



CCM Analysis:

May 10, 2010

Adopted State Budget FY2011: Impacts on Towns and Cities

Table of Contents

Impact on Municipalities: Overview.....	1
• Education Grants.....	1
• Non-Education Grants.....	2
Other Items of Interest to Municipalities	
• PILOT for Manufacturing Machinery & Equipment.....	2
• Real Estate Conveyance Tax.....	2
• Bonding.....	3
• Minimum Budget Requirement for School Districts.....	3
• “MORE” Commission.....	3
Appendix: Breakdown of Municipal Grants	4

###

For more information on the state budget and how it impacts your community, visit the CCM website at www.ccm-ct.org.

###

If you have any questions, please call George Rafael, Gian-Carl Casa, or Jim Finley of CCM at (203) 498-3000.

Impact on Municipalities: Overview

On May 5, 2010, the Senate and House passed a revised state budget for FY2011 (SB 494). Overall, municipal aid will be increased by \$22.3 million (0.80%) from the amount in FY2010. The budget includes a \$22.4 million (0.93%) increase in education funding and a \$50,000 (-0.01%) reduction in non-education funding from FY2010 amounts.

The revised budget reflects a **\$14 million reduction from what had been enacted for FY2011 as part of the biennial budget**. This difference is a result of both a **deficit mitigation package** that was passed on April 14 (PA 10-3) and the revised budget passed on May 5.

PA 10-3 included a **reduction of \$8 million from the original appropriations for FY2011** as follows: -\$4.5 million in PILOT MME; -\$3 million in Interdistrict Cooperation grants; -\$477,500 in Health Services for Private Schools; and -\$212,903 in Bilingual Education. The final budget adopted May 5 **reduced the original FY2011 appropriation by an additional \$6 million** as follows: -\$5 million in PILOT MME; -\$500,000 in Magnet Schools; and -\$500,000 in After School Programs.

Education Grants

The FY2011 budget includes education grants totaling \$2.43 billion. This is an increase of \$22.3 million (0.80%) from FY2010 levels. The most significant change over FY2010 is **an increase of \$26 million in Magnet School grants**. The budget includes a **reduction in Interdistrict Cooperation grants of \$3 million**. There are also **10% reductions in grants for Health Services for Private Schools, After School Programs, and Bilingual Education**. Grants for **School Based Health Clinics will total \$10.4 million**, a 5.3% increase over FY2010 funding.

Below please find select statewide education grant totals.

- **Adult Education:** \$20,594,371 (no change from FY2010)
- **Education Cost Sharing:** \$1,889,609,057 (no change from FY2010)
- **Excess Cost-Student Based:** \$139,805,731 (see note below)
- **Magnet Schools:** \$174,131,395 (\$26.0 million increase from FY2010)
- **Non-Public School Transportation:** \$3,995,000 (no change from FY2010)
- **Priority School Districts:** \$117,237,188 (\$6.9 million reduction from FY2010)
- **Transportation of School Children:** \$28,649,720 (see note below)

Please see the Appendix for information on additional education grants.

Note: The General Assembly **transferred approximately \$19 million from Transportation of School Children to the Excess Cost-Student Based grant (special education)**. This transfer will contribute towards the State's maintenance of effort requirements for the federal Individuals with Disabilities Education Act (IDEA) funding under the federal stimulus and stabilization laws. The distribution of this \$19 million will not change. Although called "Special Education," **the distribution for the \$19 million will be as if it were the Transportation of School Children grant**.

Non-Education Grants

Non-education grants total \$364.4 million in the FY2011 budget, which is a decrease of \$50,000 from FY2010 grants. The budget level funds all grants with the exception of Property Tax Relief Elderly Freeze Program, which will see the \$50,000 decrease. It is important to note that **this total does not include the PILOT MME grants**, which are discussed further below.

- **Pequot-Mohegan Fund:** \$61,779,907 (no change from FY2010)
- **DECD Tax Abatement:** \$1,704,890 (no change from FY2010)
- **DECD Payment in Lieu of Taxes:** \$2,204,000 (no change from FY2010)
- **PILOT Colleges & Hospitals:** \$115,431,737 (no change from FY2010)
- **PILOT State Owned Property:** \$73,519,215 (no change from FY2010)

Please see the Appendix for information on additional non-education grants.

PILOT for Manufacturing Machinery and Equipment

The adopted budget provides for **PILOT MME grants totaling \$47,895,199**. This is a **decrease of \$9.45 million, or 16.5%, from the amount provided in FY2010**. The General Assembly cut \$4.45 million from the FY2011 grants as part of the deficit mitigation plan approved on April 14 (PA 10-3). It cut an additional \$5 million in the revised FY2011 budget. **Statutes limit the total amount of PILOT MME grants to the amount appropriated**, even if the amount payable to municipalities exceeds the amount appropriated. In that case, municipalities absorb the difference.

Real Estate Conveyance Tax

The municipal Real Estate Conveyance Tax is currently assessed at a rate of 0.25% in most municipalities (18 municipalities have the option of adding up to an additional 0.25% tax). The rates have been in place since 2003, when the General Assembly increased them from 0.11% to the current rate. **That 0.14% increase is scheduled to sunset on June 30, 2010**. SB 434 would have extended the rate for another two years. An extension passed the House, but it failed to make it out of the Senate before the end of the legislative session. Without an extension of the higher rate, **cities and towns will lose an estimated \$25 million in FY2011**. **Legislative leaders and the Governor have said they will pass an extension in special session before July 1.**

Bonding

The General Assembly, through SB 376, authorized \$416.6 million in bonds to fund **grant commitments for 29 new local school construction and magnet school projects**. It also reauthorized and increased grant commitments for four previously authorized projects with significant changes in cost and scope.

SB 25 is the new State bond package that contained several provisions of interest to municipalities:

- It **canceled \$480.5 million in State general obligation (GO) bond authorizations**. This will provide the State more room under the bond cap. The authorizations are for state and local capital projects and grants and loans, including those to municipalities and nonprofit entities. The bill authorizes up to \$58.6 million in new state general obligation bonds for specified projects in Bridgeport, Hartford, and New Haven as designated by the State Bond Commission.
- It authorized \$40 million in additional bonds for the **Clean Water Fund**. This increases potential funding for projects in FY2011 to \$120 million from the current \$80 million.
- The bill earmarks \$3.75 million of the authorization to the Office of Policy and Management (OPM) for economic and community development grants under the **Urban Act** for certain specified projects.

Town Aid Road and LoCIP grants will each be funded at \$30 million in FY2011, the same as in FY2010. **STEAP** grants will be funded at \$20 million, the same as in FY2010.

Minimum Budget Requirement for School Districts

HB 5490 made changes to the Minimum Budget Requirement (MBR). Prior to the bill, municipalities receiving ECS grants were required to budget at least the same amount for education in FY2010 and FY2011 as they did in FY2009, minus any amount subtracted in FY2009 to offset funds received from the 2009 federal stimulus act. The bill allows any town that had fewer students enrolled in its schools in the 2009-10 school year than it did in 2008-09 school year to reduce its MBR for FY2010 by \$3,000 times the difference in the two enrollments.

By law, a town that fails to meet its MBR must forfeit two times the amount of the shortfall from its ECS grant for the fiscal year two years after the failure.

“MORE” Commission

The General Assembly passed a package of bills recommended by the Speaker’s “MORE” Commission (“Municipal Opportunities for Regional Efficiencies”). They include:

- HB 5255, which (a) ends the program of state assessment of personal **property of wireless telecommunications companies**. New equipment and equipment less than five-years old go immediately to municipal assessment and depreciation schedules. Equipment already fully depreciated will phase-over

to municipal assessment and depreciation schedules over a four-year period; (b) Relieves municipalities of the responsibility to collect and transport the **possessions of evicted tenants** (it will now be the landlord's responsibility to inform state marshals to perform this task), but maintains municipal responsibility for storage; and (c) Repeals **municipal web-site posting requirements** for certain minutes and agendas.

- HB 5424, which allows municipalities and boards of education to join with one another to **pool for health insurance purchases** upon the approval of the local legislative body.
- HB 5337 allows “non-state” public employers, including municipalities and boards of education, to **join the State’s purchasing program for pharmaceuticals**.
- HB 5004 requires health insurance entities to disclose to municipalities with more than 50 employees **utilization claims and other information**.
- HB 5336 provides a **bonus under the school transportation grant** program (in FY2012) for municipalities where boards of education have cooperated with other boards of education to provide transportation and have saved money in FY2011.
- HB 5383 allows the establishment of **regional economic development groups** that can apply for state and federal funding. It allows eight such districts to be established to promote economic development, opportunities and housing availability, foster effective transportation access, improve workforce development, enhance and protect the environment, balance resources, and encourages responsible growth and development. RPOs, non-profits, regional economic development commissions and organizations with federally approved strategies are eligible to establish the districts.

Several other “MORE” Commission proposals fell short, most notably legislation to (a) increase the state hotel tax by 3% with 1/3 going to host town and 2/3 to regions (HB 5483), (b) increase/provide flexibility to municipalities to increase fees (SB 435, provision of HB 5255), and (c) delay the in-school suspension mandate (SB 197).

###

If you have any questions, please call George Rafael, Gian-Carl Casa, or Jim Finley of CCM at (203) 498-3000.

APPENDIX: Breakdown of Municipal Grants

Total Education and Non-Education Grants

	Current Year FY2010	Biennial Budget FY2011	Final Adopted FY2011	Final Adopted FY2011 v. FY2010		Final Adopted FY2011 v. Biennial Budget FY2011	
				Change:		Change:	
				\$	%	\$	%
Education and Non-Education Aid	\$2,772,451,701	\$2,799,448,276	\$2,794,757,873	\$22,306,172	0.80%	-\$4,690,403	-0.17%

Note: The total does not include PILOT MME grants, which were reduced to \$47,895,199 (FY2011) from \$57,348,215 (FY2010), a 16.5% reduction. CCM does not include MME in the chart as it is reimbursement for revenue taken off municipal tax rolls. It is intended to maintain rather than enhance revenue. When the MME reduction is taken into account, municipal aid for FY2011 is \$2,842,653,072.

Education Grants

	Current Year FY2010	Biennial Budget FY2011	Final Adopted FY2011	Final Adopted FY2011 v. FY2010		Final Adopted FY2011 v. Biennial Budget FY2011	
				Change:		Change:	
				\$	%	\$	%
Adult Education	\$20,594,371	\$20,594,371	\$20,594,371	\$0	0.00%	\$0	0.00%
After School Program	\$5,000,000	\$5,000,000	\$4,500,000	-\$500,000	-10.00%	-\$500,000	-10.00%
Bilingual Education	\$2,129,033	\$2,129,033	\$1,916,130	-\$212,903	-10.00%	-\$212,903	-10.00%
Education Cost Sharing	\$1,889,609,057	\$1,889,609,057	\$1,889,609,057	\$0	0.00%	\$0	0.00%
Excess Cost - Student Based	\$120,491,451	\$120,491,451	\$139,805,731	\$19,314,280	16.03%	\$19,314,280	16.03%
Health Services for Pupils Private Schools	\$4,775,000	\$4,775,000	\$4,297,500	-\$477,500	-10.00%	-\$477,500	-10.00%
Interdistrict Cooperation	\$14,127,369	\$14,127,369	\$11,127,369	-\$3,000,000	-21.24%	-\$3,000,000	-21.24%
Magnet Schools	\$148,107,702	\$174,631,395	\$174,131,395	\$26,023,693	17.57%	-\$500,000	-0.29%
Non-Public School Transportation	\$3,995,000	\$3,995,000	\$3,995,000	\$0	0.00%	\$0	0.00%
OPEN Choice Program	\$14,465,002	\$14,465,002	\$14,465,002	\$0	0.00%	\$0	0.00%
Priority School Districts	\$117,237,188	\$117,237,188	\$117,237,188	\$0	0.00%	\$0	0.00%
School Based Health Clinics	\$9,918,614	\$10,440,646	\$10,440,646	\$522,032	5.26%	\$0	0.00%
School Breakfast Program	\$1,634,103	\$1,634,103	\$1,634,103	\$0	0.00%	\$0	0.00%
School to Work Opportunities	\$213,750	\$213,750	\$213,750	\$0	0.00%	\$0	0.00%
Transportation of School Children	\$47,964,000	\$47,964,000	\$28,649,720	-\$19,314,280	-40.27%	-\$19,314,280	-40.27%
Vocational Agriculture	\$4,560,565	\$4,560,565	\$4,560,565	\$0	0.00%	\$0	0.00%
Young Parents Program	\$229,330	\$229,330	\$229,330	\$0	0.00%	\$0	0.00%
Youth Service Bureaus	\$2,946,418	\$2,947,268	\$2,947,268	\$850	0.03%	\$0	0.00%
Total Education Grants	\$2,407,997,953	\$2,435,044,528	\$2,430,354,125	\$22,356,172	0.93%	-\$4,690,403	-0.19%

Non-Education Grants

	Current Year FY2010	Biennial Budget FY2011	Final Adopted FY2011	Final Adopted FY2011 v. FY2010		Final Adopted FY2011 v. Biennial Budget FY2011	
				Change:		Change:	
				\$	%	\$	%
Capital City Economic Development	\$6,050,000	\$6,050,000	\$6,050,000	\$0	0.00%	\$0	0.00%
Child Day Care	\$5,263,706	\$5,263,706	\$5,263,706	\$0	0.00%	\$0	0.00%
Community Services	\$116,358	\$116,358	\$116,358	\$0	0.00%	\$0	0.00%
DECD Payment in Lieu of Taxes	\$2,204,000	\$2,204,000	\$2,204,000	\$0	0.00%	\$0	0.00%
DECD Tax Abatement	\$1,704,890	\$1,704,890	\$1,704,890	\$0	0.00%	\$0	0.00%
Distressed Municipalities	\$7,800,000	\$7,800,000	\$7,800,000	\$0	0.00%	\$0	0.00%
Housing/Homeless Services	\$686,592	\$686,592	\$686,592	\$0	0.00%	\$0	0.00%
Human Resource Development	\$31,034	\$31,034	\$31,034	\$0	0.00%	\$0	0.00%
Human Resource Devel- Hispanic Prgms	\$5,900	\$5,900	\$5,900	\$0	0.00%	\$0	0.00%
Local Capital Improvement Program	\$30,000,000	\$30,000,000	\$30,000,000	\$0	0.00%	\$0	0.00%
Local & District Departments of Health	\$4,264,470	\$4,264,470	\$4,264,470	\$0	0.00%	\$0	0.00%
Pequot-Mohegan Fund	\$61,779,907	\$61,779,907	\$61,779,907	\$0	0.00%	\$0	0.00%
PILOT: Colleges & Hospitals	\$115,431,737	\$115,431,737	\$115,431,737	\$0	0.00%	\$0	0.00%
PILOT: State-Owned Property	\$73,519,215	\$73,519,215	\$73,519,215	\$0	0.00%	\$0	0.00%
Prop Tax Relief Elder-Circuit Breaker	\$20,505,899	\$20,505,899	\$20,505,899	\$0	0.00%	\$0	0.00%
Prop Tax Relief Elderly Freeze Program	\$610,000	\$560,000	\$560,000	-\$50,000	-8.20%	\$0	0.00%
Property Tax Relief for Veterans	\$2,970,099	\$2,970,099	\$2,970,099	\$0	0.00%	\$0	0.00%
Reimb. Property Tax-Disability Exempt	\$400,000	\$400,000	\$400,000	\$0	0.00%	\$0	0.00%
Services to the Elderly	\$44,405	\$44,405	\$44,405	\$0	0.00%	\$0	0.00%
Teen Pregnancy Prevention	\$870,326	\$870,326	\$870,326	\$0	0.00%	\$0	0.00%
Town Aid Road Grants	\$30,000,000	\$30,000,000	\$30,000,000	\$0	0.00%	\$0	0.00%
Venereal Disease Control	\$195,210	\$195,210	\$195,210	\$0	0.00%	\$0	0.00%
Total Non-Education Assistance	\$364,453,748	\$364,403,748	\$364,403,748	-\$50,000	-0.01%	\$0	0.00%

Note: The non-education total does not include PILOT MME grants, which were reduced to \$47,895,199 (FY2011) from \$57,345,199 (FY2010), a 16.5% reduction. CCM does not include MME in the chart as it is reimbursement for revenue taken off municipal tax rolls. It is intended to maintain rather than enhance revenue. When the MME reduction is taken into account, municipal aid for FY2011 is \$2,842,653,072.

CCM – CONNECTICUT'S STATEWIDE ASSOCIATION OF TOWNS AND CITIES



The Connecticut Conference of Municipalities (CCM) is Connecticut's statewide association of towns and cities. CCM represents municipalities at the General Assembly, before the state executive branch and regulatory agencies, and in the courts. CCM provides member towns and cities with a wide array of other services, including management assistance, individualized inquiry service, assistance in municipal labor relations, technical assistance and training, policy development, research and analysis, publications, information programs, and service programs such as workers' compensation, liability-automobile-property insurance, risk management, and energy cost-containment. Federal representation is provided by CCM in conjunction with the National League of Cities. CCM was founded in 1966.

CCM is governed by a Board of Directors, elected by the member municipalities, with due consideration given to geographical representation, municipalities of different sizes, and a balance of political parties. Numerous committees of municipal officials participate in the development of CCM policy and programs. CCM has offices in New Haven (the headquarters) and in Hartford.

900 Chapel Street, 9th Floor
New Haven, Connecticut 06510-2807
Telephone (203) 498-3000 Fax (203) 562-6314

E-mail: ccm@ccm-ct.org
Web Site: www.ccm-ct.org

THE VOICE OF LOCAL GOVERNMENT