

Governor's Proposed FY 24 State Budget: Impact on Towns and Cities

February 15, 2023

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Overview

On February 8, 2023, Governor Lamont proposed his FY 24 state budget. The budget calls for combined expenditures of \$25.0 billion. The proposal would increase municipal aid by \$58.5 million (1.7%) versus FY 23.

	Est. FY 23	Gov. Prop. FY 24	Gov. Prop. FY 24 v. Est. FY 23 Change:	
			\$	%
Municipal Aid	3,534,543,135	3,593,043,670	58,500,535	1.7%

The information provided here is preliminary and subject to change. Any updates or edits to this document will be posted to the [CCM State Budget Webpage](#).

Please note that the governor’s proposal is the first step in the state budget adoption process. CCM will provide additional information when the General Assembly releases its proposed state budget and again when the final state budget is adopted.

Education Aid

Below are changes to statewide totals for major education grant programs. The budget includes education grants totaling \$2.79 billion in FY 24. This represents an increase of \$35.7 million (1.3%) compared to FY 23.

Education Aid	Est. FY 23	Gov. Prop. FY 24	Gov. Prop. FY 24 v. Est. FY 23 Change:	
			\$	%
Adult Education	21,978,248	22,326,496	348,248	1.6%
After School Program	5,520,667	5,750,695	230,028	4.2%
Bilingual Education	3,832,260	3,832,260	0	0.0%
Education Cost Sharing	2,178,565,995	2,224,205,070	45,639,075	2.1%
Excess Cost - Student Based	156,119,782	156,119,782	0	0.0%
Extended School Hours	2,919,883	2,919,883	0	0.0%
Health Serv for Pupils Private Schools	3,438,415	3,438,415	0	0.0%
Interdistrict Cooperation	2,009,380	1,537,500	(471,880)	-23.5%
Magnet Schools	282,776,486	282,542,141	(234,345)	-0.1%
Open Choice Program	38,360,327	28,588,386	(9,771,941)	-25.5%
Priority School Districts	30,818,778	30,818,778	0	0.0%
School Accountability	3,412,207	3,412,207	0	0.0%
School Breakfast Program	2,158,900	2,158,900	0	0.0%
Vocational Agriculture	18,824,200	18,824,200	0	0.0%
Youth Service Bureaus	2,705,240	2,705,240	0	0.0%
Total Education Aid	2,753,440,768	2,789,179,953	35,739,185	1.3%

Education Cost Sharing (ECS)

The governor's plan retains the current ECS formula. This includes the phase-in of increases for towns that are underfunded according to the formula and decreases for towns that are overfunded.

Alliance Districts

Alliance Districts are held harmless from receiving a decrease in ECS funding even if the ECS formula would result in a decrease for them.

At this time, CCM has not seen anything in the proposal that indicates changes to the ECS breakdown for Alliance Districts. The municipal, or base, portion of the grant would continue to be the FY 12 ECS amount. The increase above the FY 12 amount is the Alliance District portion.

If we do identify any changes to the Alliance District program, we will update this document to reflect that.

Excess Cost Grant

The governor's proposal keeps FY 24 Excess Cost funding at the FY 23 level. [HB 6671](#), however, was signed into law by the governor on February 14. Among other things, it includes changes to the Excess Cost grant.

In the legislation, the reimbursement percentages were increased as follows.

- Tier 1: Increase from 70% to 85%
- Tier 2: Increase from 73% to 88%
- Tier 3: Increase from 76.25% to 91%

It also allows SDE to expend the full amount appropriated for the grant, thereby preventing a possible reduction of funding below the appropriation.

The system for determining tiers was not changed. Tiers are based on a ranking of towns' adjusted equalized net grand list per capita (AENGLPC). The ranking for a regional board of education is determined by the total population of each town in the regional district and each member town's AENGLPC ranking.

Minimum Budget Requirement (MBR)

The governor did not propose any changes to the current MBR.

Non-Education Aid

Below are changes to statewide totals for major non-education grant programs. The budget includes non-education grants totaling \$803.9 million in FY 24. This represents an increase of \$22.8 million (2.9%) compared to FY 23.

Non-Education Aid	Est. FY 23	Gov. Prop. FY 24	Gov. Prop. FY 24 v. Est. FY 23 Change:	
			\$	%
Distressed Municipalities	1,500,000	1,500,000	0	0.0%
Housing/Homeless Services - Municipality	675,409	675,409	0	0.0%
Local Capital Improvement Program	30,000,000	30,000,000	0	0.0%
Local and District Departments of Health	7,179,622	7,185,146	5,524	0.1%
Municipal Grants-in-Aid	91,000,000	91,000,000	0	0.0%
Municipal Revenue Sharing	36,819,135	0	(36,819,135)	-100.0%
Municipal Stabilization Grant	37,853,335	0	(37,853,335)	-100.0%
Motor Vehicle Tax Grants	132,331,732	155,337,805	23,006,073	17.4%
Pequot-Mohegan Fund	51,481,796	51,481,796	0	0.0%
PILOT	316,881,894	317,088,142	206,248	0.1%
Property Tax Relief Elderly Freeze Program	10,000	6,000	(4,000)	-40.0%
Property Tax Relief for Veterans	2,708,107	2,708,107	0	0.0%
Property Tax-Disability Exemption	364,713	364,713	0	0.0%
School Based Health Clinics	11,972,767	11,544,057	(428,710)	-3.6%
Supplemental Revenue Sharing Grants	0	74,672,470	74,672,470	--
Teen Pregnancy Prevention - Municipality	98,281	98,281	0	0.0%
Town Aid Road	60,000,000	60,000,000	0	0.0%
Venereal Disease Control	225,576	201,791	(23,785)	-10.5%
Total Non-Education Aid	781,102,367	803,863,717	22,761,350	2.9%

Tiered PILOT

As a reminder, under Tiered PILOT, municipalities and districts will receive a percentage of their full PILOT calculations. The approach divides grantees into three tiers.

- Tier 1: Municipalities with an Equalized Net Grand List Per Capita (ENGLPC) less than \$100,000, Alliance Districts, and municipalities in which the State of Connecticut owns more than 50% of the property within the town's boundaries.
- Tier 2: Municipalities with an ENGLPC between \$100,000 and \$200,000.
- Tier 3: Municipalities with an ENGLPC greater than \$200,000.

Grants paid to districts are determined using the tier of the municipality in which the district is located.

Tier 1 grantees receive 50% of the total PILOT formula calculations. Tier 2 grantees receive 40%, and Tier 3 grantees receive 30%. Additionally, every grantee must receive at least the same amount as the sum of State-Owned PILOT and College & Hospital PILOT grants that they received in FY 2021.

Grantees receive Tiered PILOT payments on or before May 30th.

In FY 22 and FY 23, these PILOT grants were funded through a combination of General Fund appropriations and MRSA revenues. Under the governor's proposal, the grants would be funded entirely from the Municipal Revenue Sharing Fund (MRSF).

The proposal does not appear to change the requirement that all towns receive at least the same amount that they received in FY 21. The PILOT amounts provided in the proposal documents, however, showed some towns receiving less than they received in FY 21.

CCM has contacted OPM to request clarification on this.

Municipal Revenue Sharing

This is additional PILOT revenue that has been distributed to a handful of towns for several years. This grant has been paid from the General Fund. The proposal moved this grant to MRSF (see below).

Municipal Stabilization

This is additional revenue that has been distributed to some towns since FY 18. It was originally created to ensure that those towns would not see a municipal aid decrease in FY 18 compared to FY 17.

This grant has been paid from the General Fund. The proposal moved this grant to MRSF (see below).

Municipal Revenue Sharing Account/Fund (MRSA/MRSF)

The proposal uses MRSF to distribute several grants, including some that were funded in the past through the General Fund.

The Municipal Revenue Sharing and Municipal Stabilization grants would be combined into a new Supplemental Revenue Sharing Grant. The amount of the new grant each town receives is equal to the sum of two grants it would replace.

The Mashantucket Pequot and Mohegan Grant would also be funded through MRSF.

Details on the Motor Vehicle Tax Reimbursement can be found below.

Municipal Revenue Sharing Fund	
	FY 24
Revenue & Transfers	
0.5% Sales Tax Diversion	453.3
Transfer of Municipal Stabilization and Municipal Revenue Sharing from General Fund	74.7
Additional General Fund Transfer	19.5
Transfer from Mashantucket Pequot and Mohegan Fund	51.5
Total	599.0
Appropriations	
Tiered PILOT	317.1
Motor Vehicle Tax Reimbursement	155.3
Supplemental Revenue Sharing Grants	74.7
Mashantucket Pequot and Mohegan Grants	51.5
Total	598.6
Surplus/(Deficit)	0.4

Please note that the 0.5% sales tax that was previously diverted to MRSA would now be diverted to MRSF.

Municipal Revenue Sharing - MRSA (Sales Tax Sharing)

In October 2022, towns received a grant called Municipal Revenue Sharing - MRSA. This was funding from MRSA revenue that remained after the other distributions (e.g., Tiered PILOT, Motor Vehicle Tax Reimbursement, etc.) were made. The grant totaled over \$70 million statewide.

For FY 24, it is unclear how much revenue will be available to fund this grant. The final number will depend on sales tax collections received through June 30, 2023. For this reason, no estimates were provided in the governor's budget.

Also, as you can see from the table above, there isn't significant revenue projected to remain in MRSF in FY 24. This could impact the FY 25 grant.

As a reminder, the amount each town receives is based on a formula that factors in the motor vehicle mill rate (whether above or below 25 mills) and population of the town.

Additional Items

Below are additional items in the FY 24 budget that affect towns and cities.

Bond Funding

The following are some of the governor's recommended FY 24 bond authorizations that impact local government.

- Capital projects for distressed municipalities: \$7 million
- Urban Act: \$60 million
- STEAP: None (As of January 1, \$30 million of authorized STEAP funding currently remains unallocated by the State Bond Commission)
- Grants for school air quality improvements: \$150 million
- School security competitive grant: \$10 million
- Clean Water Fund: \$40 million
- Open space: \$10 million
- Flood control improvements: \$2.5 million
- Microgrid loans and grants: \$5 million
- Urban industrial site clean-up: \$5 million
- Hazardous waste site clean-up: \$19 million
- Potable water and PFAS remediation: \$2 million
- Bikeway, walkway, greenway grants: \$5 million
- Brownfield remediation: \$25 million
- Community Investment Fund: \$175 million
- Housing development and rehab: \$100 million
- Housing Trust Fund: \$200 million
- Crumbling Foundation Assistance Fund: \$25 million
- Grants for ports, harbors, and marinas: \$5 million
- Public water systems: \$25 million
- Local Transportation Capital Program: \$76 million
- Community connectivity and mobility: \$13 million
- Local Bridge Program: \$10 million
- Transportation Rural Improvement Program: \$5 million

- Grants for facility improvements in low-performing schools: \$5 million

Motor Vehicle Tax Cap

The proposal does not address the motor vehicle mill rate (MVMR). That would mean the FY 24 cap would remain at the current 32.46 mills.

Motor Vehicle Tax Reimbursement

OPM uses the motor vehicle tax levy from the previous year and the supplemental levy (using the grand list data from two years prior) as the basis for the reimbursement. It takes the difference between a town's mill rate on real and personal property the previous year and 32.46 mills to determine the mill rate differential. It then applies that differential to your total motor vehicle tax levy to determine your reimbursement.

CCM has been advised by some towns that some taxing districts (e.g., fire districts) are seeing no reimbursement in the proposed FY 24 estimates. This is likely due to the allocation of the reimbursement being disbursed entirely to the municipality in FY 24 after the cap was reached in FY 23.

Municipal Spending Cap

The governor's proposal made no mention of changes to the municipal spending cap.

Under current law, OPM must calculate the cap and determine if towns have exceeded it.

The cap limits "adopted budget expenditures" to 2.5 percent above the previous year or the rate of inflation, whichever is greater. OPM uses data from IHS Markit and the US Bureau of Labor Statistics to determine the rate of inflation. Adopted budget expenditures are defined as expenditures from a municipality's general fund and any non-budgeted funds.

There are several exemptions to the cap.

- Debt service
- Special education
- Expenditures for implementing court orders
- Arbitration awards
- Expenditures related to a major disaster or emergency declaration by the president or issued by the governor under the civil preparedness law
- Any MRSA Revenue Sharing grant distributed to a special taxing district
- Budgeting for an audited deficit
- Non-recurring grants

- Capital expenditures, defined as nonrecurring capital expenditures of \$100,000 or more
- Payments toward unfunded pension liabilities

The penalty for exceeding the cap will be 50 cents from the MRSA Revenue Sharing - MRSA (sales tax sharing) grant for every dollar the municipality spends over the cap. OPM requires each municipality to provide information on whether or not it has exceeded the cap and by how much. This is done through a form created by OPM.

OPM cannot reduce a municipality's Municipal Revenue Sharing - MRSA grant in any year in which its adopted budget expenditures exceed the cap by an amount proportionate to its population increase over the previous fiscal year, using the most recent Department of Public Health population estimate.

Legal Notices

The governor's proposal allows for legal notices to be published on the websites of municipalities rather than in newspapers.

If you have any questions, please contact George Rafael at grafael@ccm-ct.org or 203-498-3063.