



TESTIMONY

of the

CONNECTICUT CONFERENCE OF MUNICIPALITIES

to the

PLANNING & DEVELOPMENT COMMITTEE

Mandates Prohibition/Moratorium

March 10, 2010

The Connecticut Conference of Municipalities is Connecticut's statewide association of towns and cities and the voice of local government - your partners in governing Connecticut. Our members represent over 93% of Connecticut's population. We appreciate this opportunity to testify before this joint committee on the issue of mandates reform, a top priority of CCM's.

H.B. 5031, "An Act Reducing Costs to Municipalities"

S.B. 198, "An Act Requiring A Two-Thirds Vote to Enact New Municipal Mandates"

H.B. 5257, "An Act Concerning the Termination of New Municipal Mandates"

CCM supports these bills. They would provide substantive, badly needed mandate relief to beleaguered towns and cities. In particular, H.B. 5031 and S.B. 198 would provide for a statutory prohibition against new, unfunded state mandates, unless there is a 2/3 vote of the General Assembly.

This should not unduly tie the hands of the General Assembly. The legislature, through use of a "notwithstanding clause" may avoid full or even partial reimbursement for a new or expanded mandate if there are compelling public policy reasons to do so. Still, this needed reform would require the General Assembly to inject cost-benefit analyses into debates on state mandates. If possible, the legislature could enshrine such prohibition by passing a Constitutional amendment as well as a statute.

State and Local Fiscal Crisis

As the Committee well knows, the State faces a current deficit of \$500 million, and a deficit for the next biennium of up to \$4 billion. Federal ARRA funding used for ECS alone -- \$270 million -- is expected to be gone by FY 12. Clearly, the State is not in a good position to help towns with sufficient state aid to survive the financial crisis.

Connecticut towns and cities have been making uncomfortable budget cuts and are making preparations for additional cuts. In Connecticut's central cities, the situation is increasingly grave and dire. Deep cuts in services and massive layoffs have occurred in these communities -- with more cuts and layoffs to come without state action.

Let's be clear: over the next few years increases in municipal aid will be hard to come by. The State has continuously refused to allow local revenue options and, in fact, forces municipalities to return every two years to beg for continuation of the present rates of the municipal real estate conveyance tax. At the very least, the State should provide relief from cost-driving mandates and avoid imposing new ones. Failure to do so increases local property taxes.

CCM Report on Mandates

Enclosed is a copy of CCM's report, "How to Spell Relief," which recommends several mandates for repeal, postponement or reform. The report contains cost savings estimates for most of the proposals.

State Mandates

Unfunded and under-funded state mandates are corrosive elements that deteriorate critical municipal programs and services -- and the bottom-line of municipal budgets. They are burdensome requirements and standards imposed by the State on towns and cities that affect residential and business property taxpayers by imposing significant costs.

Make no mistake -- local officials do not question the merit of many state mandates, such as special education, public health, recycling of reusable wastes, and clean water requirements. However, local officials object when the State does not (1) provide commensurate funding to implement and deliver what these mandates require, and (2) adjust certain onerous state mandates to conform with the current economic climate.

Too often municipalities in Connecticut are forced to carry out state policies with little or no state funding. It is fundamentally inappropriate and inequitable to force towns and cities to assume all or most of the costs of policies the State has decided to implement -- and thus to pass these costs on to local property taxpayers. It's buying something that may be good -- but with someone else's money.

Compounding the burden of state mandates are state agency regulations that implement statutes as well as other administrative mandates that further increase the requirements and costs imposed on local governments. According to the Connecticut Advisory Commission on

Intergovernmental Relations, Connecticut's towns and cities must comply with over 1,203 statutory state mandates.

In addition, towns and cities lose staggering amounts of revenue as the result of about 65 state-mandated property tax exemptions including exemptions from the real and personal property owned by the State and by private colleges and hospitals. These state-imposed obligations and state-imposed revenue losses force all municipalities to increase their property tax rates [see attachment – town-by-town exemptions].

The Many Faces of Mandates

Not all state mandates are obvious.

State mandates come in all shapes and sizes. Sometimes, although the State does not specifically direct a mandate to municipalities, it effectively imposes one. These “mandates in effect” occur when the State abandons necessary state-provided services that citizens rely on and need. This is a particular danger when state budgets are tight.

Municipalities must then continue to provide these services at local expense. For example, deinstitutionalization or cuts in funds for mental health institutions and for juvenile homes shifts the service burden to local health personnel, social workers, police officers, and others. Similar shifts occur when the state inadequately prepares people for reentry into communities from prison or jail. The effect of state mandates compromises the goal of reentry strategies and subsequently releases prisoners disproportionately into major metropolitan areas without providing needed resources.

In some cases, the General Assembly passes legislation that a municipality may adopt by local option which, as a practical political matter, the town or city cannot avoid. For example, in recent years the legislature has given municipalities the option of increasing property tax breaks to military veterans at local taxpayers' expense – a worthy cause, but an option that many municipalities will feel compelled to enact, especially when the country is involved in two wars. In a situation such as this, the State has again bought good will from a segment of the public – with local property tax dollars.

The State's Response to Date

Some positive first steps have been made in the fight against state mandates, such as establishing legislative procedures to (a) indicate the fiscal impact on municipalities of proposed legislation, and (b) labeling some legislative proposals as potential state mandates. Other noteworthy progress includes:

Mandates reform legislation was enacted in 1993 that established (a) a one-year delay in the municipal implementation of new and costly state mandates, (b) reporting of newly enacted state mandates after each legislative session, and (c) periodic report detailing all constitutional, statutory and regulatory state mandates on towns and cities, and,

The 2005-2006 Commission on Unfunded Mandates was charged with (a) studying the actual need for numerous unfunded and partially funded mandates, (b) quantifying the actual costs to local governments for such mandates, and (3) analyzing the effects of eliminating or reducing such mandates. The creation of the Commission rightfully acknowledged that “the sooner we cut costs to cities and towns...the sooner cities and towns will be able to pass those savings to their residents.” Unfortunately, the Commission’s draft proposals were never acted on.

The municipal fiscal notes, mandates-identification, and reimbursement-consideration procedures while helpful, need to be more accurate and precise. These requirements, while modestly successful in preventing the enactment of some prospective mandates, have done little to deal with existing mandates.

Municipalities recognize that it is neither practical nor desirable to eliminate all unfunded or inadequately funded state mandates, but relief is long overdue. Reform to state mandates is a logical approach to offset depleting state revenues and a growing state deficit.

Federal Response

It should be noted that the federal government passed a law to prohibit costly unfunded state mandates to state and local governments – the Unfunded Mandates Reform Act. The State should provide the same relief for its towns and cities.

Additional Mandates Reform

In addition to the statutory prohibition against new, unfunded state mandates, CCM urges the 2010 General Assembly to:

- *Improve the estimation of municipal fiscal impact on proposed legislation to more accurately reflect the cost towns and cities would be forced to assume.* The Office of Fiscal Analysis needs to revamp its procedures and dedicate adequate personnel resources to accomplish this. In addition, efforts should continue to invite and encourage the cooperation of municipal officials in assisting OFA staff in preparing fiscal notes on all bills and amendments that affect towns and cities.
- *Provide that the statutory fiscal note and mandates-review procedures continue to be included in the General Assembly's Joint Rules to assure legislative compliance.* This action will underscore the importance of these procedures, and ensure that all requirements are observed. The General Assembly's Joint Rules are designed to regulate the legislative process.
- *Ensure that the definition of “state mandate” used for fiscal notes includes legislation that would require municipalities to forego future revenue.*
- *Ensure (a) that municipal fiscal impact statements are prominently displayed on all legislative bills and amendments and (b) that such fiscal notes are available to all legislators well in advance of action on the proposal.* Particularly in the case of

amendments and conference committee reports, the fiscal note is sometimes hastily assembled and often not in the hands of all legislators for much time prior to a vote.

- Ensure that *Appropriations Committee review of proposed state mandates, as called for in CGS 2-32(b), be followed in every instance.* Ensure that committee members have adequate fiscal and other information to make a thoughtful decision on municipal reimbursement. Municipal advocates often have to remind legislative leaders to observe this referral requirement, particularly during the end-of-session debates. While the Appropriations Committee rejects numerous mandates, action on proposed mandates can sometimes be perfunctory.
- Avoid *"unmandating" any state-funded program local residents and property taxpayers rely on.* "Unmandating" merely forces municipalities to continue to provide such service at local expense. It does not constitute true mandates reform.

Conclusion

State mandates, both new and old, are major cost drivers of local budgets. **In the present economic environment, municipalities are being forced to grudgingly raise property taxes and reduce services, including employee layoffs. Surely reforms of state mandates mentioned in this report are preferable to people losing their jobs.**

In 2010, state lawmakers have a unique opportunity to make positive structural changes on the operation of government that bring significant cost savings. Towns and cities have long asked for serious reform of state mandates. But in these tough economic times, it is imperative that state leaders finally carry reforms across the finish-line.

Connecticut's local property taxpayers – residential and business – can no longer afford to have state officials on the sidelines and ignore the need for comprehensive reform of state mandates.

Our local property taxpayers deserve no less.

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If you have any questions, please call Gian-Carl Casa, CCM Director of Legislative Services; or Ron Thomas, CCM's Manager of State and Federal Relations; at (203) 498-3000.

Enclosures (2)