

# Statutory Formula Grants Program Summaries

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## **OFFICE OF FISCAL ANALYSIS**

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## Introduction

Grant Payments Other Than to Towns: state obligations that are not part of an agency's operating budget. (e.g. Temporary Assistance to Needy Families (TANF), Medicaid, and payments to the Teachers' Retirement Fund).

Grant Payments to Towns: payments to Connecticut's towns and cities for a specified purpose or reimbursements for expenses already incurred. Education grants make up the largest portion of these payments. It should be noted that these payments are made to the towns, not to the Boards of Education or other local subsidiary bodies.

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 14 and FY 15 appropriated amounts, and
- Payment dates.

The table below provides six years of historical data for the nine grants. FY 10 - FY 13 reflect actual expenditures; and FY 14 and FY 15 reflects the appropriation amount or bond authorization.

### Payments for the Nine Grants FY 10 - FY 15

Grant	FY 10 \$	FY 11 \$	FY 12 \$	FY 13 \$	FY 14 \$	FY 15 \$
PILOT: State-Owned Real Property <sup>1</sup>	76,536,836	77,877,353	78,177,046	78,320,158	73,641,646	73,641,646
PILOT: Private College and Hospital	115,431,737	115,431,737	115,431,737	115,431,737	115,431,737	115,431,737
Pequot and Mohegan Grant	61,630,907	61,669,907	61,678,907	61,680,907	61,779,907	61,779,907
Town Aid Road <sup>2</sup>	30,000,000	30,000,000	30,000,000	30,000,000	60,000,000	60,000,000
Local Capital Improvement Program <sup>3</sup>	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000
Transportation Of School Children	28,728,720	28,739,924	25,784,748	24,921,083	24,884,748	24,884,748
Nonpublic School Transportation	3,995,000	3,995,000	3,595,500	3,595,500	3,595,500	3,595,500
Adult Education	19,564,652	19,564,652	20,002,008	19,995,405	21,033,915	21,045,036
Education Equalization Grants <sup>4</sup>	1,840,443,214	1,846,454,092	1,889,228,795	1,929,565,713	1,991,000,000	2,030,901,002
<b>TOTAL</b>	<b>2,206,331,066</b>	<b>2,213,732,665</b>	<b>2,253,898,741</b>	<b>2,293,510,503</b>	<b>2,381,367,453</b>	<b>2,421,279,576</b>

<sup>1</sup>Expenditures for FY 10 to FY 13 include reimbursements by the Bradley Airport Enterprise Fund for payments in lieu of taxes related to Bradley Airport land in Windsor Locks, Suffolk, East Granby and Windsor. These expenditures, approximately \$4.7 million, are not supported with General Fund appropriations rather are supported with reimbursements from the Bradley Airport Enterprise Fund.

<sup>2</sup>Town Aid Road grants were funded with bond authorizations in all years except FY 12, when resources were appropriated from the Special Transportation Fund.

<sup>3</sup>Local Capital Improvement Program grants were funded with bond authorizations in all fiscal years.

<sup>4</sup>Does not include Charter School funding of \$60 million in FY 13, \$75.6 million in FY 14 and \$92 million in FY 15. In FY 13, the Charter School account was transferred into the ECS account; charter school funding is not a part of the statutory ECS formula.

If you have additional questions concerning the specific grants, or any of the information that appears below please contact Dan Dilworth 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 14 appropriation is insufficient to fully fund the grant, which results in a pro rata reduction in the grant amount to each town.

The FY 14 appropriation for this grant was \$73,641,646.

Payments to grantees are made once a year on September 30<sup>th</sup>.

### **(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 14 appropriation is insufficient to fully fund the grant, which results in a pro rata reduction in the grant amount to each town.

The FY 14 appropriation for this grant was \$115,431,737.

Payments to grantees are made once a year on September 30<sup>th</sup>.

### **(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 14 appropriation is insufficient to fully fund the grant, which results in a pro rata reduction in the grant amount to each town.

The FY 14 appropriation for this grant was \$61,779,907.

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

### **(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 \$60 million is available for this grant program in each of FY 14 and FY 15 through 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**

Distribution	Percent
Road miles	30
Population density	25
Adjusted equalized net grand list per capita	25
Ratio of town population to state population	20
<b>TOTAL</b>	<b>100</b>

Annual distributions of new LoCIP funds are deposited to municipal accounts on March 1<sup>st</sup> of each year. A total of \$30 million is available for the LoCIP program in each of FY 14 and FY 15.

#### **(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 14 appropriation for this grant was \$24,884,748.

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 14 appropriation for this grant was \$3,595,500.

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 14 appropriation for this grant was \$21,033,915.

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. A summary of the formula for calculating the ECS grants includes:

- Weighting property to income wealth in a ratio of 90/10.
- No town will receive less ECS aid in FY 14 or FY 15 than it did in FY 13.
- Free and Reduced Price Lunch eligibility is the child poverty measure.
- For wealthy communities the minimum aid ratio is 2%. The minimum aid ratio for alliance districts is 10%.
- Median Household Income (MHI) data will be produced and updated annually by the Department of Economic and Community Development.
- Reform districts are phased in at 12%, Alliance districts at 8% and all other districts at 1% in FY 14.
- The foundation is \$11,525.

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.

The FY 14 appropriation for this grant was \$1,991,000,000.

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

Sections 152-153 of PA 13-247, the general government implementer, established a new ECS formula.