education to discuss an acceptable plan to improve district academic achievement through the use of these funds. After the Commissioner approves the release of the funding withheld, the town receives these moneys via the Department of Education's monthly cash drawdown system. The town receives the remaining 80% of its ECS grant in accordance with the statutory payment schedule described below.

The FY 11 appropriation for this grant was \$1,889,609,057.

Grantees receive 25% of their payments in October, 25% in January and the balance in April.