

Planning and Development Committee JOINT FAVORABLE REPORT

Bill No.: HB-5427
Title: AN ACT CONCERNING THE RECOMMENDATIONS OF THE OFFICE OF FINANCE WITHIN THE OFFICE OF POLICY AND MANAGEMENT.
Vote Date: 3/25/2022
Vote Action: Joint Favorable Substitute Change of Reference to Finance, Revenue and Bonding
PH Date: 3/14/2022
File No.:

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SPONSORS OF BILL:

Planning and Development Committee

REASONS FOR BILL:

This bill updates and improves the system of municipal financial oversight

Joint Favorable Substitute Language, LCO: 3841: There are several small changes that were made at OPM's request. In line 453, "equalized mill rate of less than thirty" was changed to "equalized mil rate of not less than thirty", in lines 516-520, language was added requiring applicants for designation as a tier III municipality under the subsection to provide a copy of such application to MFAC, and in line 832, a technical change was made to existing law by inserting the word "balance".

RESPONSE FROM ADMINISTRATION/AGENCY:

Kimberly Kennison, Executive Financial Officer, State of Connecticut, Office of Policy and Management: The changes in this bill will strengthen and streamline the system for oversight of municipal finance. We have met with the Connecticut Conference of Municipalities and the Council of Small Towns to get their feedback and input and we are in ongoing conversations with them.

NATURE AND SOURCES OF SUPPORT:

Betsy Gara, Connecticut Council of Small Towns: COST supports the goal of the legislation to update the system of municipal financial oversight by creating a consistent set of criteria for evaluating municipal fiscal health and by integrating the processes for referring

municipalities to the two oversight boards – the MFAC and the Municipality Accountability Review Board (MARB). Section 4 of the bill modifies the criteria for referral of municipalities to the MFAC, including reporting an operating deficit for the two immediately preceding fiscal years and a reported fund balance of less than 5% for the preceding fiscal year. COST supports this change which, recognizes the importance of maintaining adequate fund balances and operating revenues in maintaining the fiscal health of our municipalities. The bill includes changes to municipal audits, including whether the municipality has not filed its audit report within 12 months of the fiscal year end. We have had some municipalities facing delays in filing audits due to difficulties in hiring finance directors. I am continuing to review this section with our board to determine whether it poses any concerns. In addition, under the bill municipalities will be required to report upon their audited financial statements in addition to their reporting in accordance with the Uniform Chart of Accounts (UCOA). We believe it is time to revisit the municipal reporting requirements under UCOA. Several years ago, the state required municipalities and boards of education to provide financial data for UCOA, which was intended to provide lawmakers and state and local officials with comprehensive data in order to analyze municipal spending and identify opportunities for efficiencies. Many small towns struggled to complete UCOA, which required them to purchase and utilize different accounting systems. To date, UCOA has never been utilized in this capacity. Accordingly, we believe efforts to update the system of oversight of municipal finances should include provisions repealing UCOA, which was an unnecessary, unfunded mandate on municipalities. COST intends to continue discussions with OPM regarding these provisions.

NATURE AND SOURCES OF OPPOSITION:

None Expressed.

Reported by: Maureen O'Reilly

Date: March 28, 2022