



SPENDING CAP COMMISSION

April 18, 2016

The Connecticut Conference of Municipalities (CCM) is Connecticut's statewide association of towns and cities -- your partners in governing Connecticut. Our members represent over 96% of Connecticut's population. We appreciate the opportunity to testify on the Governor's budget proposal.

Connecticut's Spending Cap

The Connecticut General Assembly adopted the statutory spending cap in 1991. The spending cap was part of the same legislation that established the personal income tax.

CCM urges the Commission to ensure that the spending cap contains exemptions for the following:

- Statutory grants to distressed municipalities
- Pass through Federal aid
- Unfunded federal mandates
- State debt service
- Pension and OPEB obligations

Distressed Communities

While other factors are important, quality of life issues are the most important factors businesses weigh in determining whether to relocate to or remain in a state. Factors such as quality schools, an educated workforce, safe neighborhoods, reasonable property taxes, and safe and reliable roads and bridges top the list of employers' "must haves". In addition, all residents believe that laying the foundation for a world-class education, police and fire services and safe roads are core government services. No government service is placed above them. These are the services your partners in governing the State -- towns and cities -- provide.

Cuts in education aid, as well as cuts in major municipal grants, like PILOT/Pequot, and last year's seminal initiative to provide meaningful property tax relief to towns and cities (though sales tax revenue) -- would have serious implications for municipalities' ability to make the necessary investments to provide a world-class public education, ensure public safety, strengthen infrastructure, and encourage human potential. Such cuts would mean (a) drastic cuts in needed local services, (b) employee layoffs or (c) property tax increases.

Distressed communities face many challenges: extremely high unemployment, crime, shrinking grand lists, poverty and educational disparities. Such communities bear a disproportionate burden when it comes to providing services for Connecticut's neediest residents. At the same time, many are regional hubs for economic development, culture and emergency care.

For example, New Haven, Hartford and Bridgeport account for one-third of the value of all exempt private colleges and hospitals in the state. In Hartford, for example, if the PILOTs for state-owned property and private colleges and hospitals were fully funded, property taxes on homeowners and businesses could be reduced by 10%.

When individuals work in or visit hospitals, attend or work in colleges, visit museums, or attend concerts, they take advantage of the services of a host municipality. Patrons, workers, and the tax-exempt institutions enjoy police protection, use of roads and sidewalks, garbage collection, sewerage, and the entire range of services funded from local property taxes. But, because of state-mandated exemptions, no property tax dollars are available from these institutions to finance the local services that support them.

The exemption for distressed municipalities helps ensure that the State invests in programs that help these towns and cities – such as Education Cost Sharing (ECS), special education reimbursement, PILOT reimbursements, and Pequot/Mohegan funding.

The cap must continue to allow the State to make necessary municipal investments, including Local Capital Improvement Program (LoCIP), Town Aid for Roads (TAR), clean water, school construction and repair, urban development and open space acquisition.

Connecticut must continue to make these investments. We can't afford not to do it. Leveraging of Connecticut's economic strength to improve the quality of life for all our citizens is essential. The spending cap was never intended to prevent sound investments in Connecticut's present and its future.

Let's seize the moment for a better Connecticut.



If you have any questions, please call Ron Thomas, Deputy Director of CCM; or Mike Muszynski, Advocacy Manager, at (203) 498-3000.

Appendix 1 – Connecticut Spending Cap Statute

Sec. 2-33a. Limitation on expenditures authorized by General Assembly. The General Assembly shall not authorize an increase in general budget expenditures for any fiscal year above the amount of general budget expenditures authorized for the previous fiscal year by a percentage which exceeds the greater of the percentage increase in personal income or the percentage increase in inflation, unless the Governor declares an emergency or the existence of extraordinary circumstances and at least three-fifths of the members of each house of the General Assembly vote to exceed such limit for the purposes of such emergency or extraordinary circumstances. Any such declaration shall specify the nature of such emergency or circumstances and may provide that such proposed additional expenditures shall not be considered general budget expenditures for the current fiscal year for the purposes of determining general budget expenditures for the ensuing fiscal year and any act of the General Assembly authorizing such expenditures may contain such provision. As used in this section, "increase in personal income" means the average of the annual increase in personal income in the state for each of the preceding five years, according to United States Bureau of Economic Analysis data; "increase in inflation" means the increase in the consumer price index for urban consumers during the preceding twelve-month period, according to United States Bureau of Labor Statistics data; and "general budget expenditures" means expenditures from appropriated funds authorized by public or special act of the General Assembly, provided (1) general budget expenditures shall not include expenditures for payment of the principal of and interest on bonds, notes or other evidences of indebtedness, expenditures pursuant to section 4-30a, or current or increased expenditures for statutory grants to distressed municipalities, provided such grants are in effect on July 1, 1991, and (2) expenditures for the implementation of federal mandates or court orders shall not be considered general budget expenditures for the first fiscal year in which such expenditures are authorized, but shall be considered general budget expenditures for such year for the purposes of determining general budget expenditures for the ensuing fiscal year. As used in this section, "federal mandates" means those programs or services in which the state must participate, or in which the state participated on July 1, 1991, and in which the state must meet federal entitlement and eligibility criteria in order to receive federal reimbursement, provided expenditures for program or service components which are optional under federal law or regulation shall be considered general budget expenditures.