CONNECTICUT CONFERENCE OF MUNICIPALITIES

THE VOICE OF LOCAL GOVERNMENT™

CCM EDITORIAL BACKGROUND BULLETIN

MUNICIPALITIES SEEK LEGISLATIVE HELP FOR A FAIR STATE BUDGET

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Just the facts: The Governor's proposed state budget would raise property taxes, cut municipal services, and cause municipal employee layoffs.

The proposed state budget would:

- terminate nation-leading payments-in-lieu-of-taxes (PILOT) programs designed to partially reimburse host municipalities for the loss of revenue due to state-mandated property tax exemptions;
- collapse longstanding education assistance programs and use the funds for conditional aid;
- redirect at least $86 million in non-education municipal aid to education and restrictive capital programs;
- eliminate over $520 million in municipal car tax revenue under the guise of property tax reform; and
- fail to hold towns and cities truly harmless.

Towns and cities are looking to the General Assembly to modify the Governor's proposed state budget to protect municipal aid, property taxpayers and the quality of life in our communities.

Why, you may ask, is there such a disconnect between how the administration describes their budget proposal and the way it is viewed by mayors and first selectmen? The simple answer is that this budget proposal shifts critical municipal general aid that helps pay for the non-education side of local government to other purposes, including closing the state budget deficit.

Municipal aid dollars shifted to pay for chronic state underfunding of PreK-12 public education and restricted capital purposes cannot be used to pay for police officers, firefighters, and other municipal employees and services. Add the proposed loss of over $520 million in car tax revenue, and homeowners, businesses and vital municipal services get shafted.

The Governor's proposed state budget would cut or eliminate:

1. PILOT: State-Owned Property (-$74 million): This nation-leading PILOT program, enacted in 1969, is designed to partially reimburse host municipalities for the loss of property tax revenue due to the state-mandated property tax exemption on state-owned real property. The program would be erased from the statute books and the funding eventually folded into the Education Cost Sharing (ECS) grant.

2. Mashantucket and Mohegan Fund (-$56 million): This seminal revenue-sharing program to provide local property relief, funded by a portion of Native American slot machine revenues, would be slashed.

3. PILOT Manufacturing and Equipment (-$48 million): The assault on this PILOT program to partially reimburse host municipalities for state-mandated property tax exemptions on manufacturing equipment began last year with a proxy MME Transition grant. The proposed budget kills the program.

4. Municipal Revenue Sharing Grant (-$43 million): Governor Malloy's groundbreaking new program to share a portion of the increased state sales and state real estate conveyance taxes to provide local property tax relief is eliminated after only one year of existence.

5. Public School Transportation Grant (-$25 million): This grant program to assist municipalities in paying for public school transportation is eliminated.

6. PILOT DECD (-$2.2 million): This PILOT program to partially reimburse municipalities for revenue lost from state-mandated property tax exemptions on developments operated by housing authorities would be eliminated.

7. Priority School District Grant (-$76 million): Funding for this program that helps our poorest school districts would be slashed by 62%.

8. Motor Vehicle Property Taxes (-$520 million in municipal revenue): The Governor proposes to eliminate the local property tax on most motor vehicles (those with assessed values of $20,000 or less) beginning in FY 15. The concentrated burden of the regressive property tax would then be shifted to homeowners and businesses.

The Governor's proposed state budget makes profound and negative changes to the state-local funding partnership. It substitutes state priorities for those of local government. It substitutes state micromanagement for municipal flexibility. It disproportionately hurts our poorest towns and cities.

By eliminating 3 out of 4 payments-in-lieu-of-taxes (PILOT) programs, the proposed state budget would turn the clock back 40 years and terminate state funding responsibility for state-mandated property tax exemptions. It would immediately establish $126 million in new unfunded state mandates, leaving other local property taxpayers and host municipalities holding the bag.

While the proposed state budget increases bond funding for the Town Aid Road Grant (+$30 million) and Local Capital Improvement Programs (+$56 million; expands permissive uses and allows reimbursement retroactively for FY 13 expenses), and increases conditional education aid to our 30 lowest performing school districts, the bottom line is that towns and cities are losing at least $86 million in general municipal aid and would suffer a devastating loss in car tax revenue.

Today, 62 cents out of every local property tax dollar goes to pay for PreK-12 public education. The State is underfunding the Education Cost Sharing Grant by over $720 million dollars. In most communities, the education portion of the municipal budget exceeds 70%. Funding education has long been a municipal priority, to the detriment of non-education services. It's had to be because the State has chronically underfunded it.

The non-education side of municipal budgets has actually shrunk in real dollar terms over the last decade as towns and cities have diverted precious resources to pay for increasing education costs. Forty years of litigation have underscored the fact that the State has repeatedly failed to meet its state constitutional responsibility to adequately fund PreK-12 public education. The proposed state budget pays for increased, targeted education funding by eliminating PILOT reimbursements, state revenue sharing, other general municipal aid and diverting or cutting categorical education programs.

However well-intended, the proposed state budget would abandon and shift many state funding commitments to towns and cities. It will force mayors and first selectmen to raise already high property taxes, make additional cuts to municipal services, and lay off more municipal employees.

Cities and towns are asking the General Assembly for help. Let's work together to develop a state budget that protects municipal revenues, residential and business property taxpayers, and the quality of life in Hometown Connecticut.

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