



TESTIMONY
of the
CONNECTICUT CONFERENCE OF MUNICIPALITIES
to the
APPROPRIATIONS COMMITTEE

March 11, 2010

The Connecticut Conference of Municipalities (CCM) is Connecticut's statewide association of towns and cities and the voice of local government - your partners in governing Connecticut. Our members represent over 90% of Connecticut's population. We appreciate this opportunity to provide testimony to you on issues of concern to towns and cities.

Governor's March 1, 2010 Deficit Mitigation Plan

CCM appreciated the Governor's promise to preserve municipal aid in her February budget address -- however, one month later, we are disheartened by her most recent deficit mitigation plan that would cut municipal aid by \$45 million -- without any indication of where such cuts would be. Although her plan also proposes relief from costly unfunded state mandates, towns and cities -- particularly our poorer communities -- will still face very difficult fiscal and service delivery challenges. The General Assembly protected municipalities and local property taxpayers by rejecting the Governor's December 2009 proposal to cut municipal aid by \$84 million during the middle of the budget year. This cut would have come on the heels of the \$100 million municipal aid cut already enacted in the biennial budget.

CCM, once again, urges you to thwart the Governor's most recent plan to slash hometown funds by \$45 million. As you are well aware, cuts in local aid are de facto increases in property taxes -- that would merely shift the State's budget problems on to local governments and property taxpayers. CCM looks to you to protect towns and cities, particularly our most revenue-stressed communities. Accordingly, the Governor's February budget address must be a floor, not a ceiling.

We know that as you struggle with the State's historic deficits, the temptation to cut municipal aid will remain. Municipal aid is an enticing target whenever the State's budget gets tight.

But these hard facts remain:

- Municipalities have already been hit with **\$100 million in budget cuts** over this biennium, the bulk of it from Pequot-Mohegan grants and PILOT reimbursements.
- **The Governor's budget would cut an additional \$12 million** from municipal aid-- to school transportation (\$5.2 million), the Manufacturing PILOT (\$4.4 million), Interdistrict Cooperation (\$3 million), Magnet Schools (\$1.5 million), School-based Health Clinics (\$1.2 million), elimination of the \$1.2 million PILOT for Vessels and cuts to several smaller programs

- the **State's dwindling share of K-12 public education costs** -- 36.7% -- is already the lowest it's been since Ronald Reagan's first term. At the highpoint, the State funded 45.5%.
- State **reimbursements to towns for property it has exempted from local taxation have fallen**. For example, reimbursements for private colleges and hospitals have dropped from 73% in 2001 to only 53% now; towns have lost \$7 million in funding this year alone.
- Over a decade ago, **Pequot-Mohegan grants** provided as much as \$135 million in property tax relief, but now only contribute \$61.8 million to municipalities.
- **Special education** costs drown local budgets, yet state reimbursements were sliced this year by \$13 million.

Further, the present rates of the **municipal real estate conveyance tax** are scheduled to expire on June 30, leaving at least a \$30 million hole in local budgets, unless you extend or make permanent the present rates.

CCM supports the initiatives to provide relief from costly and unfunded mandates on municipalities by the Governor and others. Local officials have been pleading for decades to repeal, amend, or simply delay such mandates. But mandates relief alone will not keep municipal budgets from collapsing, nor prevent local property taxes from spiking. To hold the line on property tax hikes, mandates relief must be coupled with at least maintaining existing levels of municipal aid.

The State has an opportunity to usher in a new era of regional cooperation and alternative revenue options. There is a \$10 million bond-funded proposal from the Governor to help fund greater regional cooperation initiatives among towns, and we are hopeful that the Speaker's MORE Commission will generate helpful ideas on how to maximize cooperation and efficiency.

The State must understand, however, that towns and cities cannot sustain their service- delivery responsibilities when municipal aid is cut, mandates relief is denied, and non-property tax revenue options continue to be unavailable. Municipalities are the most efficient and accountable level of government in Connecticut. But local cost-cutting alone cannot counteract state funding cuts.

Connecticut is one of only fifteen states that handcuffs municipalities to just the property tax. Let's look at allowing regions or individual towns to levy hotel occupancy and meal taxes. Let's look at sharing 0.5% of the existing or increased state sales tax (Connecticut has one of the lowest sales tax rates in the Northeast) with towns and cities. Such actions would not only be good public policy, they would bring us in line with common practice throughout the United States.

Municipalities pay more and more each year for public education, road repairs, health insurance, energy, and pensions, yet property taxes are Hometown Connecticut's only major revenue source. The bottom line is that local property taxpayers must not foot an even larger bill for the State's budget deficit.

CCM urges you to make Hometown Connecticut your priority this session. At least maintain municipal aid, throw a lifeline to our poorest cities and towns, give local governments new revenue options, and enact mandates relief. Don't balance the state budget on the backs of local property taxpayers.

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If you have any questions, please call Jim Finley, CCM Executive Director & CEO; or Gian-Carl Casa, CCM's Director of Public Policy & Advocacy, at (203) 498-3000.