

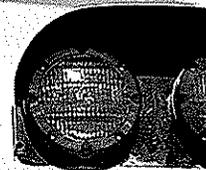
# CCM Candidate Bulletin

2014



2014 Election Campaign

## SCHOOL BUS



### Major Issues in Financing PreK-12 Public Education: Achieving a Balanced Local-State Relationship



THE VOICE OF LOCAL GOVERNMENT

September 2014

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## Major Issues in Financing PreK-12 Public Education: Achieving a Balanced Local-State Relationship



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# Major Issues in Financing PreK-12 Public Education: Achieving a Balanced Local-State Relationship

## OVERVIEW

In Connecticut, towns and cities are responsible for funding the majority of preK-12 education. That means that, given the current tax structure, **Connecticut is the most reliant state in the nation on the local property tax to fund preK-12 public education.**<sup>1</sup>

The cost for public education in our state is over \$10 billion, and municipal property taxpayers:

- Fund 51.6 percent of that amount (more than \$5 billion). The State contributes an estimated 42.8 percent and the federal government 5.1 percent.<sup>2</sup>
- Pay about **\$0.59 of every \$1.00 raised in property taxes toward preK-12 public education.**<sup>3</sup>
- Pay for about **60 percent of Connecticut's \$1.8 billion in special-education costs.**
- Pick-up the bill for numerous other state-mandated education priorities that are not fully funded by the State.

The quality of Connecticut's educated workforce is one of the key assets in attracting and retaining businesses. A first-rate education system - and education finance system - is vital for Connecticut's prosperity and quality of life. State law limits municipalities primarily to the property tax for own-source revenue, and when municipalities do not receive adequate state education aid, they are forced to raise property taxes, cut other vital services, or both. Local property taxes cannot continue to shoulder the lion's share of preK-12 public education costs.

In order for Connecticut to compete economically with its neighbors and the world, the State must increase and sustain its financial commitment to preK-12 public education. For 40 years, court case after court case has ordered the State to do so in order to meet state constitutional requirements (see Appendix A). Some progress has been made, but much more needs to be done.



<sup>1</sup> CCM estimate based on US Census Bureau, Public Education Finances, 2012.

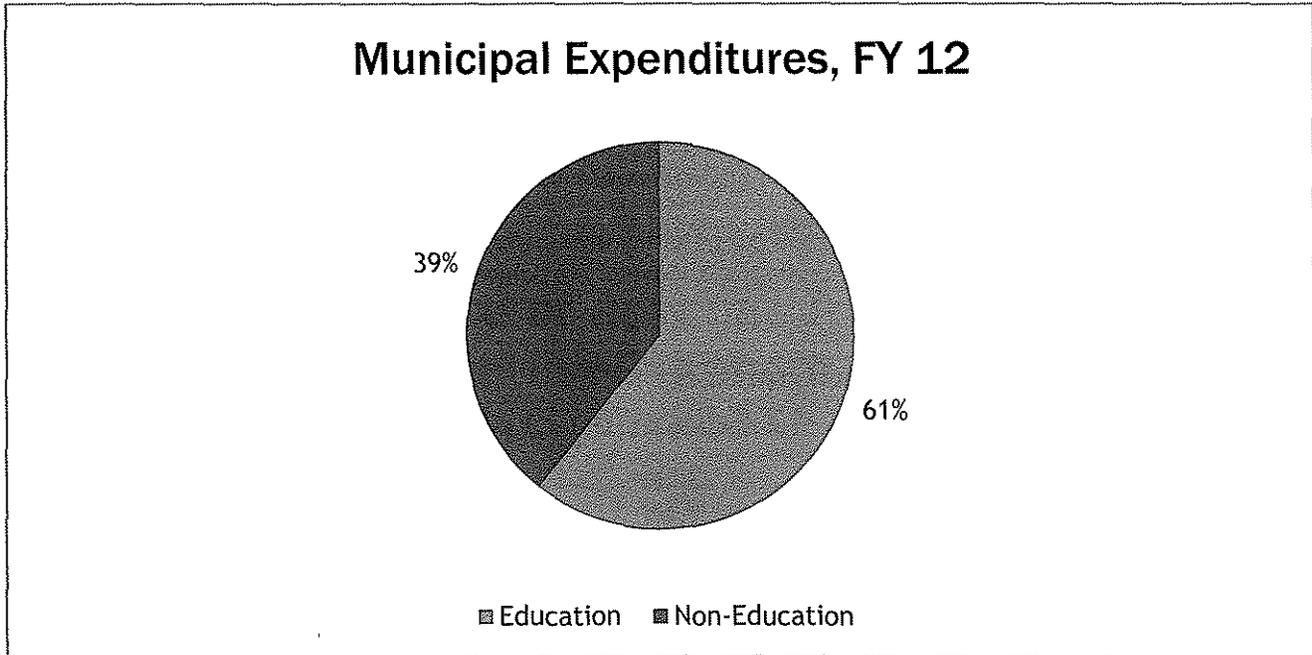
<sup>2</sup> State Department of Education (SDE), FY 13 Data. The remaining 0.5 percent comes from private donations and other contributions.

<sup>3</sup> CCM estimate.

# HISTORY

Connecticut has a long history of local control of public schools. At the same time, it is the State that has the constitutional responsibility to ensure that all children, regardless of where they live, receive equal access to quality public schooling.

Meeting Connecticut's education needs is accomplished through a system under which local governments operate public schools - and local property taxpayers pay for them - with funding assistance from the state and federal governments. State aid comes through several different grants intended to address various public policy goals and priority needs in preK-12



Source: OPM Municipal Fiscal Indicators, 2008-2012.

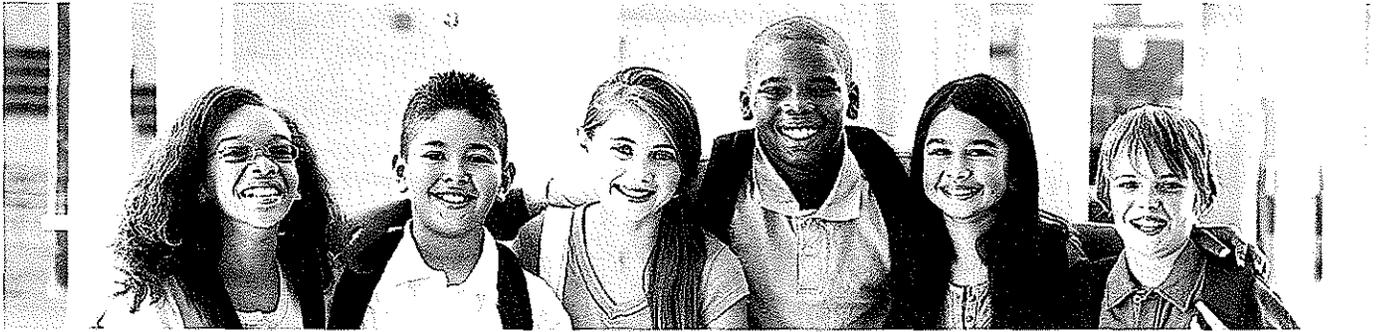
The local share of education expenditures is financed through local property taxes. Because property tax bases and incomes differ enormously among towns, a critical function of state aid is to “equalize” the ability of towns to pay for public schools that provide students with equal opportunities for educational excellence.

More than three decades ago in *Horton v. Meskill*, the Connecticut Supreme Court ruled that the State must distribute education aid in a manner that would make up for disparities in local property tax bases. Those disparities are significant. The adjusted equalized net grand list per capita (AENGLC) of the wealthiest town (Greenwich) is over 60 times greater than that of the poorest town (Hartford).<sup>4</sup> The greater the disparity in property wealth becomes, the greater the need for additional state aid to try to balance the scales.



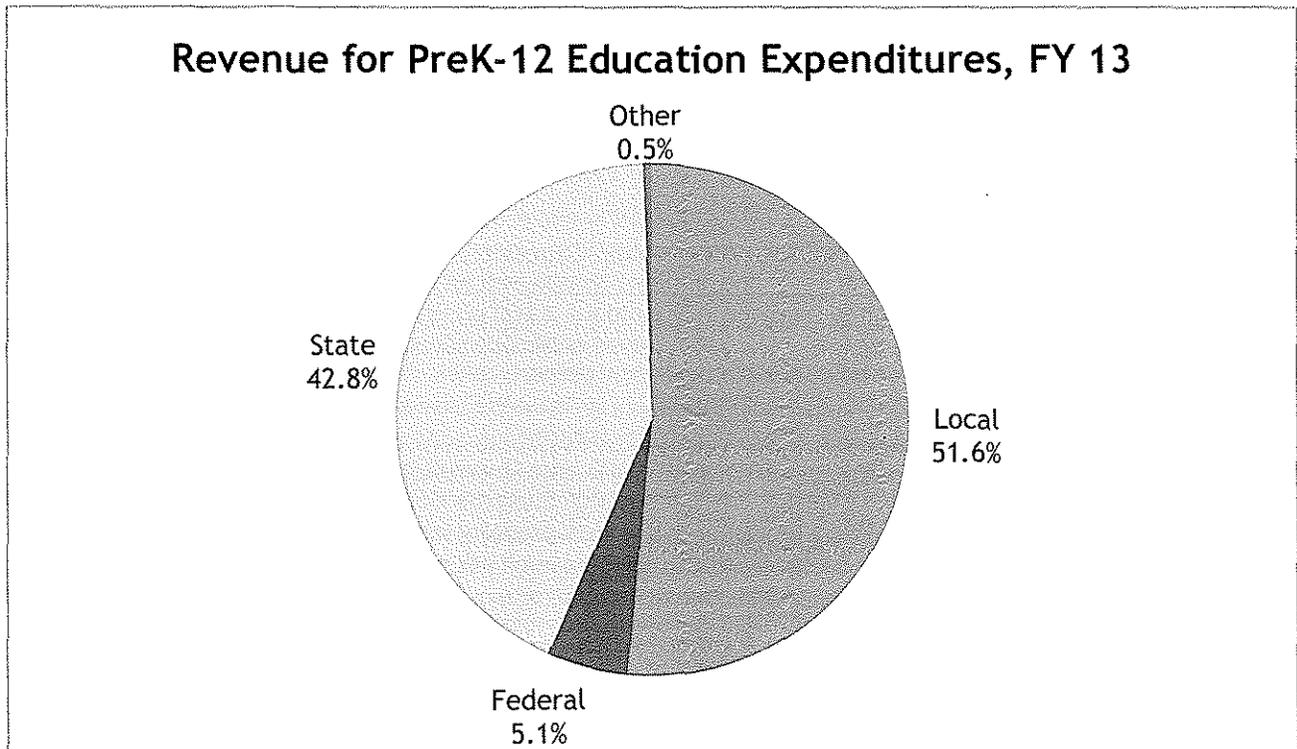
<sup>4</sup> SDE, 2014-15 school year.

# STATE AND LOCAL SHARES OF EDUCATION COSTS



At least an equal partnership between state and local revenue sources has been a longstanding goal of the Connecticut State Board of Education. In 1989-90, the State's share of total education costs reached 45.5 percent, the closest it has ever come to that goal. Since then, the State's share has fallen well below the 50-percent mark.

The Governor's Task Force to Study the Education Cost Sharing Grant reiterated the 50-50 goal in 1999 when it recommended, "The State should budget and appropriate funds biennially to demonstrate progress toward equal state and local spending for education."<sup>5</sup>



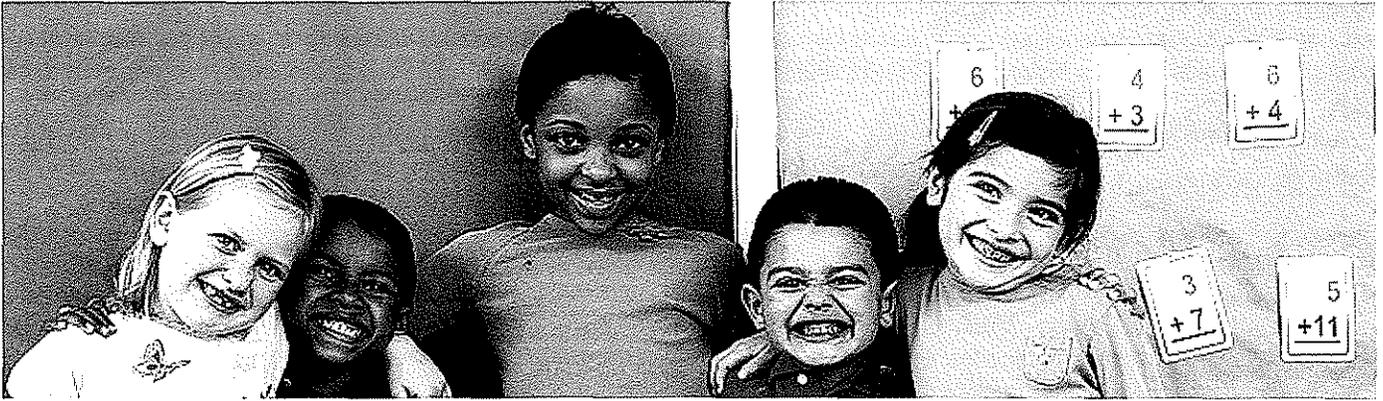
Source: SDE (preliminary estimate).

For FY 13, the State's share was 42.8 percent.<sup>6</sup> In FY 12, Connecticut ranked 42th in the nation for state share of preK-12 public education funding.<sup>7</sup> While the goal of at least a 50-50 funding partnership remains elusive, any movement toward that mark is important because new state dollars can reduce overdependence on regressive property taxes and lessen the inequity inherent in that dependence.

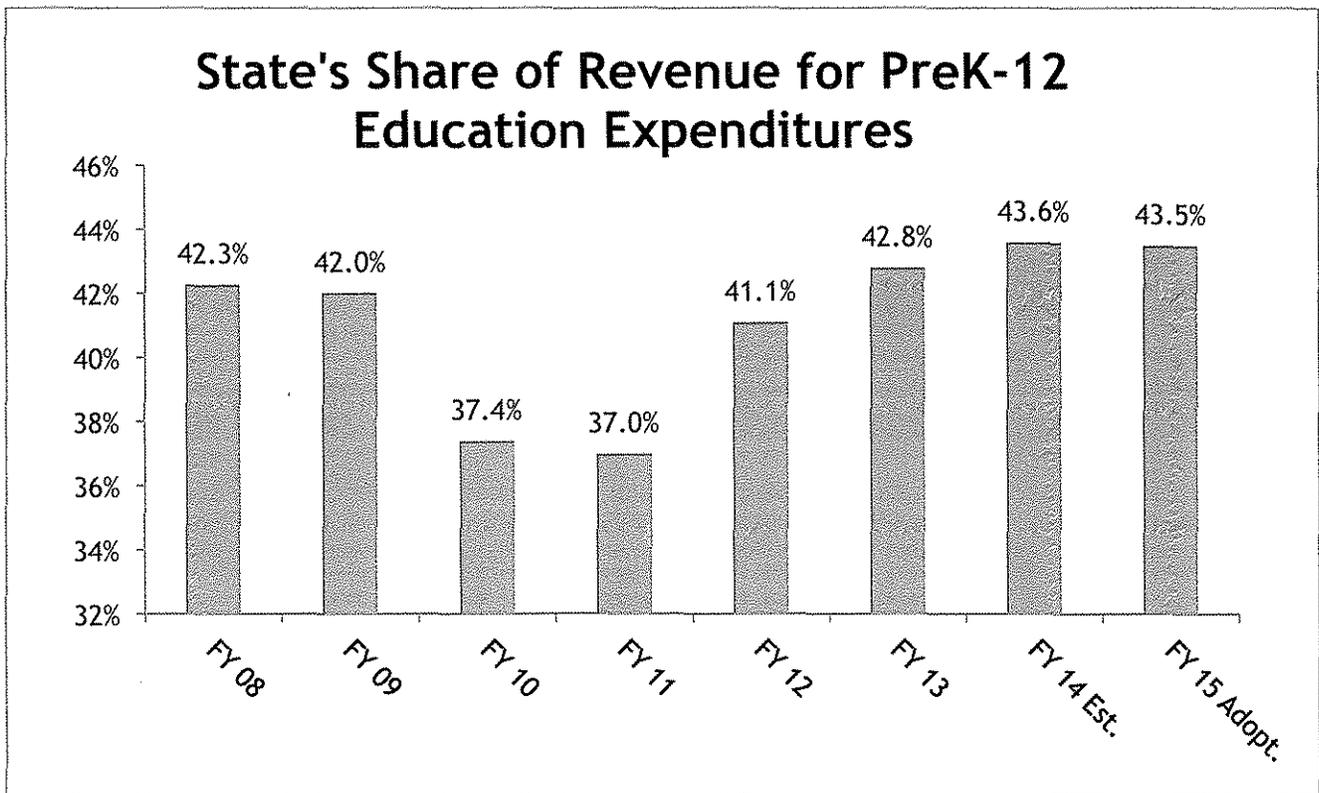
<sup>5</sup> Task Force to Study the Education Cost Sharing Grant, Recommendations, February 2, 1999.

<sup>6</sup> Includes all state revenues on behalf of public elementary and secondary education, including state grants, bond funds, and department expenditures - including the Connecticut Technical High School System, magnet schools, charter schools, vo-ag programs, unified school district expenditures, and teachers' retirement costs.

<sup>7</sup> US Census Bureau, Public Education Finances, 2012.



While the State has invested heavily in school construction over the past decades and begun to fund the Education Cost Sharing (ECS) grant reform program enacted in 2013, these measures produced limited progress toward at least an equal state-local partnership.



Source: State Department of Education; CCM calculations.

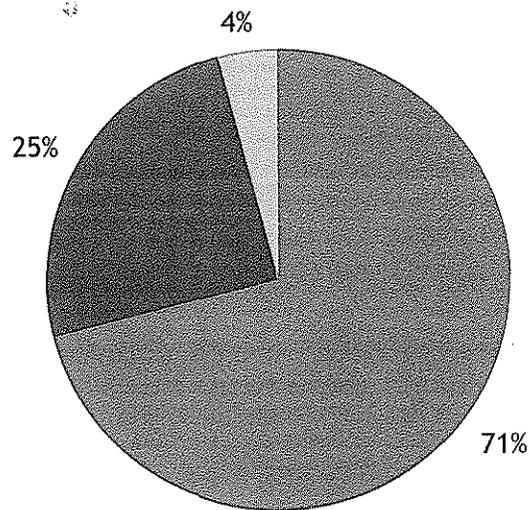
## EDUCATION REVENUES

While the State has many revenue sources - personal income tax, sales tax, business taxes, fuel taxes, utility taxes, gaming revenues, and user fees - municipalities are almost entirely limited to the property tax to raise funds to meet public service needs. Property taxes account for about 71 percent of all municipal revenue.

Chronic state underfunding of preK-12 public education has wreaked havoc at the local level.

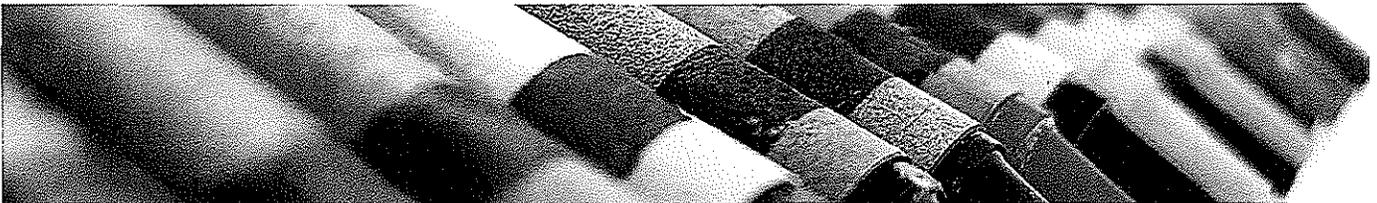
Rising education costs have outpaced growth in property tax revenue. When these increases are added to unfunded and underfunded mandates, towns and cities have had no choice but to cut back on other municipal services and raise property taxes to pay for rising education expenditures.

## Municipal Revenue Sources, FY 12



■ Property Tax   ■ Intergovernmental   ■ Charges, Fees, and Other Sources

Source: OPM Municipal Fiscal Indicators, 2008-2012; CCM Calculations.



Because of the importance and high costs of schools, the financing of preK-12 public education has long been a central topic of public debate in our state. Within this broad topic are several critical pieces of state funding, each of which deserves scrutiny.

How Connecticut's state government lives up to its obligations in these critical areas will determine whether public schools have the appropriate resources to achieve the lofty goals set for them by the State Board of Education, the General Assembly and our State Constitution.

### **Education Cost Sharing (ECS)**

ECS represents the largest state grant to local governments. It is the principal mechanism for state funding of regular education and the base costs of special education programs in Connecticut. The ECS grant in its current form is currently underfunded by more than \$600 million.

- Please see page 7 for details on this major component of preK-12 education funding.

### **Special Education**

Special education accounts for a significant proportion of education spending in Connecticut. More than one out of every five dollars spent on preK-12 education goes toward special education. How, and at what level, the State reimburses municipalities for these mandated costs is one of the hottest state-local issues.

Often overlooked in this debate is that special education is a federal mandate that originally came with a promise of substantial federal funding, promises that have fallen woefully short of expectations. While the skyrocketing costs of special education should not be falling upon local shoulders, any effort to address this problem should not look solely to the State Capitol, but must also look to Congress.

- Please see page 11 for details on this major component of preK-12 education funding.

### **Targeted Assistance**

This and other categorical aid programs account for over \$500 million of the State Department of Education budget. These include programs addressing school choice, priority school (neediest) districts, school readiness, vocational agriculture, and many others. State funding for some of these programs - magnet and charter schools in particular - has grown substantially over the past decade. Some grants are available to most school districts, while others, like school readiness and priority grants, are targeted for the state's needier districts.

- Please see page 14 for details on this major component of preK-12 education funding.

### **School Construction**

This funding has been especially important in enabling Connecticut to rebuild its educational infrastructure, given the growing importance of technology and the need to refurbish aging buildings. The state commitment to school construction has been in the billions of dollars over the past decade. Equalized so that property and income-poor towns receive higher percentages of state support than other towns, this program currently costs the State more than \$500 million annually. The State also funds up to 100 percent of interdistrict magnet construction costs and makes available construction funding for charter schools.

Municipalities, however, must be able to find suitable land for new buildings, manage the complexities of design and construction processes, and bond their share of costs, all of which have proven to be challenging in many communities.

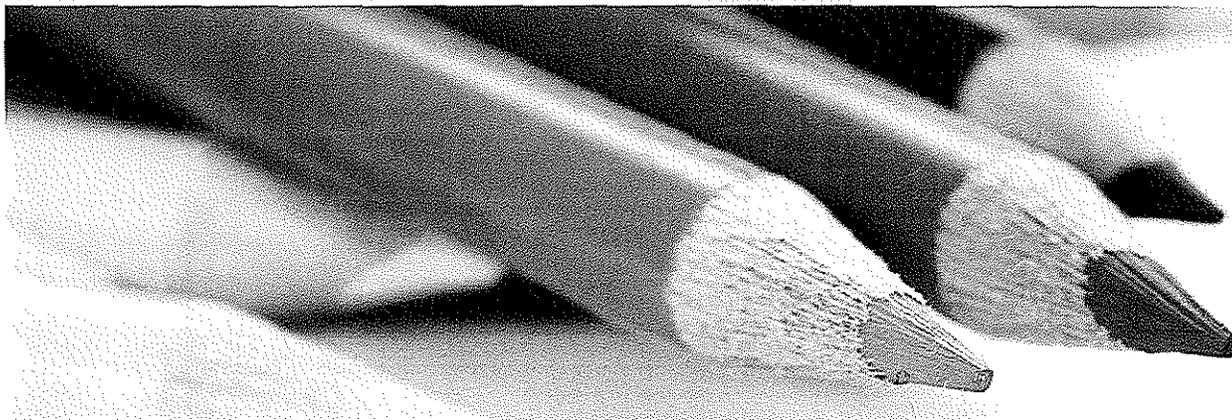
- Please see page 16 for details on this major component of preK-12 education funding.

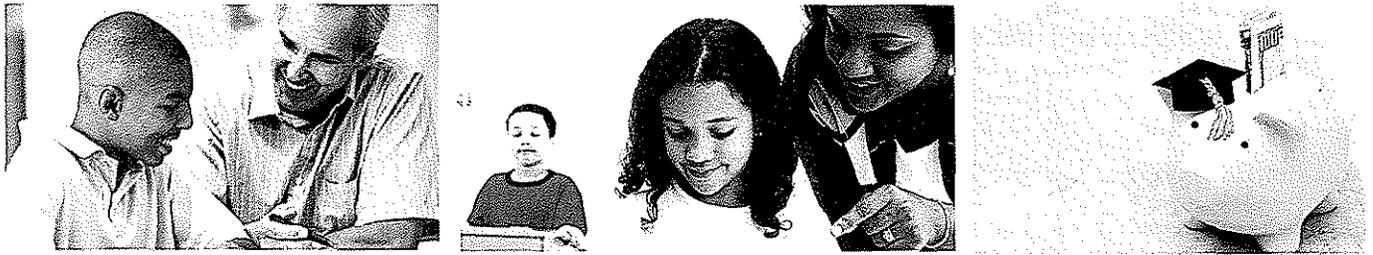
### **Other Major Programs**

There are other programs that carry considerable costs, but do not involve direct payments to municipalities. These include the Connecticut Technical High School System (CTHSS) and Teachers' Retirement Board (TRB). Over \$150 million in the SDE budget goes for CTHSS operations.

The State also funds the annual contribution to the TRB, an expense that would otherwise fall to towns and cities. In FY 14, that contribution was more than \$900 million.

The combined cost of these two programs should not be overlooked in the complete picture of state education funding. All these costs are counted toward the State's share of preK-12 public education costs in CCM's calculations.





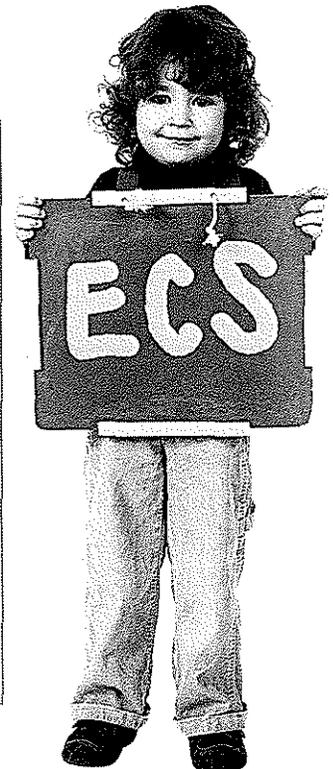
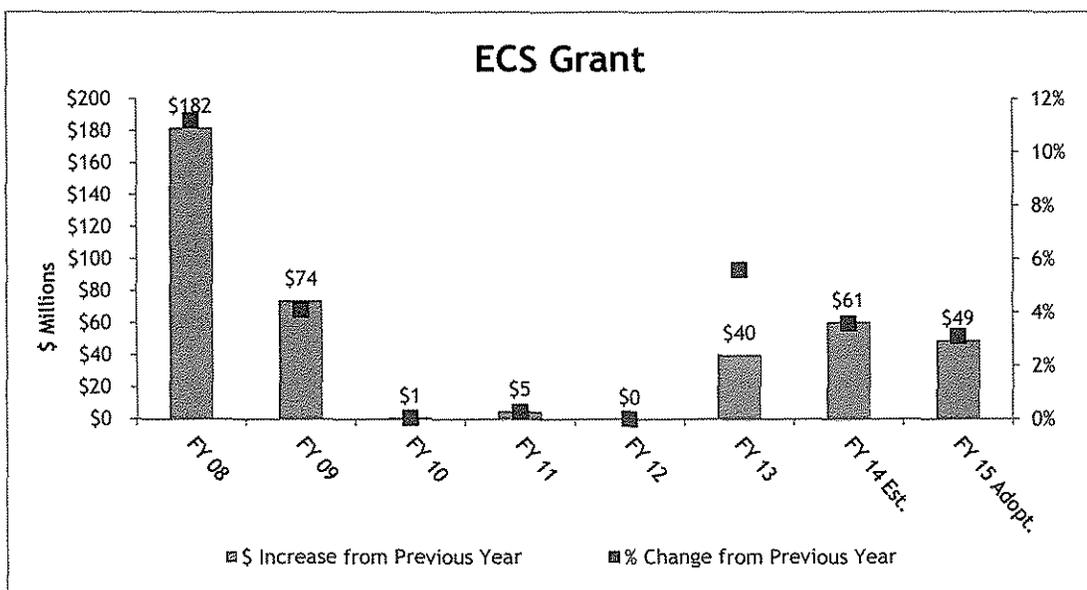
## THE EDUCATION COST SHARING (ECS) GRANT

The Education Cost Sharing (ECS) grant is the State's largest general education assistance grant. Initially developed in 1988, the ECS formula was intended to equalize a municipality's ability to pay for education. The most recent changes to the ECS formula occurred in 2013.

The grant totaled about \$2.0 billion in FY 14.

In simple terms, the current ECS formula is determined by multiplying the number of students in each school district (weighted for need) by the amount the state has determined a district should spend to provide an adequate education (the "foundation") and by an aid percentage determined by the district's wealth. The fully funded ECS grant is the result of that calculation plus a small regional bonus for regional school districts.

- **Need is determined by the number of students that receive free or reduced price lunch. There is a weight of 1.30 assigned for each of these need students.**
- **The foundation is \$11,525.**
- **Wealth is determined by a town's equalized net grant list per capita and the town's median household income. Those values are compared to the values of the town at the median in each of the two wealth categories. These ratios determine the wealth, and subsequently, the aid percentage of the foundation that the State funds.**



Source: Adopted State Budgets; State Comptroller Reports.

Note: Does not include funding for charter schools, which was added to the ECS account beginning in FY 13.

## **Major Issues with ECS**

There are many issues with ECS, and a few will be discussed in detail.

### **◆ Underfunding of the Grant**

The ECS formula has been modified many times by the General Assembly in ways that have significantly limited its effectiveness and the cost to the State. The formula has never been fully funded and implemented as designed. This gap in funding over the years has shifted an undue funding burden onto local property taxpayers.

If fully funded in FY 14, the ECS grant would total over \$2.6 billion.<sup>8</sup> The actual ECS grant for FY 14 was about \$2.0 billion, more than \$600 million short of the ECS promise.

The 2013 changes to the formula were done in conjunction with a proposed phase-in of a fully funded grant. The phase-in percentages are below.



Type of District	FY 14	FY 15
Reform District (10 Lowest Performing)	12%	21.6%
Alliance District (Next 20 Lowest Performing)	8%	14.4%
Other	1%	1.8%

At the rate of these phase-in percentages, and assuming the phase-in continues, it would take a number of years before the grant was fully funded, especially for non-Alliance districts. Some of the hardest-hit districts will be those that fall just outside of the 30 lowest performers, as they still have significant funding challenges, but they would see very gradual increases.

Another issue concerning Alliance Districts is that ECS increases for those districts are conditional. This conditional funding goes against the principle of equalization and can magnify the problems associated with the current underfunding of the ECS grant in those lower-performing districts.

Since the increased funding for Alliance Districts must generally be used for new or expanded programming, it does little to address the lack of funding and increasing costs unrelated to these new programs in those districts. The net impact on Alliance Districts is that it can actually cost them more for programs than they receive in an ECS increase.

### **◆ The Foundation - the per-pupil figure on which the ECS calculation is based**

In the original formula, the foundation was to adjust to costs each year, starting in 1993-94. That way, as actual costs rose, the foundation - and each town's ECS grant - would rise as well.

In practice, the foundation remained significantly below actual costs. Between FY 94 and FY 07, the foundation was raised three times, going from \$4,800 to \$5,891. In FY 07, the foundation was increased to \$9,687, and it has remained there until 2013 when it was raised to \$11,525.

<sup>8</sup> SDE data.

All the while, per-pupil expenditures continue to rise, reaching a statewide average of \$14,516 in FY 13.<sup>9</sup>

The failure of the foundation to keep pace with costs devastated the efficacy of the ECS formula. Even though needier towns have the highest aid ratios, the foundation gap erodes the equalizing power of ECS because towns of moderate or low fiscal capacity are least able to fund the gap with local property tax revenues. Their only options are to underfund schools (or other critical local services) and overburden local property taxpayers.

The foundation is now not based on any sound analysis of what it costs to provide appropriate learning opportunities consistent with the State's high standards, federal requirements, and all that is expected of schools in adequately preparing a highly competitive future workforce. It is also not tied to any cost index, which means that the foundation becomes less and less able to drive appropriate levels of ECS aid.

CCM has long advocated for using research-based cost estimates as the basis for setting the ECS foundation and student weights, rather than relying exclusively on past expenditures. An adequacy study needs to be completed to determine the proper level at which the foundation should be set. Cost measures based on a regional cost index, as resource costs can vary significantly by geographic region in Connecticut, should also be utilized.

CCM also believes that the foundation should be tied to a measurable economic indicator, such as the Consumer Price Index (CPI) or the Personal Consumption Expenditures (PCE) Index. This would ensure that increasing costs and factors such as salaries, benefits, books, supplies, transportation, energy costs, facilities maintenance and construction, student enrollments, state and federal education standards, etc., are not simply added to the burden borne by local mill rates.

◆ **Need Students - capturing additional costs associated with students of need**

There were both positive and negative changes in the new ECS formula regarding need students.

On the positive side, the poverty measure was changed from using Title I students to students eligible for free or reduced-price lunch. This change is a good step forward and provides a better measure of impoverished students. Unfortunately, the poverty weighting was reduced from 1.33 to 1.30, effectively reducing the benefit of the change.

One of the most concerning of the 2013 changes to the ECS formula was the elimination of the additional weighting given English Language Learners (ELL). There are additional costs associated with educating these students, and to eliminate the additional weight attributable to these students defeats some of the positive benefits of other changes to formula elements.



<sup>9</sup> Per-pupil expenditures refer to "net current expenditures per pupil" (NCEP) as defined by SDE. NCEP is commonly referred to as districts' operating budget minus pupil transportation costs.



While the additional 15 percent weight added to ELL students in the previous iteration of the formula was regarded as inadequate, it at least provided some additional resources to districts facing added costs associated with ELL students.

◆ **The Wealth Adjustment Factor (WAF) - the mechanism that determines each town's share of the foundation**

The WAF measures the income and property wealth in a town relative to statewide averages. The income measures are weighted at 90 percent for property wealth and 10 percent for income wealth.

To more accurately reflect a town's overall wealth, the weighting should be increased for income wealth and decreased for property wealth.

Income wealth is measured by the ratio of a town's median household income to 1.5 times the median household income of the town with the state's median household income. The property wealth is measured by the ratio of a town's equalized net grand list per capita (ENGLC) to 1.5 times the ENGLC of town with the state's median ENGLC.

The lower the multiplier (currently 1.5 for both income and property wealth), the lower the State's share of total education funding. In fact, the State's share of the foundation cannot reach 50 percent until the multiplier reaches 2.0.

◆ **The Minimum Budget Requirement (MBR) – a statutory requirement that each town appropriate at least the same amount for education as it did the previous year**

The MBR, and its predecessor the Minimum Expenditure Requirement (MER), were originally intended to be companions to ECS that would require towns to spend at least the foundation amount for each student. However, with the foundation remaining virtually flat over the years, minimum spending evolved into a requirement for towns to commit all or most new ECS aid they receive to local education budgets. Eventually any connection to per pupil spending or the foundation ceased to exist.

The MER, which set a minimum amount of local funding for education, was in effect until 2007. In 2007, the MBR was put into place. The original purpose of the MBR was to explicitly prohibit a municipality from supplanting local education funding when it received an increase in ECS funding.

Municipalities are required to budget at least the same amount for education for FY 15 as they did in FY 14. For non-Alliance Districts, any ECS increase in FY 15 must also be used for education and will be subject to the MBR. Reductions of up to 0.5% of the budgeted appropriation are allowed for any of the following, though a district may select only one option.

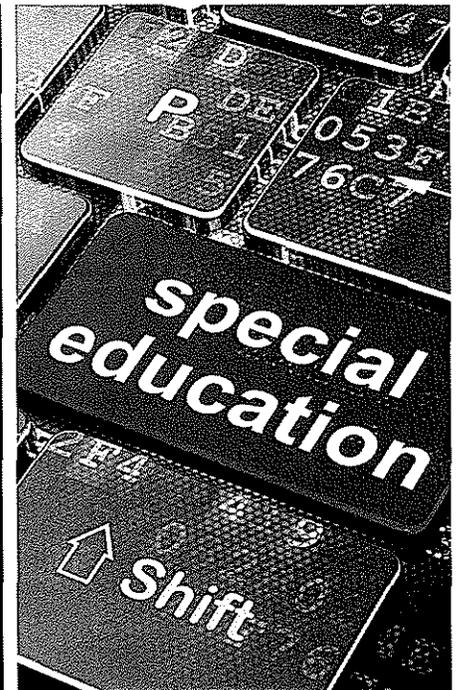
- Lower enrollment (reduction of \$3,000 per student) or permanently closing a school. The Commissioner of Education would have to approve the reduction due to school closing.
- Documented cost savings resulting from (a) increased efficiencies within the school district, provided the Commissioner of Education approves the savings, or (b) a regional collaboration or cooperative arrangement with one or more other districts.
- A district with no high school paying for fewer students to attend high school outside the district - reduction of its budgeted appropriation by the full amount of its lowered tuition payments.

The MBR for Alliance Districts is their previous year's MBR plus any increase that might be needed to meet an increased minimum local funding percentage. That percentage is 22 percent in FY 15.

The MBR is the State's way of making up for its own underfunding of preK-12 public education. They do this by forcing towns and cities and property taxpayers to make up for state underfunding with local resources. Unfortunately, school boards, superintendents, and teachers unions support the MBR against the wishes of mayors and first selectmen who lobby hard for the State to meet its funding obligation to towns and cities. The MBR lets the State off the funding hook.

In an era in which governments are looking for budget efficiencies, the MBR is a relic. Virtually every agency in state and local governments is being scrutinized for savings. But the MBR means boards of education and their budgets are protected from such examination. In an era of frozen or reduced state aid and rising education costs, the MBR is unfair to residential and business property taxpayers. It also means every other local public service, every other local employee, and property taxpayers must pay the price for the State's MBR mandate and the State's chronic underfunding of preK-12 public education.

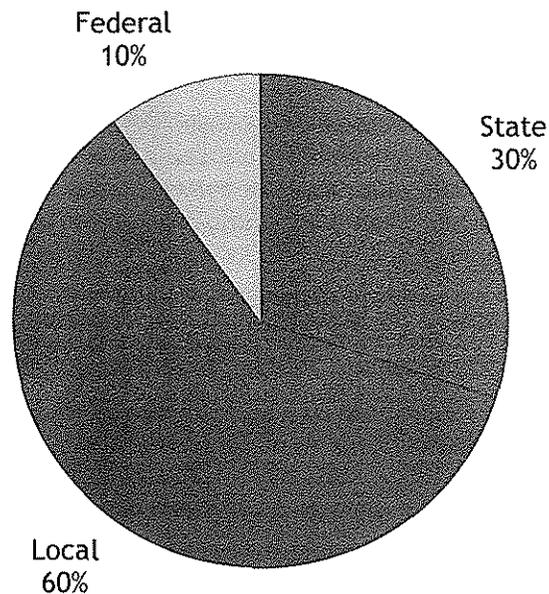
## SPECIAL EDUCATION



**The cost of special-education services in Connecticut is nearing the \$1.8 billion mark.**<sup>10</sup> This spending accounts for 22 percent of total current expenditures for education in Connecticut. Complicating matters, unforeseen demands for the most expensive special-education services too often result in local mid-year budget shuffling, supplementary appropriations, and other extraordinary measures. This is particularly true in smaller towns where the arrival of a single new high-cost special education student during the school year can create a budget crisis.

<sup>10</sup> SDE, 2013 Data.

## Special Education Expenditures, FY 13



Source: SDE; CCM Calculations.

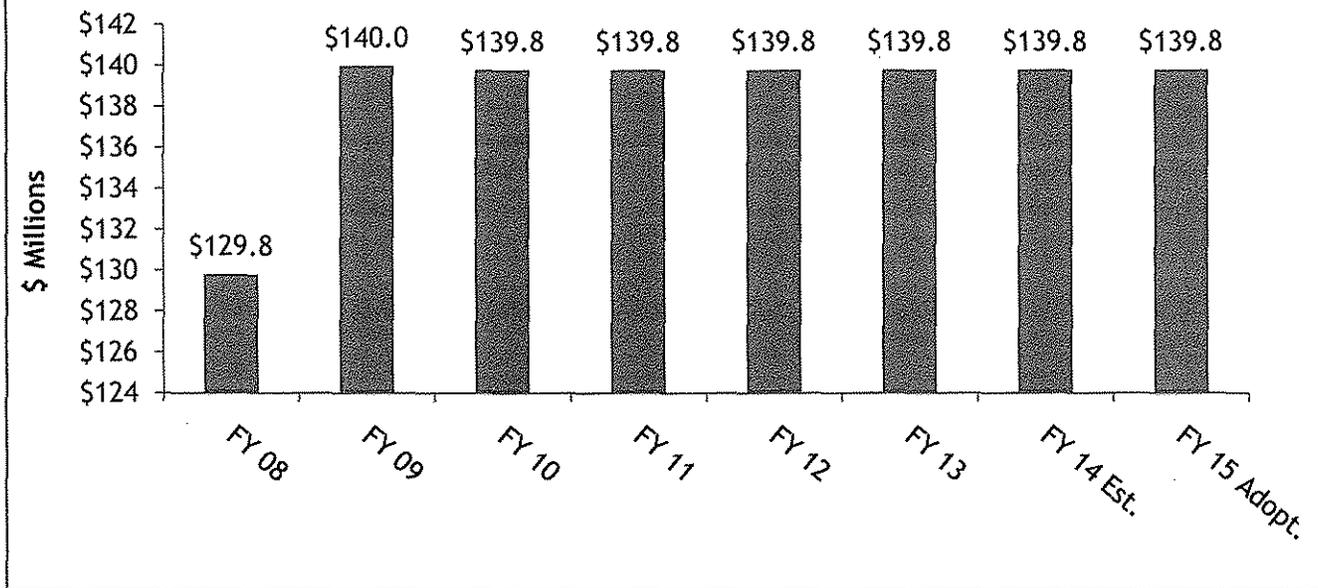
Debate still continues over the decision, 15 years ago, to fold most state special education funding into the ECS grant. However, this debate only partially outlines the problem. There are three ways in which the local overburden for the cost of special education can be alleviated within the present construct of state and federal aid.

First, the ECS grant is supposed to cover the basic education costs for all students - regular and special education alike - up to the foundation level now (\$11,525). Funding ECS fully and providing for foundation growth over time would increase the state share of base level costs for all students including those receiving special programs. At the time special education and ECS funding were merged, special education was about 19 percent of the combined grant, and that figure has generally been used to estimate the current portion of ECS that is for special education (about \$390 million in FY 15).<sup>11</sup>



<sup>11</sup> CCM Estimate.

## Excess Cost-Student Based Grant

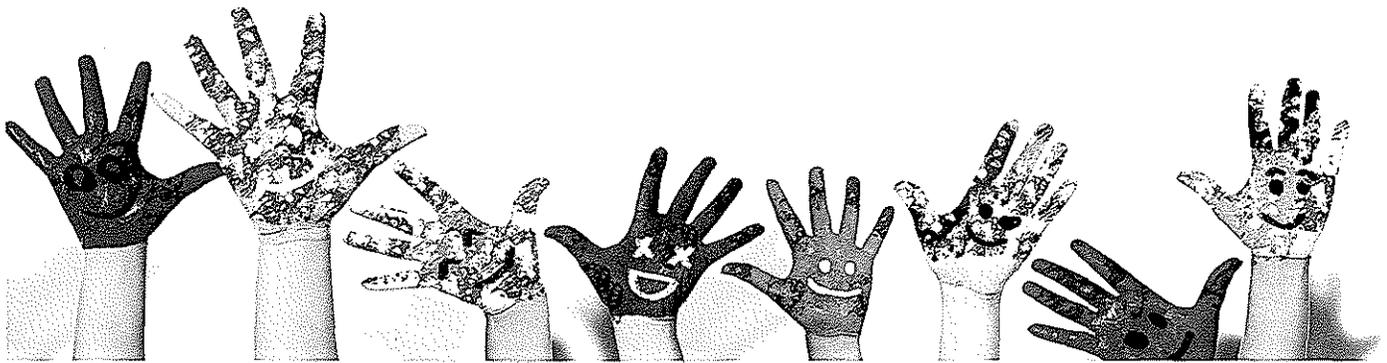


Source: Adopted State Budgets.

Second, the state Excess Cost-Student Based grant provides a circuit breaker once the expenditures for a student exceed a certain level, currently 4.5 times the per pupil spending average of the district. The threshold varies from town to town because of spending differences, and for most towns, falls somewhere between \$40,000 and \$70,000.<sup>12</sup> So, for example, if a municipality spends an average of \$10,000 per pupil, it must spend at least \$45,000 for a special-education student before being eligible for any state reimbursement. The state grant is supposed to pay for all costs in excess of that figure. Unfortunately, the state appropriation has been capped, even as costs and the incidence of students requiring services have risen.

Reducing the threshold factor from 4.5 to a lower level would allow the state grant to pick up more of these high costs, relieving some of the local burden. Also the reliance on individual town per pupil spending to set the thresholds results in a wide disparity in the amount of out-of-pocket costs for towns. Higher spending towns end up with the highest contribution rates before state aid is triggered. A single threshold-per-pupil dollar amount, perhaps equivalent to the foundation level for all towns set at the low end of the range, would address this and increase the state share of these costs.

There is also a growing belief that the State should reimburse every town for 100 percent of special-education costs (less federal reimbursement). Under this scenario, the State would also monitor - or contract out - identification of special-education students and related administrative costs. Such a step would (a) ensure access to necessary resources for all special-needs students, regardless of community wealth and without draining off vital resources from regular-education budgets, and (b) provide significant property tax relief. In addition, services for severe-needs students could be provided regionally, for more efficiency and effectiveness.



<sup>12</sup> Based on estimates from CCM members.

Third, and often overlooked, is the failure of the federal government to fund its fair share of special-education costs. Despite some increases in federal special education funding around the beginning of the decade, and some recent stimulus funding, the federal share in Connecticut has lingered at about nine to 10 percent. This falls far short of 40-percent commitment that came with the federal mandate to provide such services some decades ago.

It is important to point out that Connecticut's special-education mandates exceed those of federal Individuals with Disabilities Education Act (IDEA) and it is time to reevaluate whether all those additional costly mandates are necessary and affordable.

In addition to direct funding issues, municipalities are also looking for relief from the burden of proof for special-education services. A parent may request a due process hearing if he or she disagrees with the child's evaluation, placement, or program. School districts may also request hearings when a parent refuses to agree to a child's placement or program. State Board of Education regulations place the burden of proof on the school district regardless of who initiates the hearing request, resulting in a costly mandate on municipalities. Connecticut policy is contrary to most other states' policies.

The burden of proof in these hearings should be placed on the initiator of the request. This change would provide needed fiscal relief to municipalities since most requests come from parents.

The State must take primary responsibility for students with special needs. Such students are the collective responsibility of all who live and work in Connecticut - not just their town of residence. Because the costs of special education programs are so high and growing, the State cannot expect individual communities to fund them without significant assistance. When both the state and federal governments underfund mandated programs, regular education programs, other local services and property taxpayers suffer.



## TARGETED ASSISTANCE

Grant programs that address specific state initiatives or target the neediest school districts have been created and/or have grown the fastest over the past dozen years. These include major initiatives such as magnet schools, priority school districts (neediest and lowest performing), charter schools, inter-district cooperative programs, and a number of smaller programs.

In total, these programs now command over 15 percent of the total SDE budget, depending on which grants are included. The State increasingly relies on targeted assistance to address the chronic achievement and resource gaps between school districts. These programs, while well-intentioned, have never been adequately funded. Unfortunately, unlike ECS, these categorical grants are considered "soft" funding, making it politically easy for the State to cut or eliminate them.



Funding for magnet schools now exceeds \$290 million and continues to grow. These schools, largely a product of relatively recent state efforts at desegregation, rely extensively on state support, supplemented in many cases by tuition provided by sending towns. Some magnets are operated by town school districts, but many are operated by Regional Education Service Centers (RESCs), which are school districts in their own right and eligible to receive operating grants directly from the State.

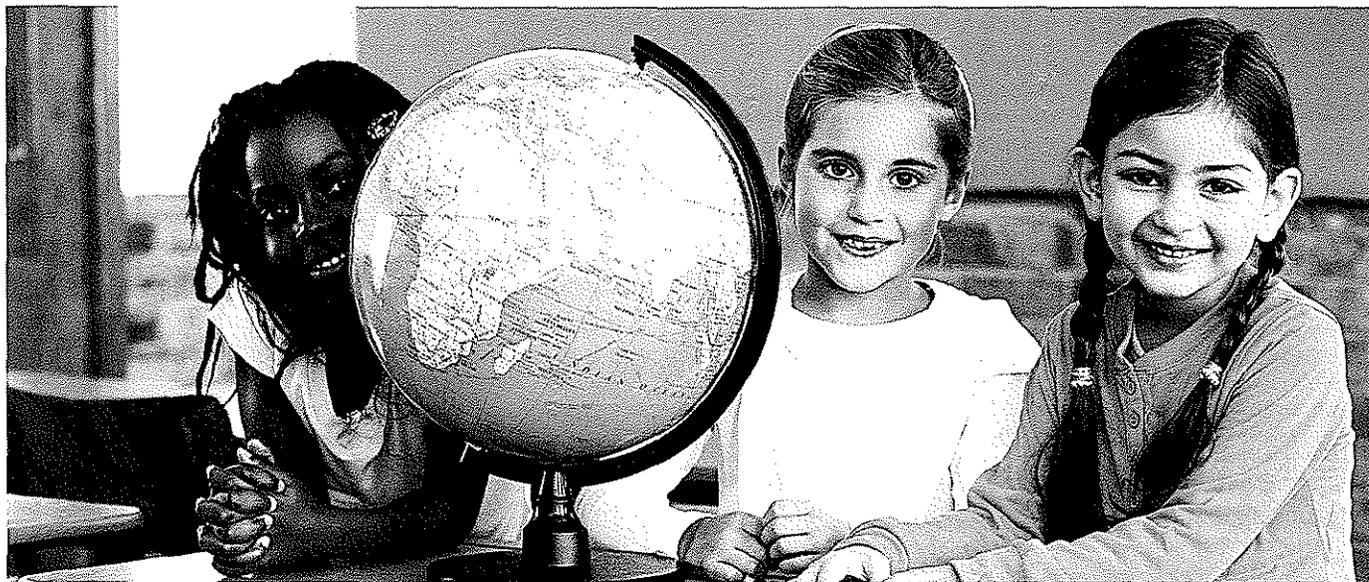
Charter schools operate independently as alternatives to public schools with their own self-perpetuating boards whose members have no local residence requirements. They receive a state grant of \$11,000 per enrolled pupil. Charter schools also receive proportional amounts of other targeted state and federal grants since their students would otherwise be entitled to benefit from those programs had they remained in their local school districts. The school districts within which the charters operate are also responsible for providing pupil transportation, special education services, and certain other costs.

Funding for state charter schools has historically been outside the ECS formula. This was due in part to the fact that these schools are chartered and regulated by the State and do not answer to local school districts. These schools are free of many of the requirements of traditional schools. They were originally sold to the State as a more efficient and effective deliverer of education services. In 2012, the funding was incorporated into the ECS account, though such funding is not run through the formula.

Charter schools also benefit from increased autonomy and flexibility. School operators have much more control over decisions related to curricula, scheduling, and staffing. These schools are not hampered by many of the rules and regulations with which traditional public schools must comply.

Another issue is that, through enrollment and retention policies, charter schools do not reflect the general population of the areas they serve. This allows them to avoid dealing with issues traditional schools must address, such as special education and disciplinary actions. The local school district is also responsible for transportation of charter students.

It is important to note that about seven percent of Connecticut's preK-12 public school students attend a magnet or charter school.<sup>13</sup> Almost 91 percent of public school children in our state attend a traditional public school.<sup>14</sup>



## EARLY CHILDHOOD EDUCATION

One particular area where there has been across-the-board consensus is that Connecticut needs to improve both access to and the quality of early childhood education. Research has shown that this education results in improved academic outcomes and can also help reduce the achievement gap.

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<sup>13</sup> SDE, CEDaR, 2011-12 school year.

<sup>14</sup> The remainder is enrolled in the Connecticut Technical High School System.

A third of children entering kindergarten in the state's poorest communities had no preschool experience. In the state's wealthiest communities, over 95 percent of children attended preschool.<sup>15</sup>

In 2013, the Connecticut Office of Early Childhood was created to coordinate early care and education programs. One of the cornerstones of the Office is a creation of a database that will be used to monitor student, staff, and program development. These data are critical to ensure that early childhood education programs and services are both effective and efficient.

There has been some good news on the funding front. In FY 15, an additional \$3.4 million was added to School Readiness. In addition, Smart Start was created in 2014. It is a competitive grant program for school districts to establish or expand preschool programs. The program provides grants for both capital and operating expenses and is funded through a combination of bond funds (\$105 million) and Tobacco Settlement Funds (\$100 million).

The State must remain committed to funding early childhood education. Funding targeted for these programs must be maintained and not diverted should fiscal issues arise.



## SCHOOL CONSTRUCTION

Local governments in Connecticut have difficulty affording school building and renovation projects as a result of their forced reliance on property tax revenues and the relatively small size of school districts. In many communities, as school age enrollments rise, technology needs grow, families move to previously small towns, and public expectations for quality schools increase - the need for new school infrastructure rises.

Aid for capital projects is a vital part of the State's education finance system. Despite aggressive building and renovation programs in many districts over the past 10-15 years, many towns have yet to upgrade facilities. The majority of schools were built before 1970. Moreover, continued growth in pre-K programs and class size reduction initiatives may necessitate more new construction in some towns. State construction aid allows Connecticut communities to rebuild and develop new educational infrastructure.

Each year, the State Department of Education accepts applications from towns planning school construction projects, checks that the projects are in compliance with state laws and regulations, and compiles a list of projects needing funding - called the School Construction Priority List - which it submits to the General Assembly for approval. The State Bond Commission, chaired by the Governor, then decides what projects actually get funded.

Municipalities are required to obtain voter approval for the local share before submitting the project to the State Department of Education and the General Assembly.

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<sup>15</sup> Connecticut Voices for Children, *Connecticut Early Care & Education Progress Report*, 2013.

Recognizing the aging stock of schools, the legislature has provided considerable assistance for a number of years. Since 2000, the State have authorized over \$5 billion in school improvement projects.

Grants for new school construction are made for a percentage of the total eligible costs, with the poorest communities receiving a grant for up to 70 percent and the richest receiving as low as 10 percent. The range of reimbursement percentages increases to 20-80 percent for renovations or if it can be shown that new construction is less expensive than renovation.

Charter schools, magnet schools, and other specialty schools are reimbursed at a rate of 80 percent. By court order, the reimbursement rate for magnet schools in Hartford is 100 percent.

The State's new School Buildings Projects Advisory Council is, among other things, developing model blueprints for new school building projects and making recommendations for improvements to the school building process.

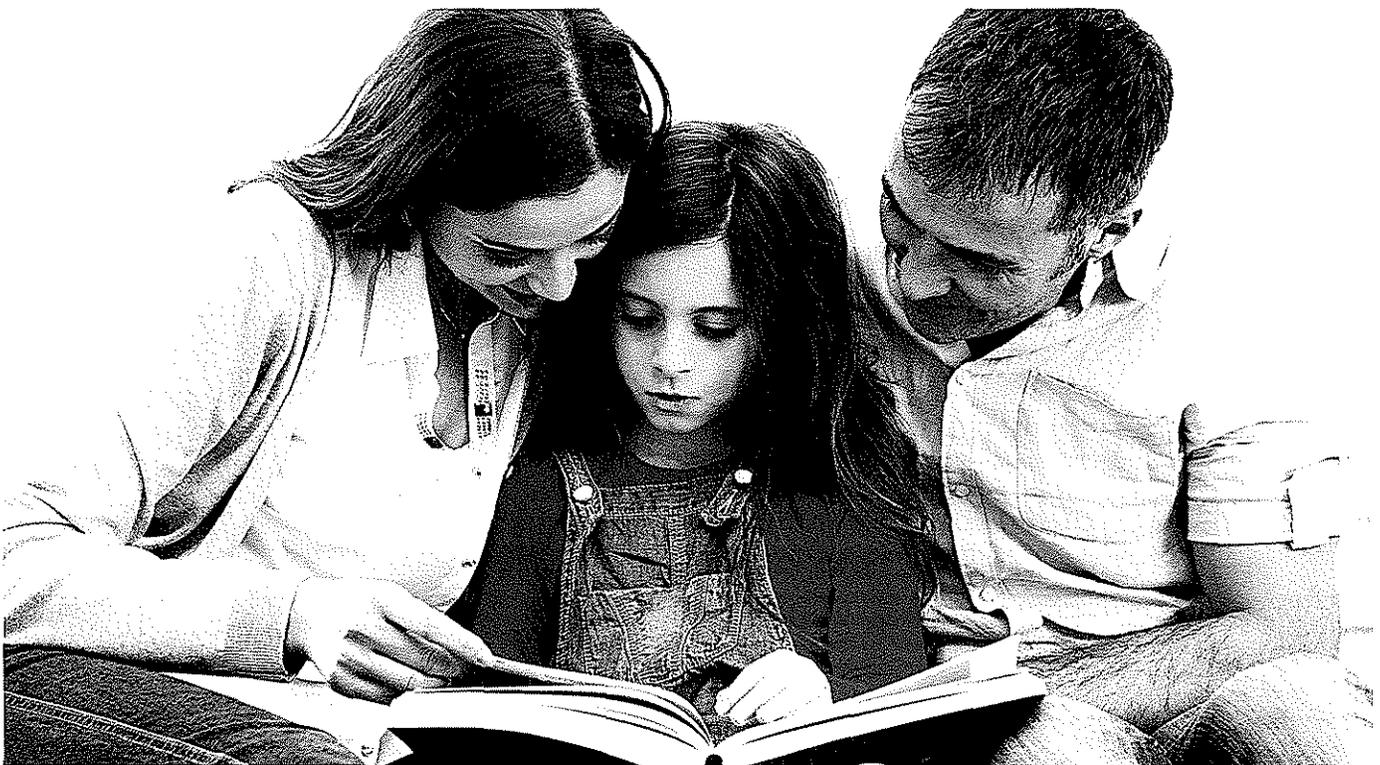
As a result of their initial work, the Council has made several administrative and legislative recommendations that the Division of Construction Services (DCS) is expected to pursue. These recommendations may impose additional costs for towns and cities and will need to be monitored.

Municipalities appreciate their partnership with the State in school construction. The State has contributed significant amounts of money, but municipalities have, too. The winners are the students in towns and cities across Connecticut.

## MANDATES

Many of the cost drivers for local school districts are a result of unfunded and partially funded federal and state mandates. The list of mandates is large and growing, and complying with them is a daunting task under any circumstances, but even more so given the current economic and fiscal environment.

Bristol Public Schools did an analysis of the cost of mandates on the district. It estimated that complying with these mandates cost the district almost \$15 million in FY 09. It should be noted that unfunded and underfunded state and federal mandates have increased since that analysis was concluded. Among these are in-school suspension, Common Core, and teacher evaluations.



# KEYS TO ADDRESSING EDUCATION FINANCE DISPARITIES

While there are disagreements among education reform advocates, there is a growing consensus on key actions needed to provide increased equity to our education finance system. The following are elements of a developing consensus on school finance reform.

## **Correct state underfunding of regular education programs by:**

- *Increasing the ECS foundation level to reflect the real cost of adequately educating students tied to a statutorily identified cost index;*
- *Restoring a factor for English Language Learners in the ECS formula and increasing the weighting for poverty;*
- *Increasing the Wealth Adjustment Factor (WAF) in the ECS formula to increase the State's share of education funding;*
- *Committing to phasing-in full funding of the ECS grant on an expedited schedule.*

## **Correct state underfunding of special education programs by:**

- *In lieu of a complete State takeover of special education delivery, decreasing the Excess Cost grant threshold to at most 2.5 times the district's average per-pupil expenditure;*
- *Paying 100 percent of marginal costs for severe-needs students, statewide without equalization;*
- *Shifting the burden of proof to the plaintiff in due process hearings.*

## **Reduce the cost burden of costly unfunded and underfunded state education mandates by:**

- *Reviewing the continued appropriateness of such mandates and modifying or eliminating them as needed. Stop using the MBR to make up for chronic state underfunding.*

## **Meet the statewide need for school construction and renovation by:**

- *Maintaining the State's unparalleled funding commitment to ensure that aging schools are renovated and replaced to meet enrollment needs and higher technology and quality standards.*

State underfunding of local public education over time has shifted a huge unfair tax burden onto the backs of residential and business property taxpayers.

The State must meet its funding obligations to Connecticut's schoolchildren and school districts even in the face of budget challenges. To continue to transfer state budget problems to towns and cities and their property taxpayers is unfair, and it shortchanges Connecticut's future. Whether in ECS, special education reimbursements, categorical grants or school construction, it is critical that the State accept and meet its constitutional responsibility, identify the necessary revenues, and provide municipalities, school districts, and our more than 500,000 public school children with the resources they need in good times and bad to ensure the quality of our public schools, now and in the future.

The State must reduce costly mandates on local boards of education, including relief from the MBR.

The quality of Connecticut's educated workforce is one of the key assets in attracting and retaining businesses. A first-rate education system – and education finance system – is vital for Connecticut's prosperity and quality of life.

The education needs of Connecticut's schoolchildren don't disappear because of a bad economy. The choice is whether to provide adequate resources or to surrender the futures of today's school-age children. Connecticut can and should do better.



# APPENDIX A

## School Funding: 40 Years under Fire A Brief History of Education Litigation in Connecticut

**1973:** Canton parents, led by parent and lawyer Wesley Horton, file suit against then-Gov. Thomas J. Meskill and other state officials charging the system of financing public education violates the state constitution.

**1977:** The State Supreme Court, in *Horton v. Meskill*, rules that the system for paying for education is unconstitutional because it relies too heavily on the local property tax.

**1985:** The State Supreme Court, in response to a challenge by the Horton plaintiffs, orders the State to come up with a school financing plan providing more aid to needy towns.

**1988:** The legislature creates the "Equalized Cost Sharing Formula," (ECS) a far-reaching remedy providing more money to communities for schools, based on a sliding scale. The formula considers a town's property wealth, income, number of students, student performance, and poverty when figuring how much additional state aid a school district is eligible for. A minimum "foundation" for an adequate education is also established and set at \$4,800 per pupil.

**1989:** Another lawsuit - *Sheff v. O'Neill* - filed by a group of city and suburban parents against then-Gov. William A. O'Neill claiming that Hartford's segregated and underfunded schools violate the State Constitution.

**1990:** In the first of a series of amendments, the legislature limits the overall amount of education funds available to towns under the ECS formula.

**1992:** Pressed by the recession, legislators seek to balance the State budget by amending the school funding formula further, cutting overall education grants and placing a cap limiting the increase in aid a municipality could receive. The education foundation is frozen at \$4,800.

**1995:** State legislators increase foundation for education spending to \$5,711, but place a cap on increases in education aid from the State to no more than 2 percent. The increase in the foundation is attributed to combining the special education reimbursement grant with the ECS grant. No municipality can receive a cut that is more than 9 percent over the previous year. Aid to selected poorly performing districts, particularly Hartford, increases.

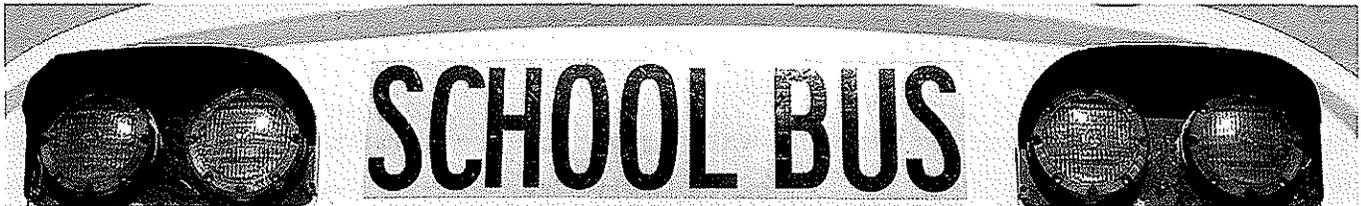
**1996:** In the *Sheff v. O'Neill* case, the state Supreme Court rules that the racial segregation in Hartford violates the state constitution.

**1997:** State legislators continue to dramatically increase funds for Hartford schools, but a cap on increases in aid to other municipalities continues. The Connecticut Conference of Municipalities estimates that the State has shortchanged schools by nearly \$1 billion through changes in the ECS formula.

**1998:** Seven children file suit - *Johnson v. Rowland* - against the State claiming that the State Supreme Court's order in the *Horton v. Meskill* case is not being implemented. Among the dozen municipalities funding the lawsuit are Bridgeport, Coventry, East Hartford, Manchester, Meriden, New Britain, and New Haven.

**1999:** In response to the Governor's Task Force to Study the Education Cost Sharing Grant, state legislators raise the ECS cap from 0-5% to 0-6% for three years and make plans to eliminate the cap in 2003-04. It is anticipated that the total removal of the cap will result in a \$100-\$120 million balloon payment by the State. Legislators also implement (1) a hold-harmless provision which guarantees municipalities no less funding than they received in the previous year; (2) a minimum aid level of funding equal to 6% of the foundation (\$350 per need student), subject to the provisions of the cap; and (3) increasing the foundation by 2%, to \$5,891.

**2001:** State legislators provide each town whose ECS grant is capped a proportional share of \$25 million for 2001-02 and \$50 million for 2002-03. Each town's share is based on the difference between its capped grant and the amount its grant would be without the cap (excluding any density supplements). Also implement a minimum grant increase of 1.68% for all towns in 2001-02 and a minimum increase of 1.2% in 2003-03. The foundation of \$5,891 is unchanged.



**2002:** The state budget maintains the prior year commitments to provide \$50 million in cap relief and a minimum increase of 1.2%, but cuts overall municipal aid by 0.8% and caps funding for special education, adult education, and school transportation.

**2003:** Funding for the ECS grant increased by 4.2% in FY 03, and by 0.5% for FY 04. Johnson v. Rowland is withdrawn due to a lack of funding for legal costs. Efforts immediately begin to organize a new, broader-based statewide coalition to continue the struggle for school finance reform.

**2004:** The Connecticut Coalition for Justice in Education Funding (CCJEF) is incorporated and Yale Law School undertakes to provide pro bono representation. CCJEF commissions an education adequacy cost study to be performed by a nationally prominent consulting firm.

**2005:** CCJEF files education adequacy and equity lawsuit. CCJEF v. Rell challenges the constitutionality of Connecticut's entire education system, alleging that the State is failing to prepare its schoolchildren to pursue higher education, secure meaningful employment, and participate in the political lives of their communities. The complaint cites deficiencies and disparities in educational resources as the cause of this constitutional violation and Connecticut's persistent failures in educational outcomes as evidence that the State is failing to meet its constitutional obligations. Plaintiffs ask the court, among other things, to (1) declare the State's system of funding public education unconstitutional, (2) bar the state from continuing to use it, and (3) if necessary due to inaction by the General Assembly, appoint a special master to evaluate and make recommendations to the court concerning possible reforms.

**2006:** Governor Rell forms a Commission on Education Finance. The bipartisan commission meets for several months and hears testimony from a variety of experts.

**2007:** Governor Rell proposes significant changes to education finance laws, based on the recommendations of the Commission. Her proposals would, among other things, increase the ECS grant \$1.1 billion over the next five years to \$2.7 billion by FY 12. She proposed significant changes to the grant to (1) increase the foundation to \$9,867 from the current \$5,891, (2) increase the State Guaranteed Wealth Level (SGWL) to 1.75, (3) raise the minimum aid ratio to 10 percent from six percent, (4) calculate the "need students" using 33 percent of a district's Title I poverty count and 15 percent of students with Limited English Proficiency, and (5) eliminate grant caps. She also proposed increases in other areas, such as reimbursement for special education costs.

When finally agreed to by the General Assembly and Governor, the adopted budget included several significant changes, including a \$237 million increase in overall education funding, including \$182 million for the ECS grant. The budget increased the foundation to \$9,687, increased the minimum aid ratio to 9% of the foundation and to 13% for the 20 school districts with the highest concentration of low income students, increased the SGWL to 1.75, and other changes.

**2008:** Oral arguments before the Connecticut Supreme Court are heard in CCJEF v. Rell.

**2010:** The Connecticut Supreme Court ruled in CCJEF v. Rell that all school children in the state are guaranteed not just a free public education, but a "suitable" one that prepares them for a career or college. The Court's opinion included the following.

- "The fundamental right to education is not an empty linguistic shell."
- A suitable education is one that prepares school children to ...
  - "participate fully in democratic institutions, such as jury service and voting"
  - "progress to institutions of higher education"
  - "attain productive employment"
  - "contribute to the state's economy"

**2011:** Legislation creates the Education Cost Sharing (ECS) Task Force for purposes of reviewing the effectiveness of the ECS grant and how it relates to state constitutional requirements.

**2012:** The New York City-based law firm of Debevoise & Plimpton assumes the reins as chief legal counsel for CCJEF plaintiffs, with continued assistance from the Yale Law School Education Adequacy Clinic. Both entities pursue the case on a pro bono basis, given the huge civil rights and equity implications of its claims.

**2013:** In response to recommendations from the ECS Task Force, changes are made to the ECS formula. The foundation is increased to \$11,525 and wealth and need-student calculations are adjusted.

**2014:** *CCJEF v. Rell* trial date set for January 2015.



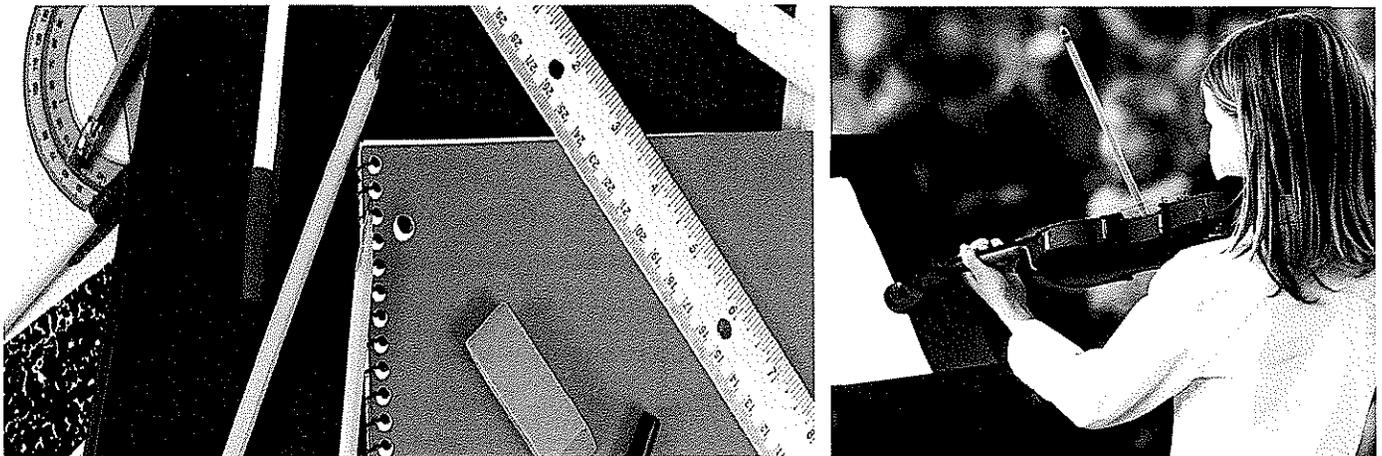
## APPENDIX B

### CCJEF v. Rell (An Overview of the Complaint)

On November 22, 2005, fifteen students and their families from across the state brought an action in the Hartford Superior Court challenging the constitutionality of Connecticut's broken education system. The Connecticut Coalition for Justice in Education Funding (CCJEF) helped bring the case to ensure that the interests of all schoolchildren, whether they attend large urban, urban-ring, suburban, or rural school districts, are similarly represented in this action.

The CCJEF v. Rell complaint alleges that the state's failure to suitably and equitably fund its public schools has irreparably harmed thousands of Connecticut schoolchildren by limiting their future ability to take full advantage of the nation's democratic processes and institutions, to secure meaningful employment in the competitive high-skills/high-wage global marketplace, and to successfully continue their education beyond high school. The state's failure to provide plaintiff schoolchildren with opportunities to meet the state's own learning standards has resulted in a system that fails Connecticut's students and offends the Connecticut constitution. The complaint also alleges that the state's systemic school funding failure disproportionately impacts African-American, Latino, and other minority students, in violation of the Connecticut constitution and federal law.

The case is currently scheduled to go to trial in January 2015.



## APPENDIX C

### Education Reform and Alliance Districts

#### Education Reform Districts

Bridgeport  
East Hartford  
Hartford  
Meriden  
New Britain  
New Haven  
New London  
Norwich  
Waterbur  
Windham

#### Alliance Districts

Ansonia  
Bloomfield  
Bristol  
Danbury  
Derby  
East Haven  
East Windsor  
Hamden  
Killingly  
Manchester

Middletown  
Naugatuck  
Norwalk  
Putnam  
Stamford  
Vernon  
West Haven  
Winchester  
Windsor  
Windsor Locks

# CCM: THE STATEWIDE ASSOCIATION OF TOWNS AND CITIES



The Connecticut Conference of Municipalities (CCM) is Connecticut's statewide association of towns and cities. CCM is an inclusionary organization that celebrates the commonalities between, and champions the interests of, urban, suburban and rural communities. 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 and 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 (headquarters) and in Hartford.

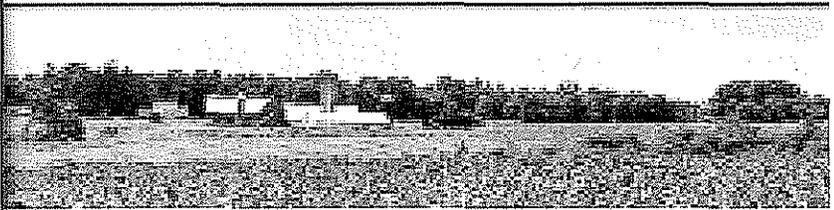
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# CCM Candidate Bulletin

2014



2014 Election Campaign



**Property Taxes in Connecticut:  
How Over-Reliance Thwarts  
Towns' Ability to Provide  
Essential Services**



THE VOICE OF LOCAL GOVERNMENT

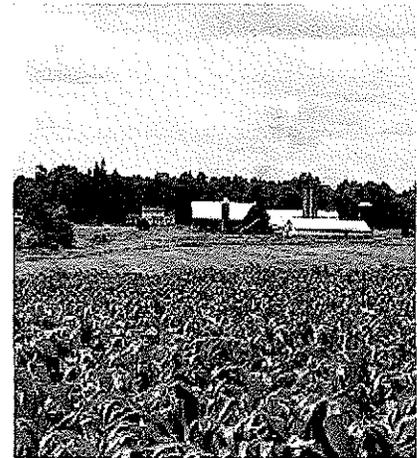
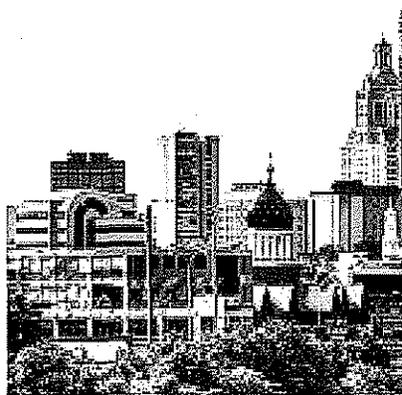
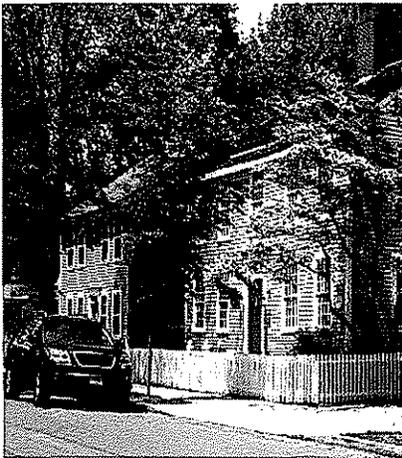
September 2014

# CCM Candidate Bulletin

September 2014



## Property Taxes in Connecticut: How Over-Reliance Thwarts Towns' Ability to Provide Essential Services



September 2014

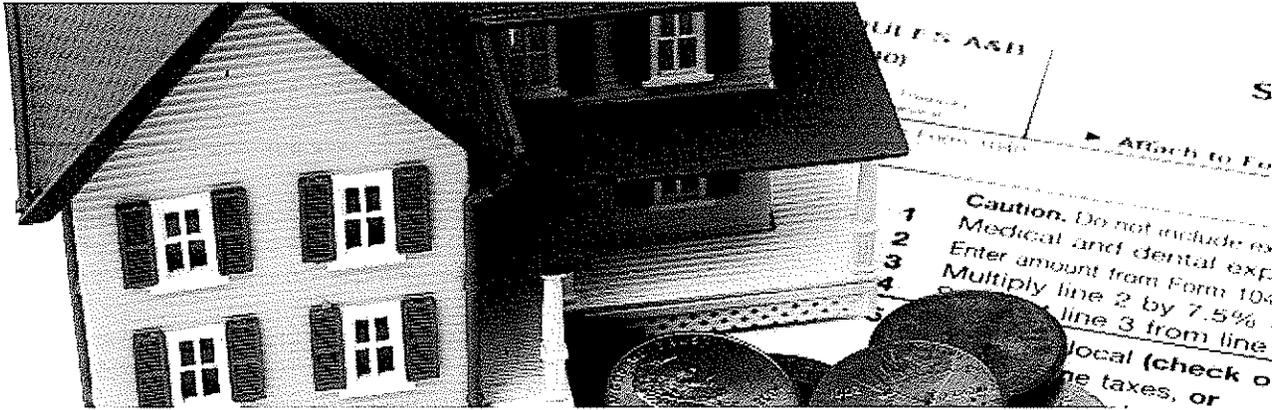
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# Property Taxes in Connecticut: How Over-Reliance Thwarts Towns' Ability to Provide Essential Services



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If you have any questions concerning this CCM policy report, or for more information, please contact Ron Thomas (rthomas@ccm-ct.org) or George Rafael (grafael@ccm-ct.org) of CCM at (203) 498-3000.

# Property Taxes in Connecticut: How Over-Reliance Thwarts Towns' Ability to Provide Essential Services

## INTRODUCTION

Towns and cities in Connecticut are responsible for providing the majority of public services in our state: preK-12 education; public safety; roads and other infrastructure; elderly and youth services; other social services; recreation; and wastewater treatment, among others. They must do so while meeting numerous mandates, often underfunded or unfunded, from both the federal and state governments.

Funding for these critical local public services can come from various sources, including taxes, user fees and charges, revenue sharing, and state and federal aid. In Connecticut, however, there is one revenue source that provides the majority of local funding – the property tax. A property-tax dependent system only works fairly if two conditions exist: (1) the property and income wealth of a community can generate enough property tax revenue at a reasonable cost to taxpayers to meet the need for public services; or (2) state aid is sufficient to fill local revenue gaps. For many communities in our state, neither condition exists.

**It is increasingly clear that the over-reliance on the property tax is inadequate for funding local government services in Connecticut, particularly preK-12 public education, and is no longer advisable nor sustainable.**

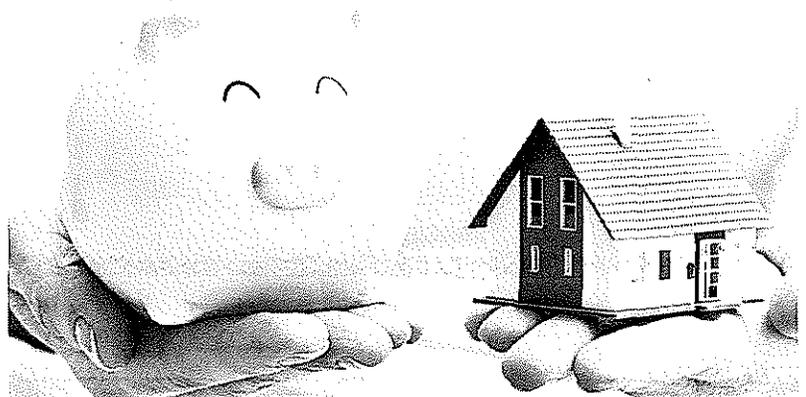
What worked in 1814 doesn't work in 2014.

## PROPERTY TAX DEPENDENCE

The property tax is the single largest tax on residents and businesses in our state. The property tax is income-blind and profit-blind. It is due and payable whether a resident has a job or not, or whether a business turns a profit or not.

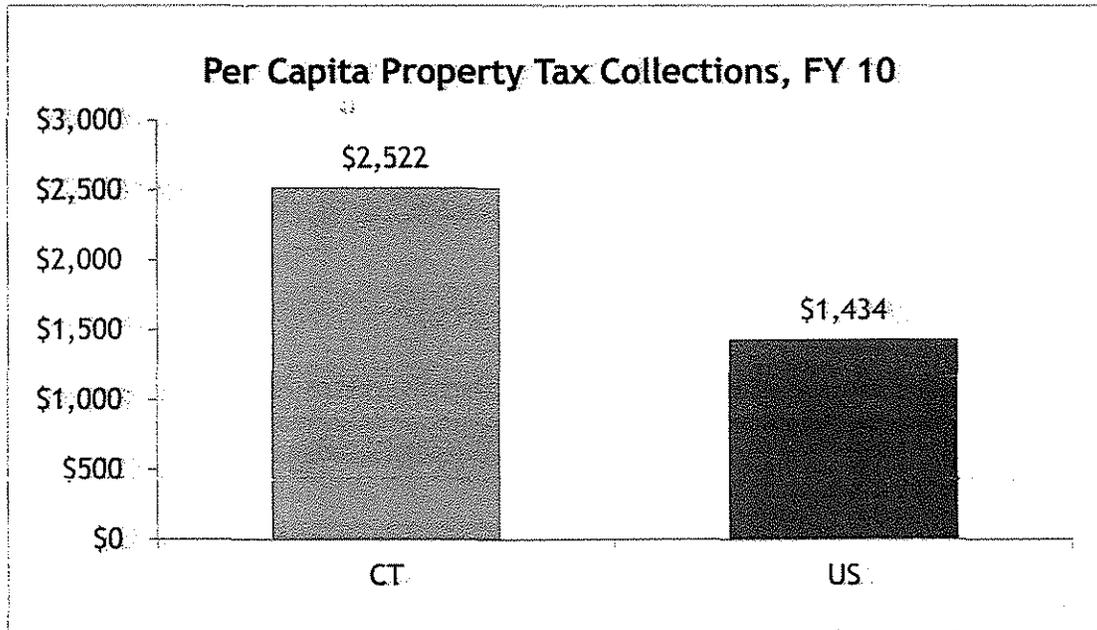
The property tax levy on residents and businesses in Connecticut was \$9.22 billion in 2012.<sup>1</sup>

The per capita property tax burden in Connecticut is \$2,522, an amount that is almost twice the national average of \$1,434 - and 3rd highest in the nation. Connecticut ranks 8th in property taxes paid as a percentage of median home value (1.70 percent for Connecticut vs. 1.14 percent for the US).<sup>2</sup>



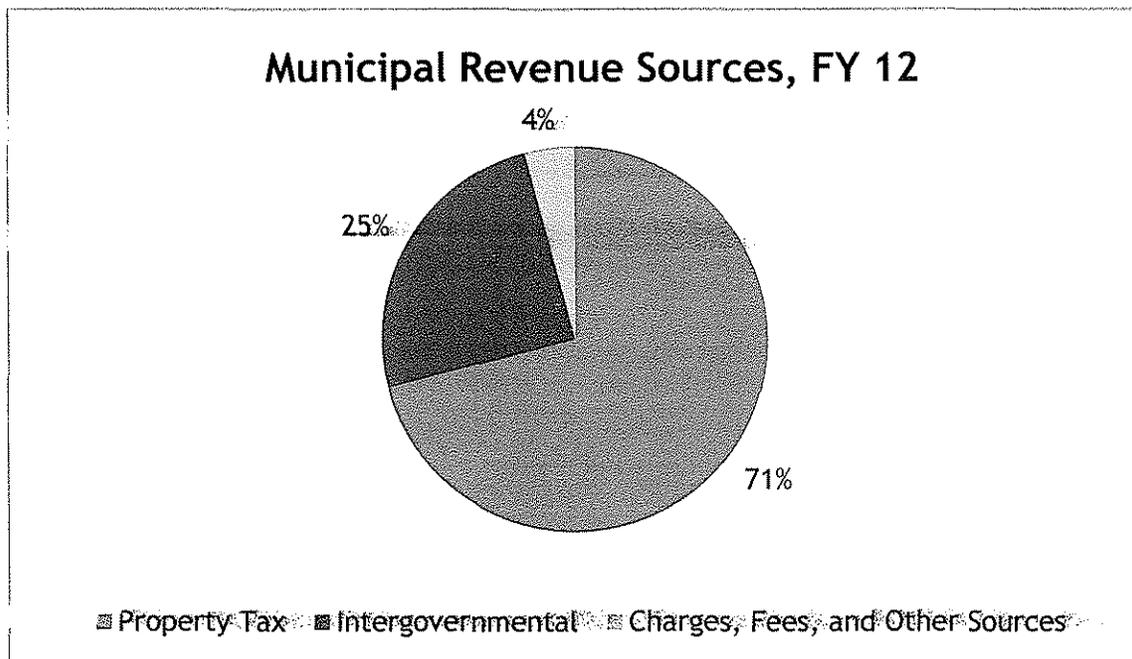
<sup>1</sup>OPM, *Municipal Fiscal Indicators*, 2008-2012.

<sup>2</sup>Tax Foundation, 2010 Data.



Source: Tax Foundation, latest data available.

Statewide, 71 percent of municipal revenue comes from property taxes. Most of the rest, 25 percent, comes from intergovernmental revenue, mostly in the form of state aid. Some Connecticut municipalities are almost totally dependent on property taxes to fund local government. Fifteen towns depend on property taxes for at least 90 percent of all their revenue. Another 50 municipalities rely on property taxes for at least 80 percent of their revenue.<sup>3</sup>



Source: OPM, *Municipal Fiscal Indicators*, 2008-2012.

<sup>3</sup> OPM, *Municipal Fiscal Indicators*, 2008-2012.

Connecticut is more dependent on property taxes to fund local government than any other state in the nation.<sup>4</sup>

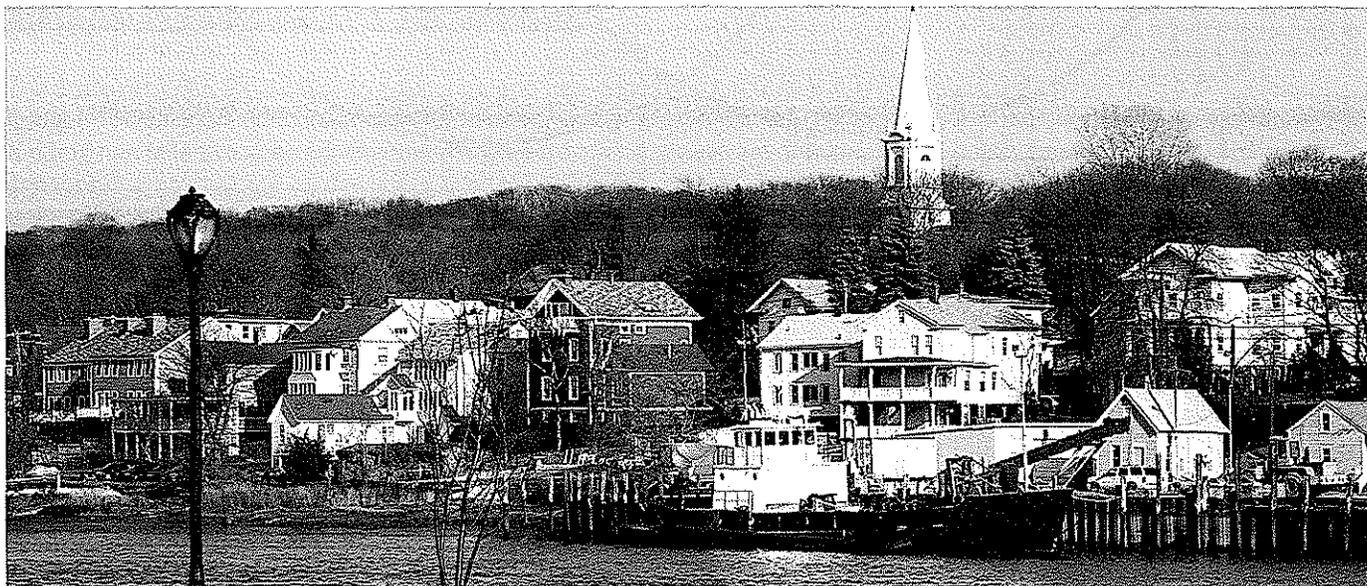
Connecticut is the most reliant state in the nation on property taxes to fund preK-12 public education.<sup>5</sup> **That means that the educational opportunity of a child in our state is directly tied to the property tax wealth of the community in which he or she lives.**

### Property Tax Facts:

- Connecticut's biggest state-local tax
- Regressive: Income/profit blind
- Property and income wealth vary widely from town to town in Connecticut
- Connecticut is more dependent on it than any other state
- Biggest tax on Connecticut businesses
- 71% of all municipal revenue
- Primary funder of PreK-12 public education in Connecticut

The property tax accounts for 37 percent of all state and local taxes paid in our state. In FY 12, Connecticut businesses paid over \$700 million in state corporate income taxes, but over \$1 billion in local property taxes.<sup>6</sup>

## WHY IS CONNECTICUT SO RELIANT ON THE PROPERTY TAX?



The revenue options available to Connecticut towns and cities are limited by state statute. The property tax is the only tax over which municipalities have significant authority. Municipalities can levy a conveyance tax on real estate transactions, but that tax rate is set by the State and provides a relatively small amount of revenue.

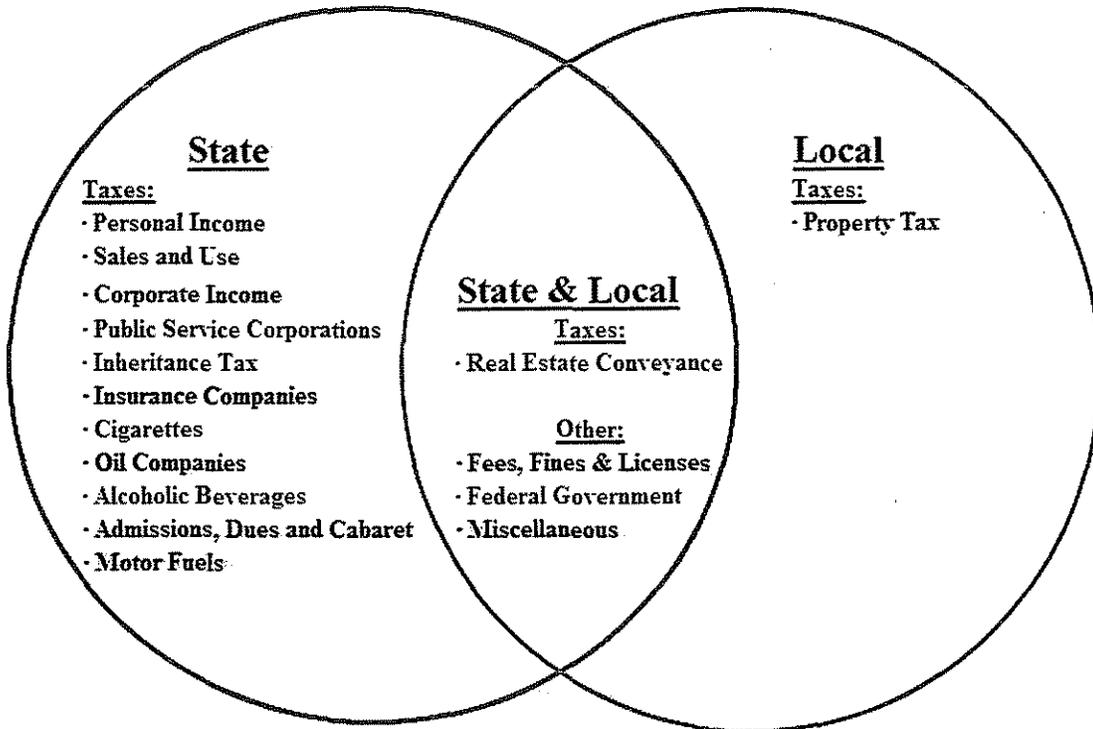
<sup>4</sup> Based on data from the US Census Bureau and the Tax Foundation.

<sup>5</sup> US Census Bureau, *Public Elementary-Secondary Education Finances*, 2012.

<sup>6</sup> CCM estimate.



## OWN-SOURCE REVENUE IN CT



Source: CCM 2014.

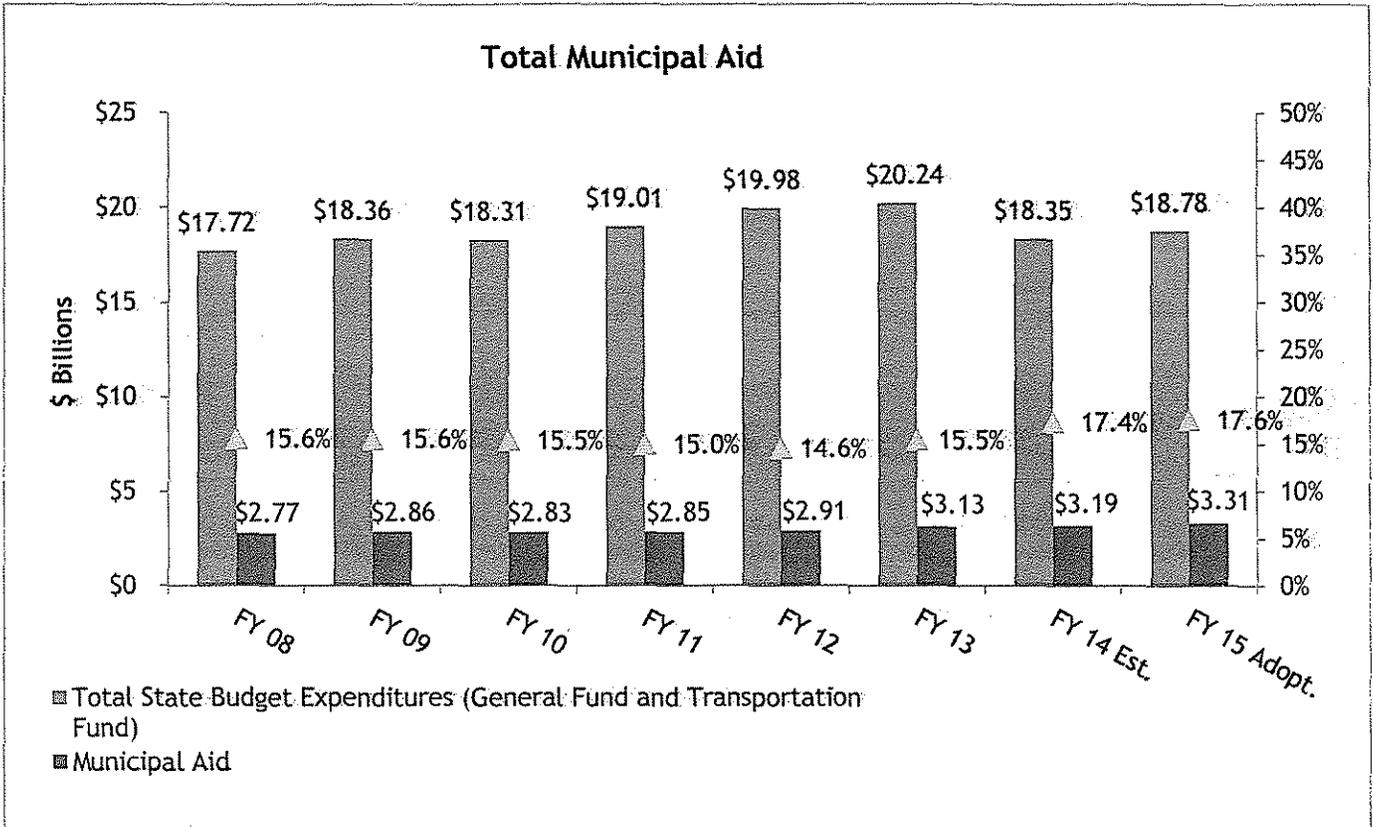
Similarly, municipalities can levy user fees and charges to cover some of the costs of providing services. These are again limited by state law and cannot be used to raise revenue, only to cover necessary costs.

All of this means that, in terms of generating own-source revenue, Connecticut towns and cities are effectively restricted to the regressive and antiquated property tax.

### **The Uncertainty of Intergovernmental Revenue**

After the property tax, the largest revenue source for municipalities is intergovernmental revenue. These payments from the federal and state governments account for about 25 percent of all local revenue, with the vast majority coming from the State. There are significant issues with federal and state funding, however, that increase Hometown Connecticut's reliance on property taxes.

Federal revenues to municipalities often come in the form of competitive grants. The nature of these grants means that funding isn't consistent from year to year, and towns and cities can't rely on that funding as a steady stream of revenue. Add to that the dire fiscal condition of the federal government, and the outlook for consistent and dependable federal funding is anything but positive.



Source: Adopted state budgets; CCM.

Note: Total state budget expenditures are reduced starting in FY 14 due to the removal of the federal share of the Medicaid appropriation totaling approximately \$2.8 billion.

## State Aid to Municipalities: The Realities

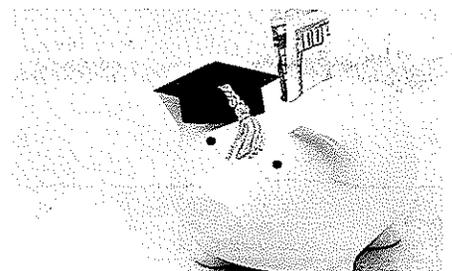
The State provides \$3.3 billion in education and non-education aid to towns and cities out of a more than \$18.8 billion state budget. This accounts for more than 20 percent of all local revenue. While it represents a substantial amount of money, this funding has failed to keep up with the rising costs of and greater demands for local public services, particularly education services.

Non-education aid is now only about 15 percent of state aid to municipalities. The other 85 percent comes in the form of education aid.<sup>7</sup>

Let's take a look at some of the larger state grant programs starting with non-education aid.

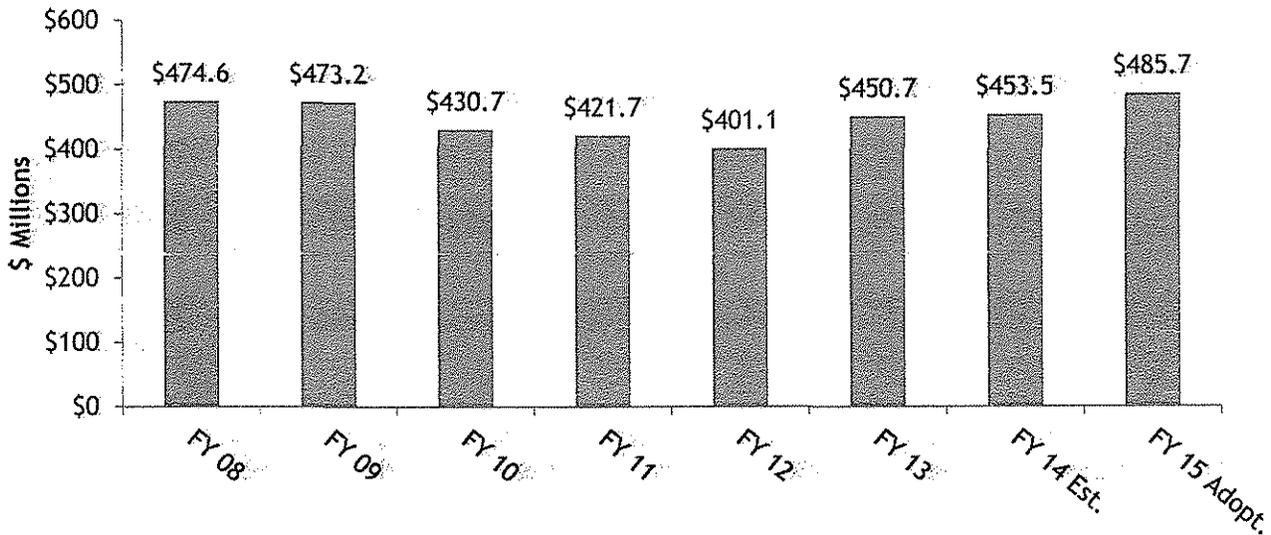
### Key Non-Education Aid

The amount of non-education aid to municipalities has fluctuated dramatically over the years.



<sup>7</sup> CCM calculation based on FY 15 State Budget.

## Total Non-Education Aid



Source: Adopted state budgets; CCM.

Non-education aid to municipalities is \$485.7 million in FY 15, only 15 percent of total state aid to towns and cities.<sup>8</sup>

### PILOT: Private Colleges & Hospitals

Municipalities receive payments in lieu of taxes (PILOTs) from the State as partial reimbursement of lost property taxes on state-owned and on private college and hospital property. The payments are provided to offset a portion of the lost revenue from state-mandated tax exemptions on this property. This lost revenue totals about \$660 million.<sup>9</sup>

The reimbursement rate for tax-exempt private college and hospital property is supposed to be 77 percent. It is actually 35 percent.

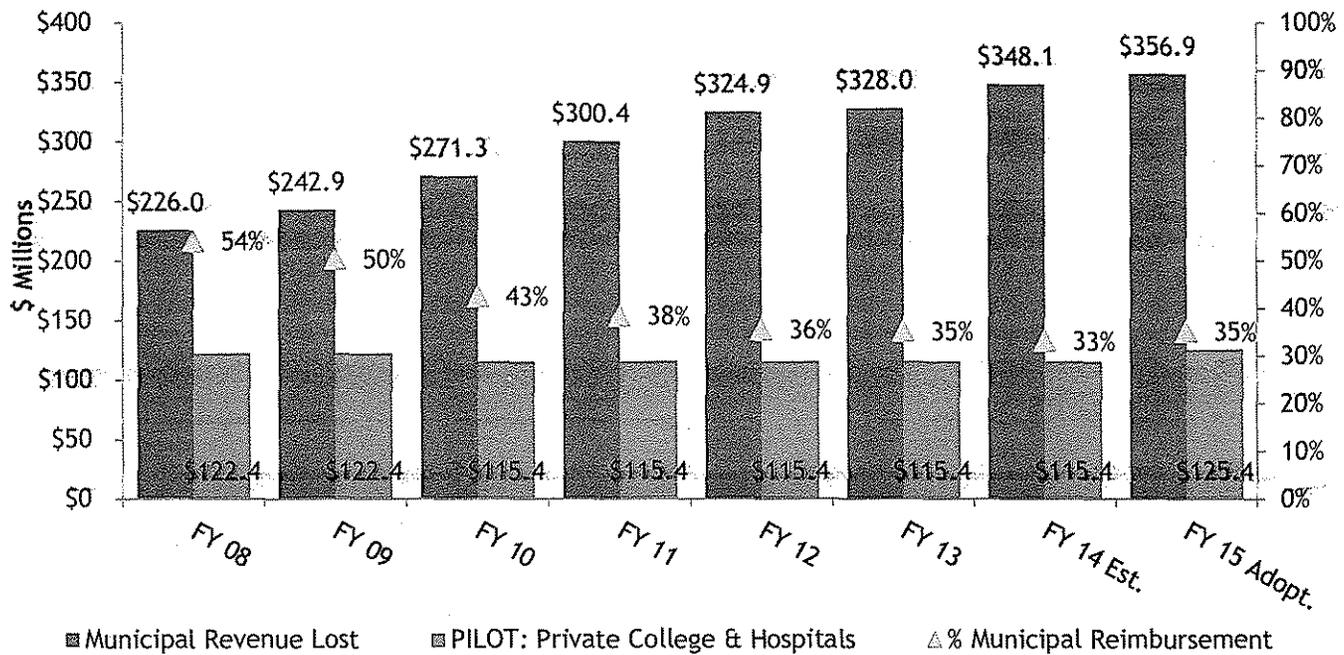


<sup>8</sup> CCM calculation based on FY 15 State Budget.

<sup>9</sup> CCM estimate. PILOT reimbursements cover only *real* property and do not include revenue lost from state-mandated exemptions on *personal* property.



### PILOT: Private College and Hospital Property



Source: Adopted state budgets; CCM.

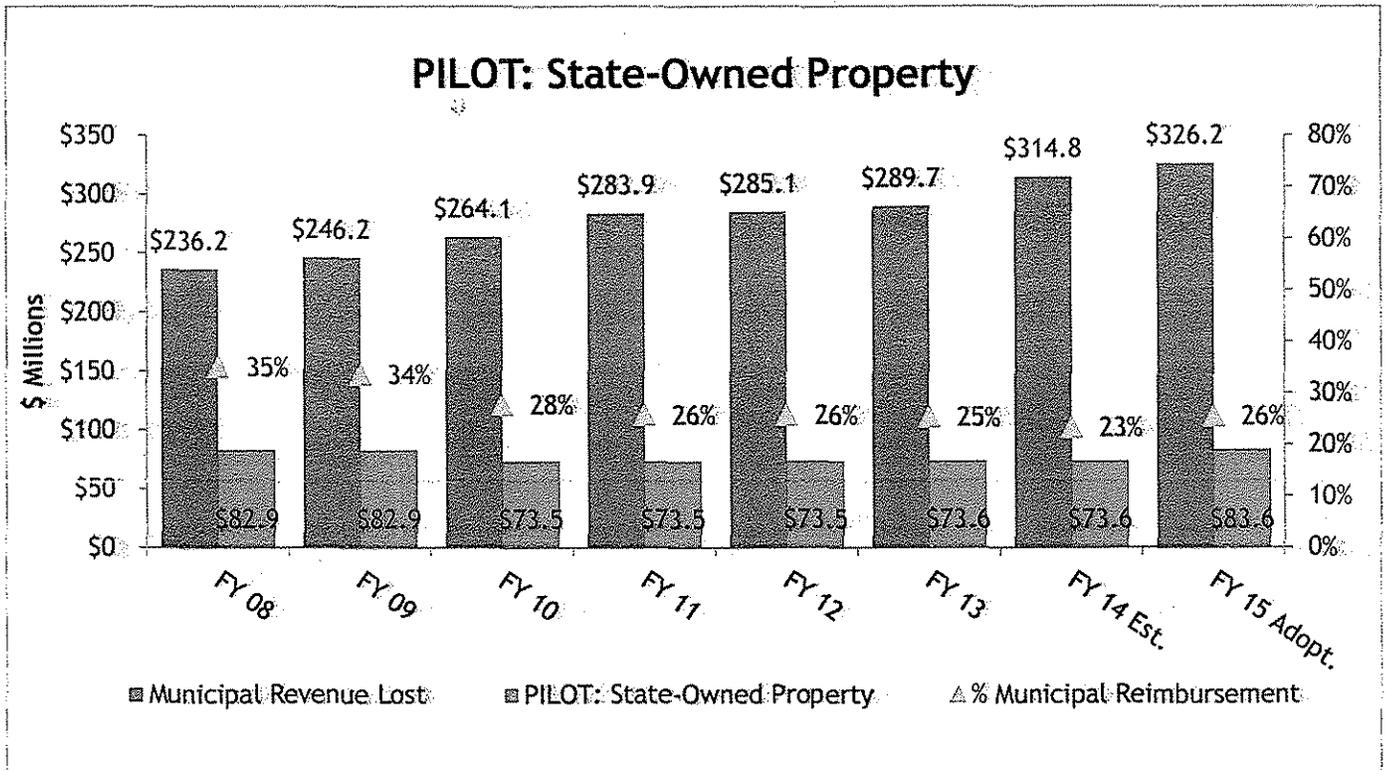
Note: This includes only revenue lost on real property and not additional revenue lost on personal property.

### PILOT: State-Owned Property

Similarly, the reimbursement rate for most state-owned property is supposed to be 45 percent. It is actually 26 percent.

The actual reimbursement rates are lower due to statutes that allow the amount of the PILOT reimbursements to be reduced on a pro-rated basis when state appropriations are not sufficient. In addition, these PILOT reimbursements cover only real property and do not include revenue lost from state-mandated exemptions on personal property.

Many of our poorer towns and cities host the most tax-exempt property.



Source: Adopted state budgets; CCM.

### PILOT: MME – State Commitment Severed

The State mandates that qualified machinery and equipment is exempt from local property taxes. Under the PILOT for manufacturing machinery and equipment (PILOT MME) program, the State was supposed to provide reimbursement to towns and cities in an amount equal to 80 percent of the revenue lost as a result of property tax exemptions. After several years of underfunding the program, the PILOT MME program was eliminated in 2011 and towns and cities lost \$50 million in reimbursement.

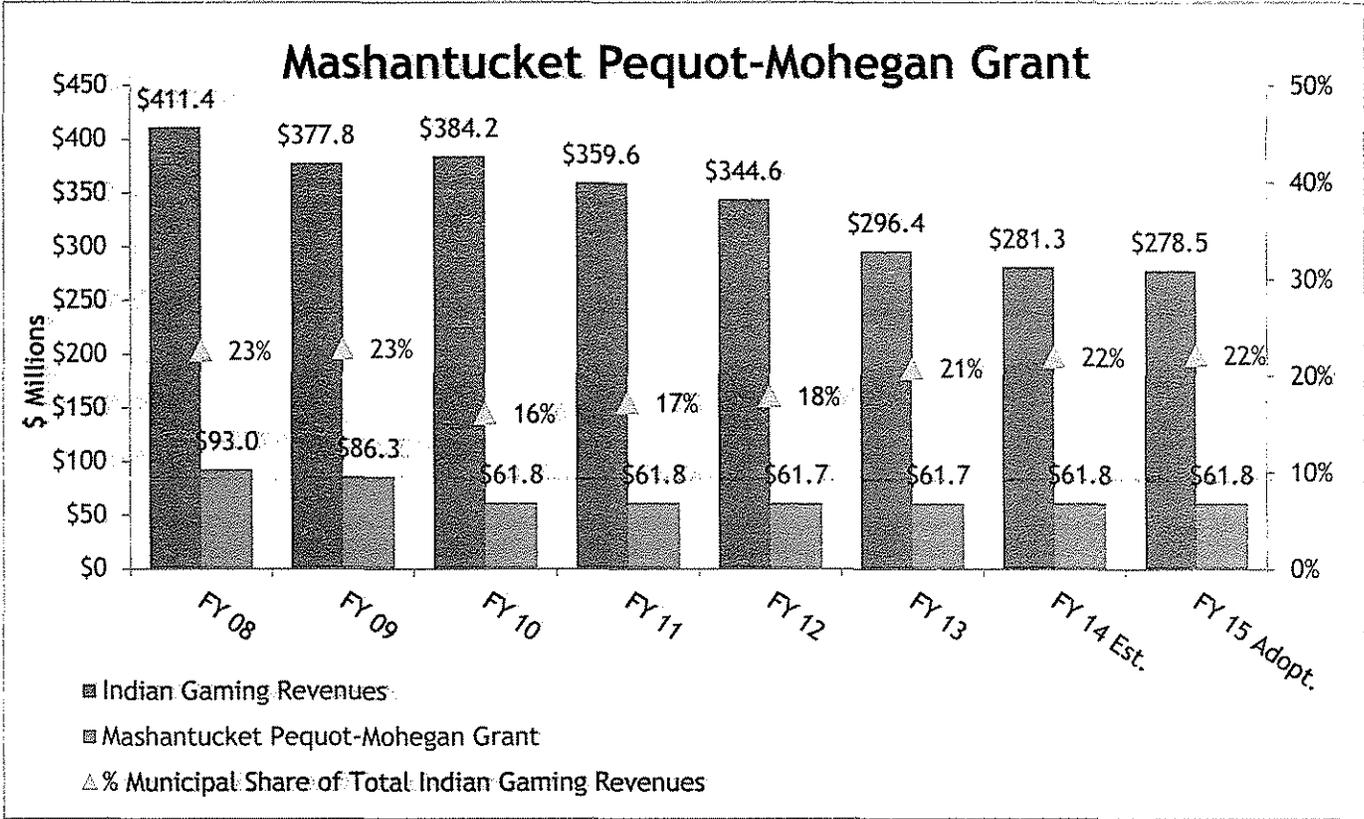


When PILOT reimbursements fall short, it forces other residential and business property taxpayers to make up the difference. Thus, other property taxpayers are forced to pay for the State's underfunded and unfunded property-tax exemption mandates.

### Mashantucket Pequot - Mohegan Grant

The Mashantucket Pequot-Mohegan Fund, which is funded with a portion of slot machine revenues sent to the State by the two Native American casinos, is another significant state aid program. The formula for this grant is based on several components, including the value of state-owned property, private colleges and hospitals, population, grand list strength, and per capita income, among others.

In FY 15, the Pequot-Mohegan grant will provide \$61.8 million in revenue to towns and cities, the same as the previous five years. At its inception, municipalities received 78 percent of these gaming revenues. This year they will receive an estimated 22 percent.



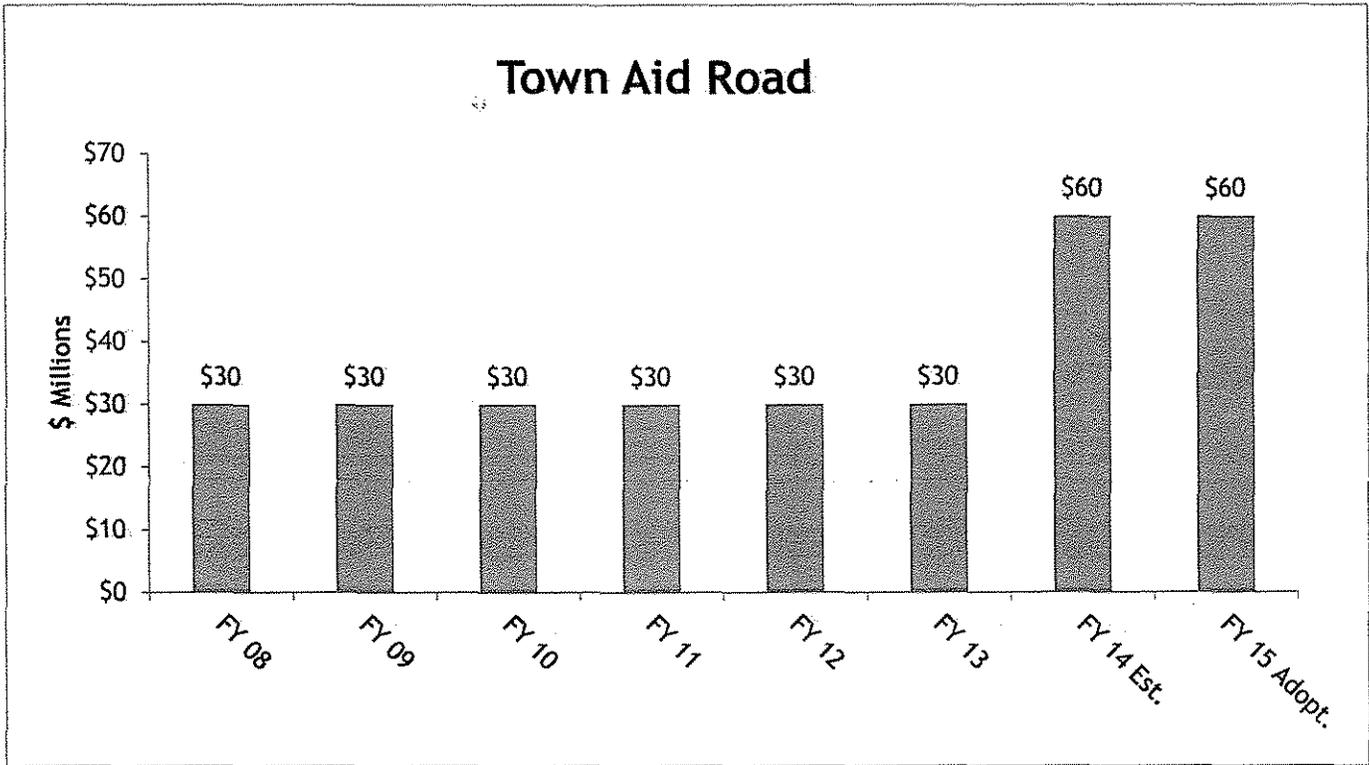
Source: Adopted state budgets; CCM.

### Town Aid Road

Another critical grant program is Town Aid Road. This \$60 million program provides funding for local road maintenance and improvements. There are more locally-owned road miles than state-owned road miles (17,265 v. 3,733).<sup>10</sup> Unfortunately, even as road maintenance and improvement costs have increased, the grant provided only level funding for seven years, until the welcome doubling of the grant in FY 14. This increase has helped ease the strain on local public works budgets and reduced dependence on the property tax to fund those needs. However, there are still tremendous unmet local infrastructure needs.



<sup>10</sup> State Department of Transportation, 2009 data, latest available.

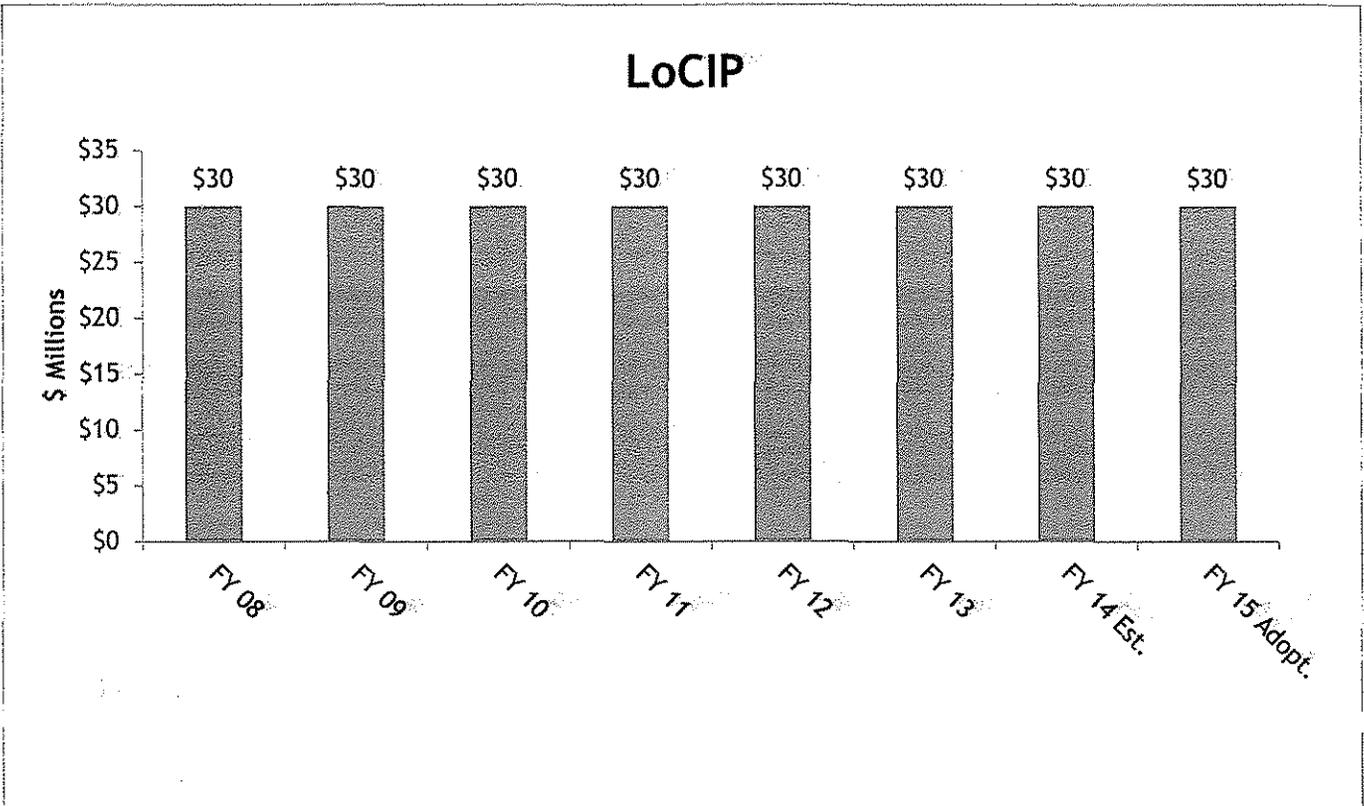
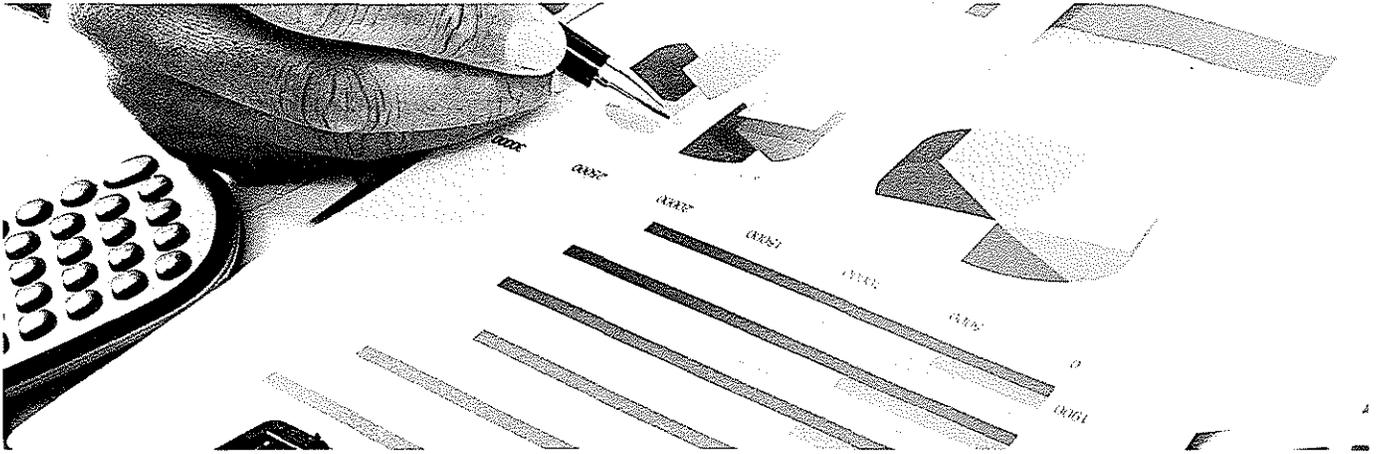


Source: Adopted state budgets.

**LoCIP**

The Local Capital Improvement Program (LoCIP) reimburses municipalities for the costs associated with eligible capital improvement projects. Projects must be included in a municipality's five-year capital improvement plan. LoCIP funding has remained flat for many years.





Source: Adopted state budgets.

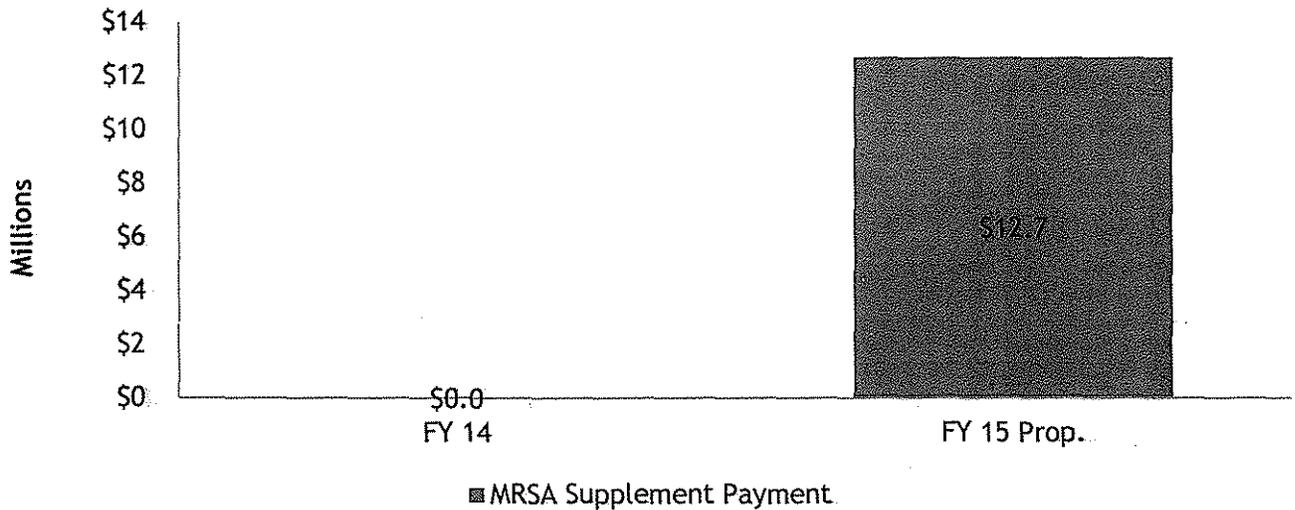
**Municipal Revenue Sharing Account – Promise Unfulfilled**

As part of the FY 12-FY 13 biennial state budget, the new groundbreaking Municipal Revenue Sharing Account (MRSA) was created to provide additional financial resources to municipalities. This account is funded through part of the state Sales Tax and part of the state portion of the Real Estate Conveyance Tax.

This marked the first year of direct state-local tax revenue sharing and it established a foundation upon which to reduce the overdependence on property taxes to fund municipal services, particularly preK-12 public education.

Unfortunately, funding for MRSA was eliminated as part of the FY 14 budget. To make matters worse, the budget eliminated a transfer of the tax revenue into MRSA as of July 1, 2013, resulting in a reduction of at least \$12.7 million in the MRSA Supplement Payment. While the \$12.7 million was restored to municipalities in FY 15, it is a one-time revenue, and the MRSA account remains unfunded.

## Municipal Revenue Sharing Account



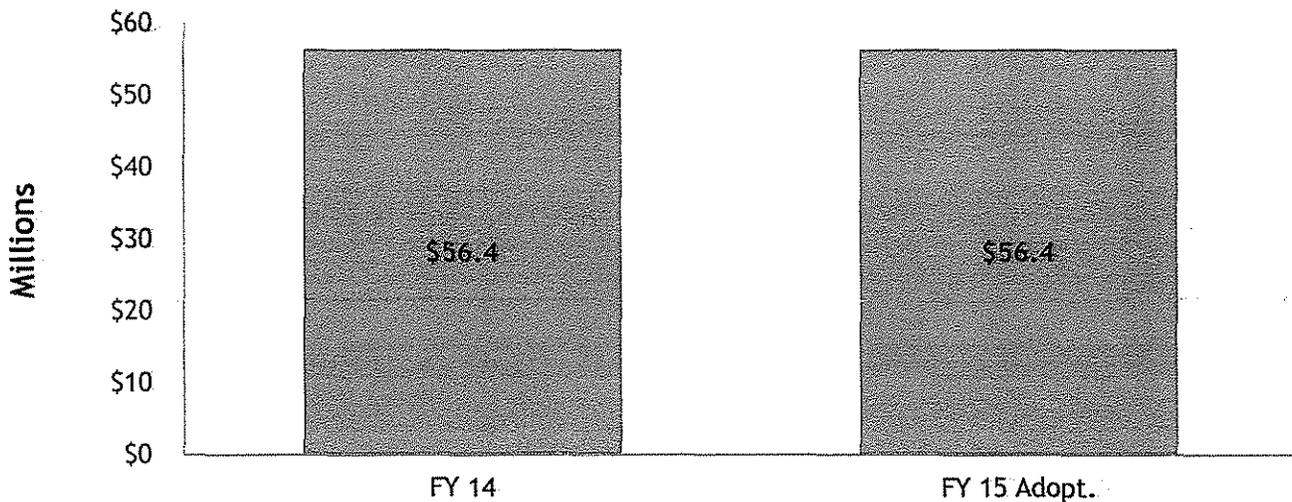
Source: Adopted state budgets; CCM.

A new grant program was included as part of the FY 14-FY 15 biennial budget. The MRSA Municipal Projects grant program was bond-funded at \$56.4 million in each year of the biennium. This funding must be used for TAR-related projects, though a municipality can request a waiver and, upon approval, use the funds for other capital-related projects.

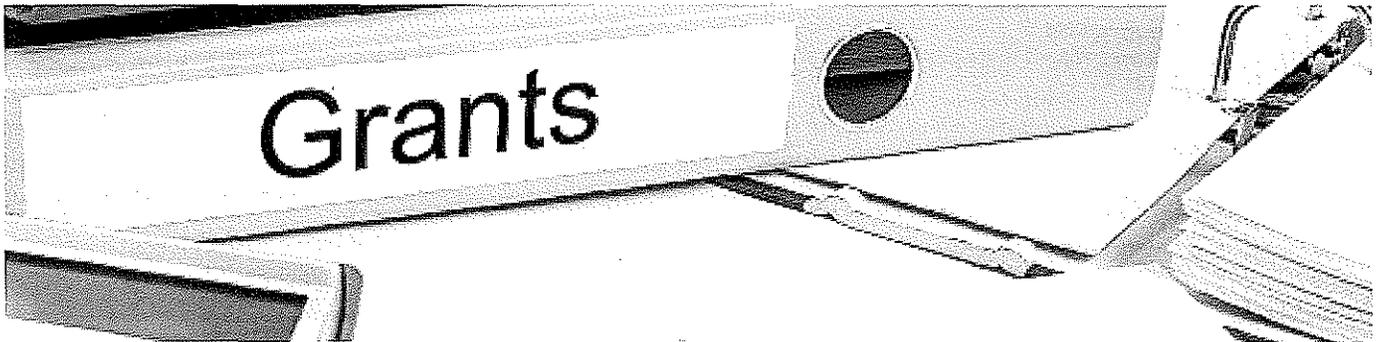
This new funding was put in place, in part, to compensate for the loss of revenue due to the elimination of funding for MRSA. One concern, however, is that the money is restricted to certain uses, while MRSA was unrestricted revenue for towns and cities. This result is less flexibility for local officials when making budgetary decisions.



## MRSA Municipal Projects



Source: Adopted state budgets.



### Regional Performance Incentive Program

Another revenue-sharing program is the Regional Performance Incentive Program (RPIP) grant. It is funded through part of the State Hotel Tax and State Car Rental Tax. Funding is available to Councils of Government (COGs) and municipalities on a competitive basis for regional projects. The goal is to encourage municipalities to jointly participate in projects that lower the costs and tax burden related to providing public services.

Unfortunately, as part of the 2012 deficit mitigation package, \$8.5 million was swept from the RPIP into the General Fund. This resulted in a setback for many towns and cities looking for seed money to develop regional shared services.

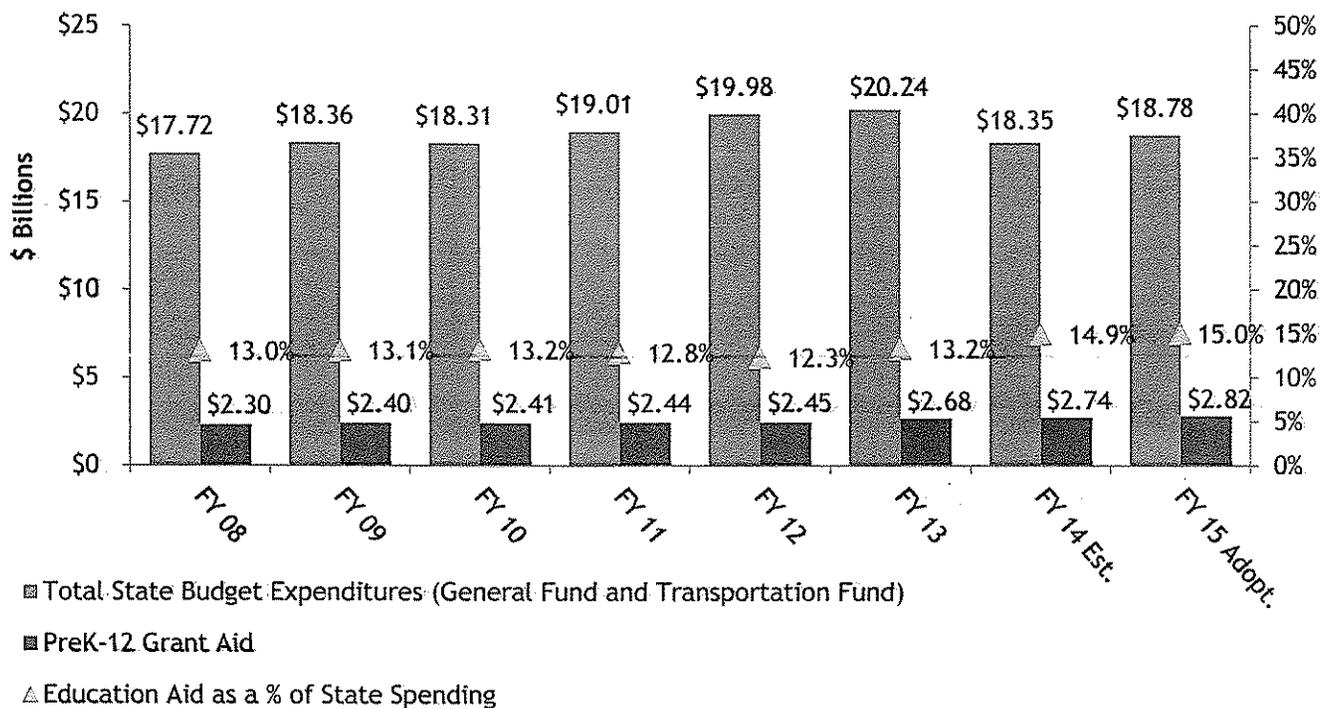
Stagnating non-education aid puts ever more pressure on the property tax.

### Education Aid

Statewide, 59 percent of municipal budgets go to pay for preK-12 public education. At \$7.7 billion, preK-12 public education is the single most expensive municipal service in Connecticut.<sup>11</sup>

<sup>11</sup> OPM, Municipal Fiscal Indicators, 2008-2012.

## PreK-12 Public Education Grants

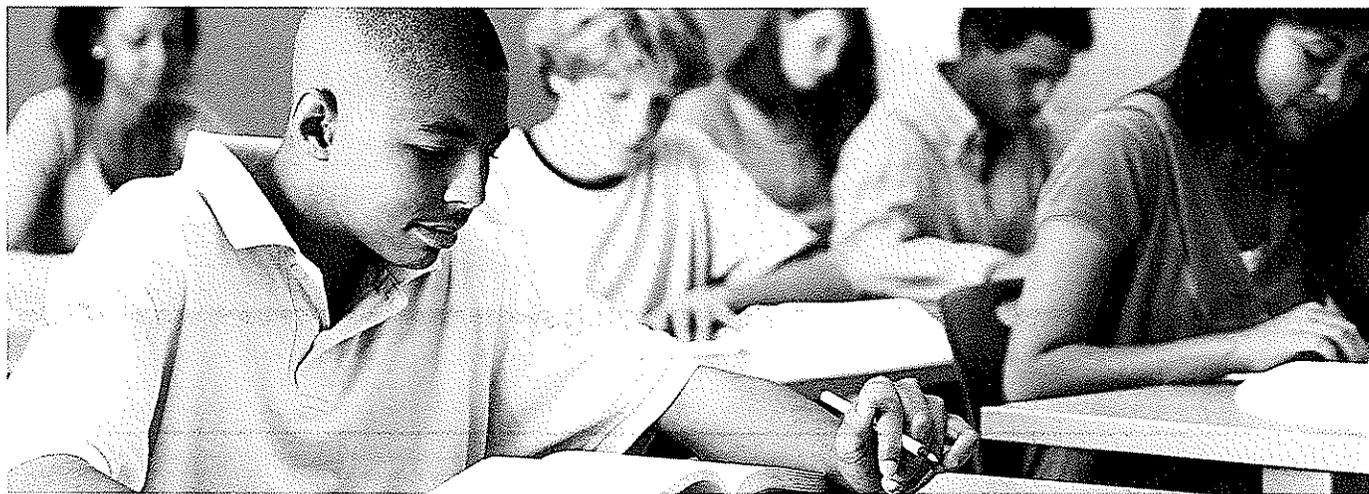


Source: Adopted state budgets; CCM.

Note: Total state budget expenditures are reduced starting in FY 14 due to the removal of the federal share of the Medicaid appropriation totaling approximately \$2.8 billion.

Education aid to municipalities is \$2.8 billion in FY 15, 85 percent of total state aid to towns and cities.

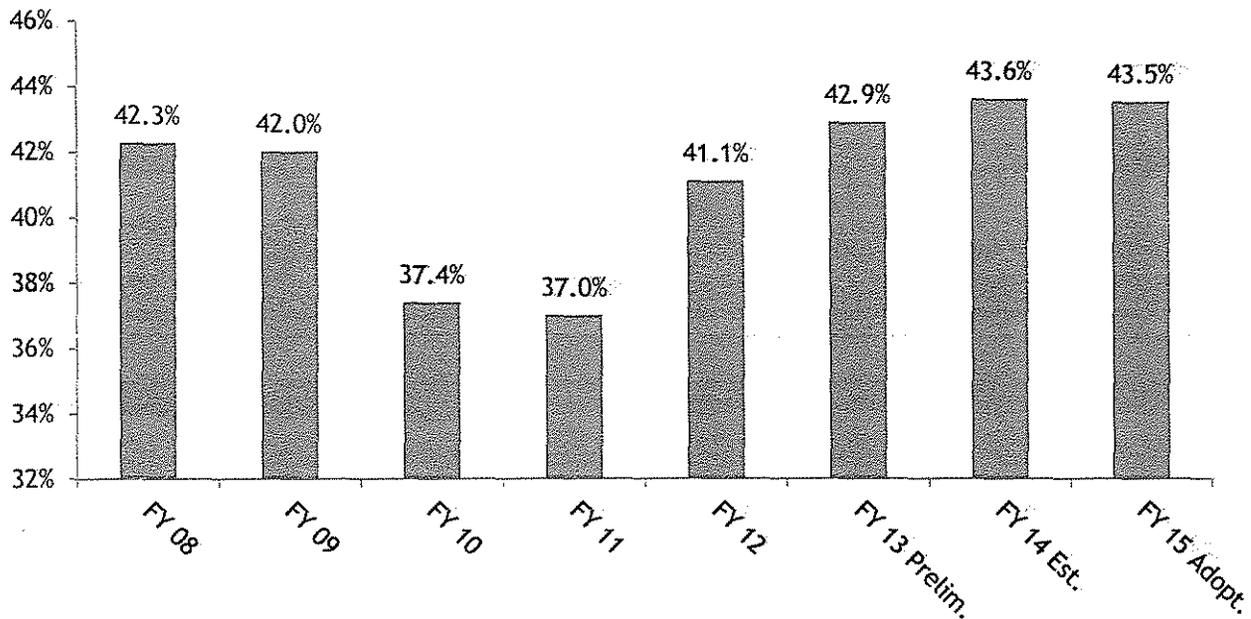
At least an equal partnership between state and local revenue sources has been a longstanding goal of the Connecticut State Board of Education. In 1989-90, the state share of total education costs reached 45.5 percent, the closest it has ever come to that goal.<sup>12</sup> Any movement toward that mark is important because additional state dollars can reduce dependence on property taxes and lessen the inequity in education funding.<sup>13</sup>



<sup>12</sup> State Department of Education (SDE).

<sup>13</sup> More details on education finance will be provided in an upcoming CCM policy report.

## State's % Share of PreK-12 Education Costs



Source: State Department of Education; CCM estimates.

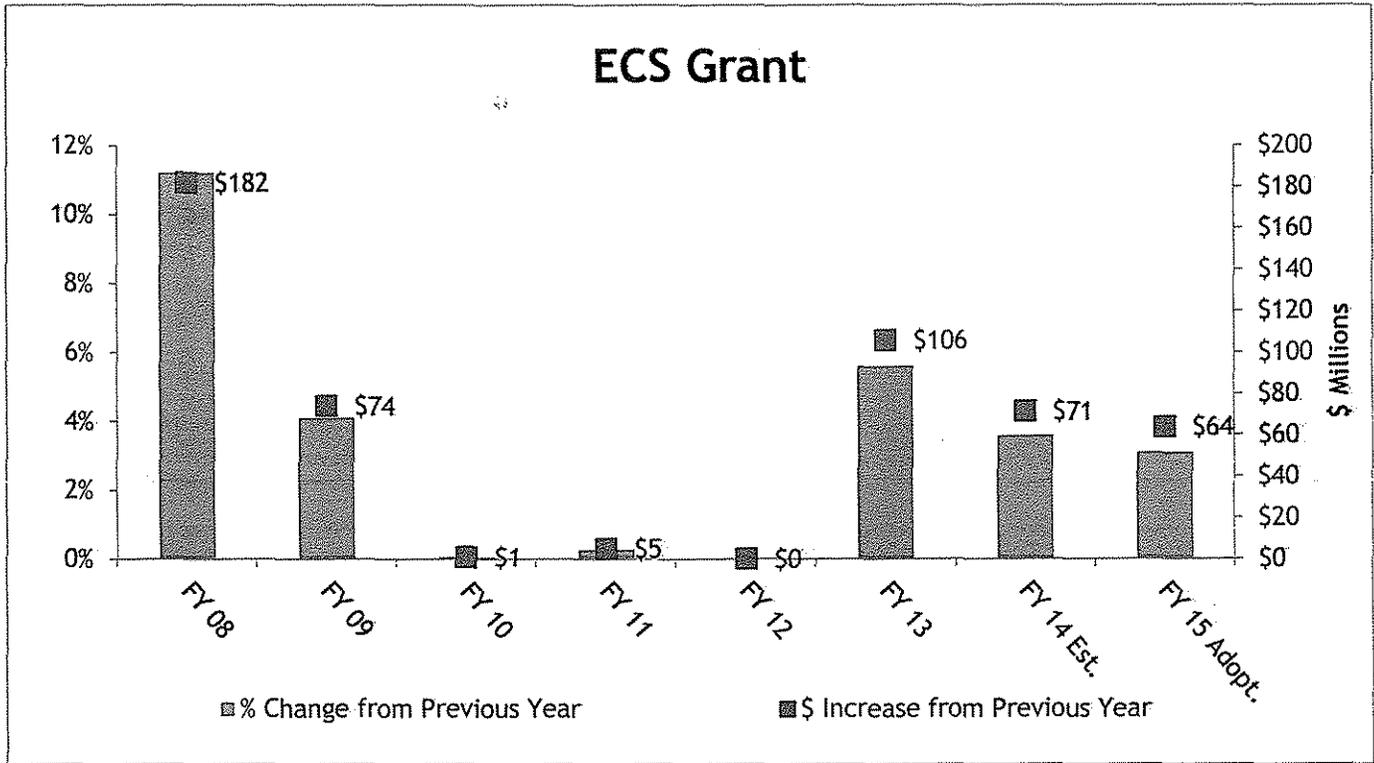
### Education Cost Sharing (ECS)

The ECS grant is the State's largest general education assistance grant. It will total \$2.07 billion this year. While the recent increases in ECS are welcome, they do little to address the chronic underfunding of ECS. The ECS grant is currently underfunded by about \$700 million, and amount that would be shown to be even greater under a proper adequacy study.<sup>14</sup>

The education reform initiatives enacted in 2012 were not accompanied by significant increases in new state dollars. More will be asked of struggling districts in order to leverage modest increases in education aid.



<sup>14</sup> CCM estimate based on SDE data for 2013-14.



Source: Adopted state budgets; State Comptroller reports.  
 Note: Since FY 13, ECS totals include charter school funding that was moved into the ECS account.

### Special Education

Special education is a significant cost driver for local government. These costs now surpass the \$1.7 billion mark statewide. This spending accounts for about 22 percent of total current expenditures for education in Connecticut, and annual costs have been growing as much as six percent in recent years.<sup>15</sup>

The State provides the Excess Cost-Student Based grant to help reimburse municipalities for the costs of special education. The grant provides a circuit breaker once the expenditures for a student exceed a certain level, currently 4.5 times the per pupil spending average of the district. So, for example, if a municipality spends an average of \$10,000 per pupil, it must spend at least \$45,000 for a special-education student before being eligible for any state reimbursement.

Unfortunately, the grant has been level-funded for six years. This means that the state reimbursement has not kept pace with the escalating costs of special education. Without full funding, towns and cities are forced to find other ways to pay for special education. Not surprisingly, the burden falls on residential and business property taxpayers and non-education services.

### Minimum Budget Requirement MBR

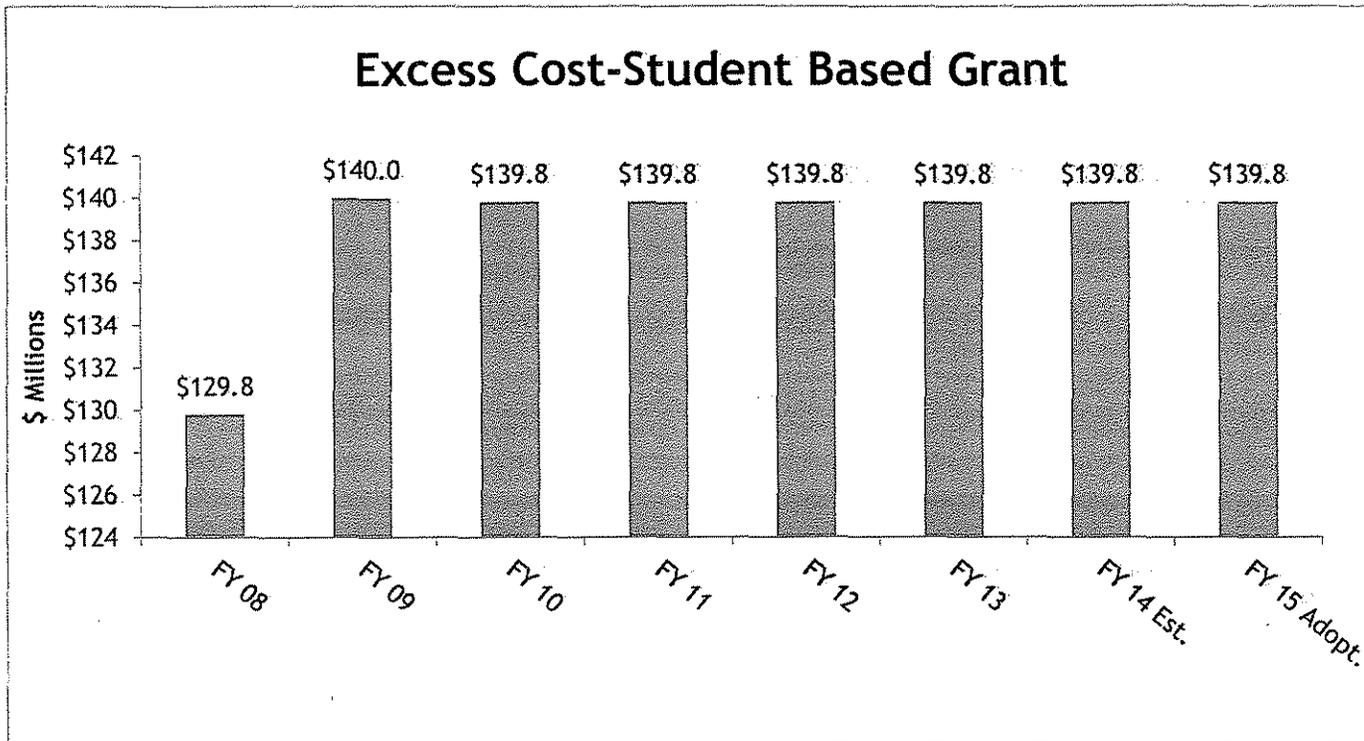
Another education issue that puts pressure on the property tax is the MBR. This state mandate essentially requires towns and cities to budget at least as much on education in the current year as they did the previous year.



<sup>15</sup> SDE, 2012-13 data, latest available

The imposition of the MBR has meant that no matter what efficiencies have been found in education budgets, the budgets cannot be significantly reduced. In an era in which every other state and local agency are having their budgets closely examined, one entity – boards of education – have been held to a different standard and shielded from taxpayer and voter control.

The State, which has chronically underfunded preK-12 public education, instead forces municipalities through the MBR and other mandates to pay for state underfunding. The result: non-education service cutbacks and even higher property taxes.

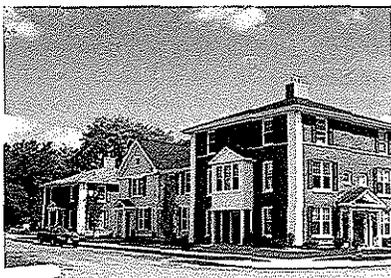


Source: Adopted state budgets; State Comptroller reports.

It is clear that a key to property tax reform in Connecticut is education finance reform. The two are directly linked. Without significant additional state support, towns and cities have few funding options aside from the property tax and diverting funding support from non-education services (police, fire, public works, elderly services, etc.) to deal with escalating regular and special education costs and non-education service costs.

More details on education finance reform will be provided in an upcoming CCM policy report.

### **Disparities Among Towns and Cities**



While all communities in Connecticut have felt the impact of flat to decreasing state aid in the last decade, some have been impacted more than others. There is a significant disparity in property and income wealth among municipalities in our state.

The adjusted equalized net grand list per capita (AENGLC) of the wealthiest town (Greenwich) is more than 60 times greater than that of the poorest town (Hartford). While Connecticut has the highest per-capita income in the nation, per capita income (PCI) in New Canaan is almost six times higher than in Hartford.<sup>16</sup>

**The greater the disparity in property and income wealth becomes, the greater the need for additional state aid to help balance the scales.**

Disparities are found not only in wealth, but in service demands as well. Urban communities are required to provide a wider array of public services than many less-developed and less-populated towns. Urban communities are the regional hubs of employment, health and social services, culture and entertainment, and tax-exempt property. Many of these large and smaller cities and urbanized towns are among the poorest in Connecticut.

- The poverty rates in Bridgeport, Hartford, New Haven, and Waterbury are at least twice as high as the rate for the state as a whole.
- These cities experience much higher unemployment rates (Hartford – 12.3%, Waterbury – 10.4%, Bridgeport – 10.1%, New Haven – 9.2%) than the state average (6.4%).<sup>17</sup>
- While 34.4 percent of Connecticut’s K-12 students are eligible for free/reduced-price meals, over 90 percent are eligible in both Bridgeport and Hartford.<sup>18</sup>
- About 100,000 people commute into Bridgeport, Hartford, New Haven, and Waterbury for employment.<sup>19</sup>

The combination of lower revenue-generating capacity and higher service demand and costs has created significant fiscal hardships for impacted communities, and these difficulties continue to worsen.

In fact, Hartford, New Haven, and Bridgeport are among the poorest cities in America.

## HOW CAN WE REDUCE MUNICIPAL DEPENDENCE ON THE PROPERTY TAX?

Over-reliance on the property tax coupled with inadequate state aid, particularly education aid, place Connecticut towns and cities in a severe fiscal bind. Municipalities are forced to raise already onerous property tax rates, cut back non-education services, and divert scarce resources to pay for escalating regular and special-education costs. Connecticut is one of the few states locked into such an antiquated, local-revenue system.



<sup>16</sup> SDE, 2014-15 school year.

<sup>17</sup> CT Department of Labor, June 2014.

<sup>18</sup> SDE, CEDaR, 2010-11 data.

<sup>19</sup> CCM estimate based on DECD Town Profiles.



While there are aspects of local-option taxation that are of particular concern in a small state such as Connecticut, there are other proven approaches that should be on the table as we seek a way out of the property tax chokehold:

1. **Education Finance Reform:** Reforming preK-12 public education finance is a key to property tax reform in Connecticut. Chronic state underfunding of preK-12 public education is the single largest contributor to the overreliance on the property tax in our state. The ECS grant alone is underfunded by about \$700 million. Special-education costs are now approaching \$2 billion per year and impose staggering per-pupil cost burdens on host communities. Special-education costs should be borne collectively by the State, not individual school districts.
2. **Restore State Revenue Sharing:** The Municipal Revenue Sharing Account (MRSA) was groundbreaking when it was introduced in 2011. This account was funded through part of the State Sales Tax and part of the State Real Estate Conveyance Tax. The elimination of its funding, however, is a cause for concern and will further increase the reliance on property taxes to fund municipal services. Funding for the program should be restored to add to the long-standing municipal aid programs that help fund local government.
3. **Fully Fund PILOT Programs:** The State should increase and fully fund PILOT to provide reimbursement to municipalities for 100 percent of the revenue lost due to state-mandated property tax exemptions. In absence of full funding of PILOT, the State should consider alternatives to property tax exemptions, such as the reverse PILOT proposed in 2014.
4. **Inter-municipal and Regional Collaboration:** State financial and technical assistance incentives for increased inter-municipal and regional collaboration should be expanded. The Regional Performance Incentive Program (RPIP) Grant – funded through a share of the State Hotel Tax and Car Rental Tax – is a great foundation upon which to build stronger incentives and support for cooperative efforts. Providing towns and cities with the tools and authority to deal with service delivery, revenue raising and sharing, and other issues on a regional basis would result in increased efficiencies and a reduction in dependency on single-town grand lists.
5. **Mandate Reform:** The State should eliminate or modify unfunded and underfunded mandates, beginning with the MBR. This would lower the property tax burden without adding additional costs at the state level. (More details on mandates reform will be provided in an upcoming CCM policy report.)

The over-dependence on the property tax is unsustainable, and Hometown Connecticut is in desperate need of revenue assistance. Harnessing the revenue-raising capacity of the State to equitably and adequately fund preK-12 public education and share resources with local governments and regions can reduce the over-reliance on property taxes in Connecticut.

# CCM: THE STATEWIDE ASSOCIATION OF TOWNS AND CITIES



The Connecticut Conference of Municipalities (CCM) is Connecticut's statewide association of towns and cities. CCM is an inclusionary organization that celebrates the commonalities between, and champions the interests of, urban, suburban and rural communities. 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 and 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 (headquarters) and in Hartford.

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# CCM Candidate Bulletin

2014



2014 Election Campaign



**Unfunded State Mandates:  
The Corrosive Impact &  
Reasonable Relief Measures**

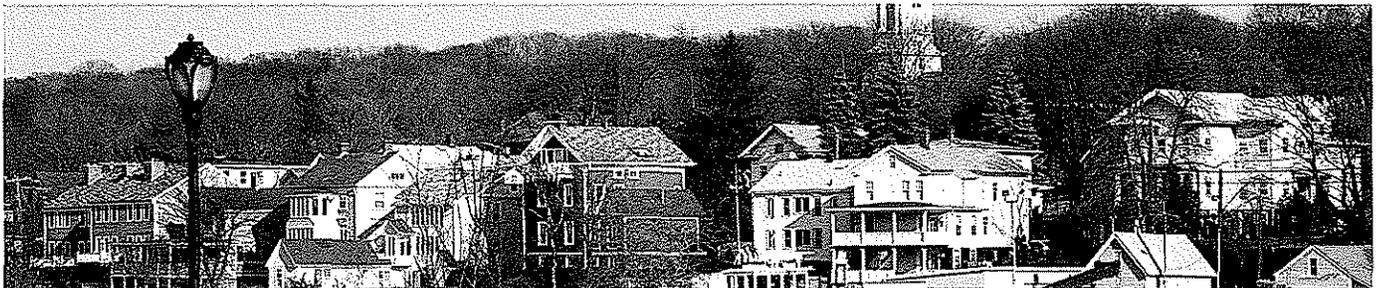


THE VOICE OF LOCAL GOVERNMENT™

# Unfunded State Mandates: The Corrosive Impact & Reasonable Relief Measures

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If you have any questions concerning this CCM policy report, or for more information, please contact Ron Thomas ([rthomas@ccm-ct.org](mailto:rthomas@ccm-ct.org)) or Bob Labanara ([rlabanara@ccm-ct.org](mailto:rlabanara@ccm-ct.org)) of CCM at (203) 498-3000.

# Unfunded State Mandates: The Corrosive Impact & Reasonable Relief Measures

## EXECUTIVE SUMMARY

**There are currently over 1,200 state mandates on towns and cities in Connecticut.** Most of these state mandates are unfunded. They burden residential and business property taxpayers with significant costs and siphon precious resources from local services.

**If the State believes an existing or new mandate is appropriate public policy, then the State should be prepared to pay for it.**

Enacting mandates is one thing, but **to simply pass the buck by requiring towns and cities to pay for them**, should have no place in today's economic climate.

**Each mandate that is unfunded, or only partially funded, adds to the burden of the property tax**, and further reduces local discretionary authority.

### Today's Mandates Relief: Achieved Through Thoughtful Compromise

The following are tangible solutions to reasonably reduce the costly burden of unfunded and under-funded state mandates:

- **Ensure new DEEP MS4 permits are not unrealistic and costly unfunded mandates on municipalities.**
- **Allow towns and their boards and commissions the option to publish legal notices online.** It is common sense, and would improve citizens' involvement in the operations of local government.
- **Eliminate or modify the minimum budget requirement (MBR) mandate** on local education spending.
- **Enact law that ensures special-education costs are borne collectively by the State** and not by individual school districts.
- **Update the thresholds that trigger the prevailing wage mandate for public construction projects.** A modest adjustment would free-up state and local dollars and jumpstart and expand projects.
- **Update local grievance arbitration laws by creating timelines similar to the rules already established under the Teacher Negotiation Act (TNA).**
- **Prohibit municipal fund balances** (essentially "emergency contingency funds") **from inclusion when determining municipalities' ability to pay.**
- **Eliminate the premium tax on municipal health insurance.**
- **Adjust the mandated employee contribution rates, under MERS** – and establish an additional tier, modeled after the State's, for new hires only.
- **Get hometowns out of the business of storing evicted tenants' possessions.** They no longer have to transport them – and should no longer be forced to store these undesirable items.
- **Allow towns the option of consolidating polling places, when appropriate**, that could provide local savings and allow for a more efficient use of Election Day resources.
- **More accurately estimate and identify proposed state mandates**, and ensure that municipal fiscal impact statements are prominently displayed on all legislative bills and amendments.

# INTRODUCTION

By definition, a state mandate is “any state initiated constitutional, statutory or executive action that requires a local government to establish, expand or modify its activities in such a way as to necessitate additional expenditures from local revenues, excluding any order issued by a state court and any legislation necessary to comply with a federal mandate.”<sup>1</sup> In practice, it is simply any requirement imposed by the State on towns and cities – many of which burden residential and business property taxpayers with significant costs and siphon precious resources from local services. **There are currently over 1,200 state mandates on towns and cities in Connecticut.**

As a result, the term “mandates relief” has come to define the appeal of local officials from both political parties to their state partners, for fiscal and administrative reprieve, even if only temporary. These petitions are not naïve. Local officials are on the frontlines of service delivery and accept the objectives of many well-intended mandates. However, akin to a garden that requires constant upkeep, there are a variety of species of state mandates that are wilted and overgrown, and in desperate need of attention.

The 2014 General Assembly proved that **mandates relief is an achievable legislative goal.** Public Act 14-217 represents compromise legislation that now provides municipal officials with an increased ability to determine their Primary Service Area (PSA) providers. This new law, among other things, established a more effective process by which towns and cities, working with the Department of Public Health (DPH), may seek the reassignment of PSAs in order to improve patient care, regionalize services or demonstrate how reassignment would result in efficiencies. However, this small solution toward relief leaves room for more comprehensive reforms.

The solutions to mandates relief are attainable – and such solutions should be addressed by first detailing the most egregious offenders in desperate need of repair. This report outlines the difficulty with specific mandates, as they relate to municipalities, and more importantly, provides the necessary steps in order to jumpstart meaningful property tax relief in our communities.



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<sup>1</sup> Connecticut General Statutes, Sec. 2-32b(a)(2).

# PINPOINT THE PROBLEM: FUND THE LAWS YOU MAKE

The merits of many state mandates are not what is at issue. Rather, what is, is when the State (1) does not provide commensurate funding to implement and deliver what these mandates require, and (2) does not adjust, postpone, or repeal certain state mandates in recognition of fairness and the current economic climate. It is simply inequitable to force local property taxpayers to assume all or most of the costs of state mandates. Unfortunately, this has become cruel and usual punishment as towns struggle to provide public education, safety, and other essential services. Enacting mandates is one thing, but simply passing the buck by requiring municipalities to pay for them, should have no place in today's economic climate.

In fact, the state's Advisory Commission on Intergovernmental Relations (ACIR), which is responsible for examining all state mandates on municipalities, agrees:

"Their Commission urges the General Assembly to consider the impact of state mandates on local governments as being directly connected to the relationship between the State and its cities and towns. Each mandate that is unfunded or only partially funded is a direct addition to the burden of the property tax, as well as a reduction in local discretionary authority. State mandates represent decisions on local priorities being made in Hartford and, to the extent they are unfunded or underfunded, made by the state body which is separate from the local body that will have to raise the necessary funds. Similar consideration should also be given when enacting mandates that are funded at the onset, but whose funding might be reduced or discontinued in future years.

Every mandate imposed a burden on local officials. The burden of a specific mandate might be large, in and of itself, and the legislature's Office of Fiscal Analysis, as well as municipalities, school districts and organizations representing them call attention to such mandates during the legislative session. Many mandates, on the other hand, impose only a small burden individually and, therefore, attract little attention as a focus is drawn to larger concerns. Multiple small mandates, however, can have a substantial cumulative impact, creating a hidden burden on municipalities and municipal officials."<sup>2</sup>

The federal government agreed and passed the Unfunded Mandates Reform Act of 1995, which purpose is:

**"To curb the practice of imposing unfunded Federal mandates on States and local governments;** to strengthen the partnership between the Federal Government and State, local and tribal governments; to end the imposition, in the absence of full consideration by Congress, of Federal mandates on State, local, and tribal governments without adequate funding, in a manner that may displace other essential governmental priorities; and to ensure that the Federal Government pays the costs incurred by those governments in complying with certain requirements under Federal statutes and regulations, and for other purposes."<sup>3</sup>

If such bold legislation is acceptable by our federal lawmakers, then it should be acceptable by Connecticut's General Assembly. With little disagreement that unfunded state mandates – either separate or collective – can erode already scarce local resources, the obstacle for progress is finding a starting point. In other words, which laws should we first amend...and *how do we provide much-needed relief to property taxpayers?*

This report provides the answer.



<sup>2</sup> "STATE MANDATES ON MUNICIPALITIES: ACTIONS IN 2014", Report by the CONNECTICUT ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS; October 2014.

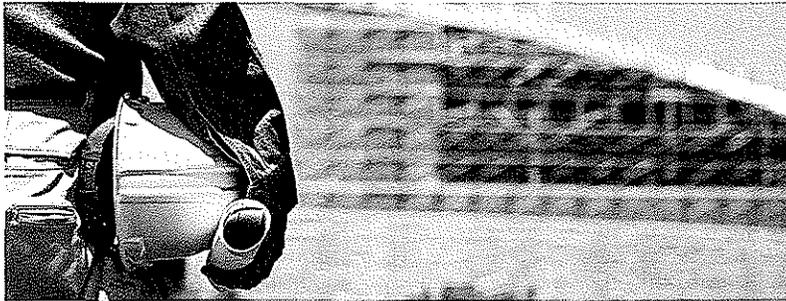
<sup>3</sup> 109 STAT. 48 PUBLIC LAW 104-4—March 22, 1995.

# REASONABLE UPDATES TO STATE LAW

## Labor-Related Mandates

### \* Update the Thresholds that Trigger the Prevailing Wage Mandate

It is imperative that political allegiances are placed aside in order to effect serious mandates relief. Inevitably, there arrives a time to choose the good of the greater whole over that of the few. That time is now. Local leaders from both parties are realistic and recognize the political sensitivity of modifying any state mandates. Municipal leaders seek reasonable compromise from increased construction costs known as “prevailing wages.”



**Local officials are not demanding repeal of, nor radical changes to, Connecticut's prevailing wage mandate. They simply ask their state partners in government to make reasonable adjustments** to the thresholds. Appropriate thresholds for remodeling, refinishing, refurbishing, rehabilitation, alteration -- as well as new construction -- are essential to allowing municipalities the ability to manage their limited resources. Specifically:

Amend CGS 31-53(g) to:

- (a) Adjust the thresholds for (i) renovation construction projects, from \$100,000 to \$400,000; and (ii) new construction projects, from \$400,000 to \$1 million;
- (b) Exempt municipal school construction projects from the State's prevailing wage mandate. This modest adjustment could offset reductions in state aid for school construction projects and therefore, enable such projects to continue; and
- (c) Clearly define the criteria for determining whether a project is new construction or repair/renovation.

**The prevailing wage thresholds have not been adjusted since 1991.** Prior to 1991, legislators adjusted prevailing wage thresholds on a six-year schedule:

- 1979 – P.A. 79-325: set project thresholds at \$10,000 for renovations and \$50,000 for new construction.
- 1985 – P.A. 85-355: adjusted thresholds to \$50,000 for renovations and \$200,000 for new construction.
- 1991 – P.A. 91-74: adjusted thresholds to \$100,000 for renovations and \$400,000 for new construction.

Updating this state-mandated law would:

- Free-up state and local dollars,
- Jumpstart and expand the number and size of projects, and
- Protect and create jobs.

The alternative – looming layoffs and shelved projects – should not be an option.

**Amending (or recommendations to amend) state law that mandates municipalities pay inflated construction costs should not be considered a radical idea.** In fact, some states have adjusted their laws to reflect economic realities and the concerns of local officials. **“Five states have changed their prevailing wage thresholds since 2010.** Alaska, Indiana, and Wisconsin significantly raised their thresholds applying to all public works projects. Ohio increased thresholds for projects that did not involve road or bridge construction and Vermont lowered its threshold,<sup>4</sup> which is now equal to Connecticut’s threshold for remodeling at \$100,000.

Meaningful reform is a way for state and local governments to make more efficient investments in infrastructure, while using the same amount of taxpayers’ money. The Public Policy Foundation of West Virginia made recommendations based on their analysis of the prevailing wage state mandate. Submitted by West Virginia University’s Department of Economics, the report recommended, among other things, that legislators **“create an exemption to the prevailing wage for schools...”** As stated by the school administrations in the “1990 West Virginia Prevailing Wage Study,” the 30 percent (or more) schools must spend to construct facilities results in both fewer new schools and “less money to spend on other areas of education such as teacher salaries, textbooks, supplies, and other educational resources.”<sup>5</sup>

Attempts to compare Connecticut to the myriad of state prevailing wage laws across the country can be misleading and not reflective of the totality of the mandate’s impact specific to our state. While it is true that some states have lower mandated-thresholds than Connecticut – it is also true that some states have higher mandated-thresholds than Connecticut. For example, **Maryland has a higher threshold for new construction, while Indiana, Kentucky, and Maryland have higher thresholds for remodeling projects.**<sup>6</sup> It is also true that over one-third of states do not have any prevailing wage laws – including New Hampshire (eight states have never had such laws – while ten have either repealed their prevailing wage laws or were deemed invalid by court order).<sup>7</sup>

Given the above statistics, the fact remains: **Connecticut is more dependent on the property tax to fund local government than any other state in the nation.**<sup>8</sup> The revenue options available to Connecticut’s towns and cities are considerably limited by state statute when compared to other states. All this means is that, in-terms of generating own-source revenue, towns and cities are effectively restricted to the regressive property tax, thus creating an “apples to oranges” assessment when examining the feasibility of any state mandate – particularly prevailing wage – among other states. **In short, Connecticut’s municipalities are handcuffed and cannot afford to operate under the current out-dated prevailing wage thresholds.**

Arguments that the prevailing wage mandate ensures better safety and quality are unsubstantiated. Proponents of the prevailing wage status quo have failed to submit supporting evidence that private-sector (non-prevailing wage) structures are less safe or of lower quality than public (prevailing wage) structures, or that non-union firms are less capable.

Simply put, proponents of the status quo cite safety, quality of work, and training as vital components of the construction industry that would be greatly compromised if adjustments to the thresholds were made in Connecticut. This argument is specious. **There is no credible evidence to support the claim that those states without prevailing wage mandates build sub-quality structures** and operate with an inferior-trained workforce than in states that mandate prevailing (higher) wages.

**Given these findings, it is imperative to reiterate that Connecticut local officials merely request adjustments to the thresholds that trigger the state prevailing wage mandate.**

Studies (old and new) draw the same conclusions: **prevailing wage mandates inflate project costs.**

- A 1995 Connecticut Advisory Commission on Intergovernmental Relations study concluded that prevailing wage rates increase construction costs to towns and cities upwards of 21% annually;
- A 1996 Legislative Program Review and Investigations report pegged the increase in costs caused by the prevailing wage mandate at around 4 to 7%;

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<sup>4</sup> The Prevailing Wage,” OLR Research Report 2013-R-0393, 10/21/13.

<sup>5</sup> “An Economic Examination of West Virginia’s Prevailing Wage Law,” the Public Policy Foundation of West Virginia. January 2009.

<sup>6</sup> “The Prevailing Wage,” OLR Research Report 2013-R-0393, 10/21/13.

<sup>7</sup> Ibid.

<sup>8</sup> Based on data from the U.S. Census Bureau and Tax Foundation.



- The Wharton School of Business has reported the figure to be upwards to 30%;
- In December 2001, the Kentucky Legislative Research Commission determined that the prevailing wage mandate resulted in a 24% increase in the wage cost of state and local projects;
- The 2009 Public Policy Foundation of West Virginia released a study which concluded that West Virginia's average state prevailing wage rate is at least 49%, and as high as 74% above the state's true market prevailing wage, stating that as many as 1,500 more jobs could have been created if the state mandate were repealed or amended.

A 2012 comprehensive study on the topic, conducted by Columbia University's Center for Urban Real Estate, recommend, among other things:

"Under Governor Andrew Cuomo's NY Works capital plan, 45 agencies and authorities will spend some \$16 billion annually rebuilding New York's infrastructure. Of that, some \$6 billion will be spent on labor, much of it at artificially high prevailing wages misallocating some \$2-3 billion which could productively be used to employ more workers and rebuild more infrastructure. These billions would be more equitably spent hiring additional workers, which would result in getting more projects moving and far more of New York rebuilt [emphasis added]."<sup>9</sup>

Regardless of the period during which studies were conducted, and their varying estimated percentage cost increases – there is no dispute that the prevailing wage mandate forces municipalities and the State to pay millions of extra dollars every year for public works projects. Worthy projects such as school construction, highway and bridge repairs are left undone.

The reward for the State as a whole greatly outweighs any possible impact on special interests. Others agree: in 2006, the state Department of Public Works testified before the General Assembly's Labor & Public Employees Committee that it "makes sense to raise the thresholds" and that the State could actually save money by being able to get more construction work accomplished while using the same amount of funds.<sup>10</sup> The Hartford Courant later concurred, stating that "Raising the threshold will at least bring the state a little closer to the 21st century."<sup>11</sup>

CCM is not asking for repeal of the prevailing wage mandate in Connecticut – we simply request that it be updated by (1) adjusting the thresholds, and (2) improving the process by which local projects must comply with this unfunded state mandate.

The recommendations are a sensible compromise and the right thing to do.

#### \* **Update the Local Binding Arbitration Process**

State-mandated binding arbitration provides municipalities with limited options to control rising costs of employee salaries and benefits. Connecticut's local officials do not recommend repealing compulsory binding arbitration – instead, they seek making adjustments such as:

- **Prohibit municipal fund balances (essentially "emergency contingency funds") from inclusion when determining municipalities' ability to pay under the Teacher Negotiation Act (TNA) and Municipal Employees Relations Act (MERA).**

<sup>9</sup> "The Complex World of New York Prevailing Wage". Vishaan Chakrabarti, AIA & Jesse M. Keenan; June 5, 2012. Columbia University, Center for Urban Real Estate.

<sup>10</sup> Testimony of the Connecticut Department of Public Works, House Bill 5741, March 10, 2006.

<sup>11</sup> "Update Prevailing Wage Law", Hartford Courant Editorial, page A10. May 2, 2007.

A **“fund balance” is not a surplus** and is described by the Government Finance Officers Association (GFOA) as the “cumulative difference of all revenues and expenditures from the government’s creation.”<sup>12</sup> Municipalities build up their fund balances over time. More importantly, they do so for good reasons. The one most cited is that fund balances preserve a municipality’s bond rating, lowering the cost of borrowing for capital needs. Bond rating agencies want to be assured that should any fiscal emergencies arise that sufficient funds are set aside for a municipality to meet its contractually mandated expenses as well as be able to pay its debt service obligations. Thus, most rating agencies require at least 10-15% of a town’s overall expenditures be set aside in a fund balance. GFOA recommends that municipalities maintain an unrestricted fund balance, calculated in accordance with GAAP principles, which is no less than two months of regular general fund operating revenues or operating expenses – which in most cases is closer to 16%.



Other reasons to maintain a fund balance include unanticipated expenditures for natural disasters, spikes in energy or healthcare costs, unanticipated employee overtime, unexpected variations in cash flow, unexpected capital expenditures resulting from water main breaks or other infrastructure problems, and more. Combining the worst fiscal crisis in decades with recent natural disasters – towns and cities are already dipping into their fund balances to keep afloat. These are all one time expenditures for which you do not have to rely on the source on a continuing basis. Such a proposal would rightfully protect these very critical and necessary local funds.

When an employer and a union agree to a wage increase or a benefit improvement, it has more than a one-time effect. For example, if wages increase by 2 percent this year, the dollars for that increase have to be included in both this year’s and subsequent years’ budgets. In fact, the dollars compound going forward when additional wages increases are given.

**Precluding arbitrators from using fund balance to justify for wage or benefit improvements would help to ensure that municipalities are not penalized for having sound financial policies.** In addition, it would avoid the situation where employees receive a wage or benefit improvement in one year, only to face layoffs or the need for concessions in a future year when there is no fund balance left to pay for the wage or benefit gain.

Such a proposal is not without precedent in the General Assembly. In 2011, the Labor & Public Employees Committee unanimously voted in favor of a similar proposed amendment that would have enacted guidelines under MERA to exempt municipal reserve fund balances from consideration of financial capabilities (Amendment A, SB 989; 2011). Despite the underlying bill being defeated – the proposal was again raised by the Committee in 2012 (HB 5238) and given a public hearing. State lawmakers should make sure this proposal becomes law in 2015 as a reasonable compromise to protecting already limited local resources – while also maintaining the integrity of the local binding arbitration process.

- **Establish timetables under the Municipal Employees Relations Act (MERA) for grievance arbitration, similar to the rules already established under the Teacher Negotiation Act (TNA).**

CCM has long advocated for this proposal as a reasonable solution to make the local grievance arbitration process more manageable for both parties involved.

Many municipal collective bargaining agreements call for arbitrating grievances before a panel of the State Board of Mediation and Arbitration (SBMA). Current statutes state that an arbitration decision shall be issued within 15 days. However, as a result of attorney general opinions and court rulings, this deadline was found to be only “directory” and not mandatory. As a result, management and unions can sometimes wait six months, and in a few egregious situations up to a year, to get a grievance arbitration award. **Such delays are unfair to an employee or group of employees whose grievance is in arbitration, and equally unfair to the union and management.** The delays are particularly harmful in cases where there may be back pay liability, such as a case involving termination or suspension.

<sup>12</sup> Government Finance Officers Association *Research Bulletin*, November 1990.

**There is precedent for such a proposal.** Connecticut's arbitration act, which does not apply to the SBMA, requires that an award be issued within 30 days unless the parties' contract has a difference deadline or the parties agree to an extension (see Conn. Gen. Stat. 52-416). The American Arbitration Association's labor arbitration rules require that an arbitrator issue his/her decision within 35 days of the close of a hearing and filing of briefs. There should be the same sort of mandatory deadline for issuance of SBMA arbitration awards.

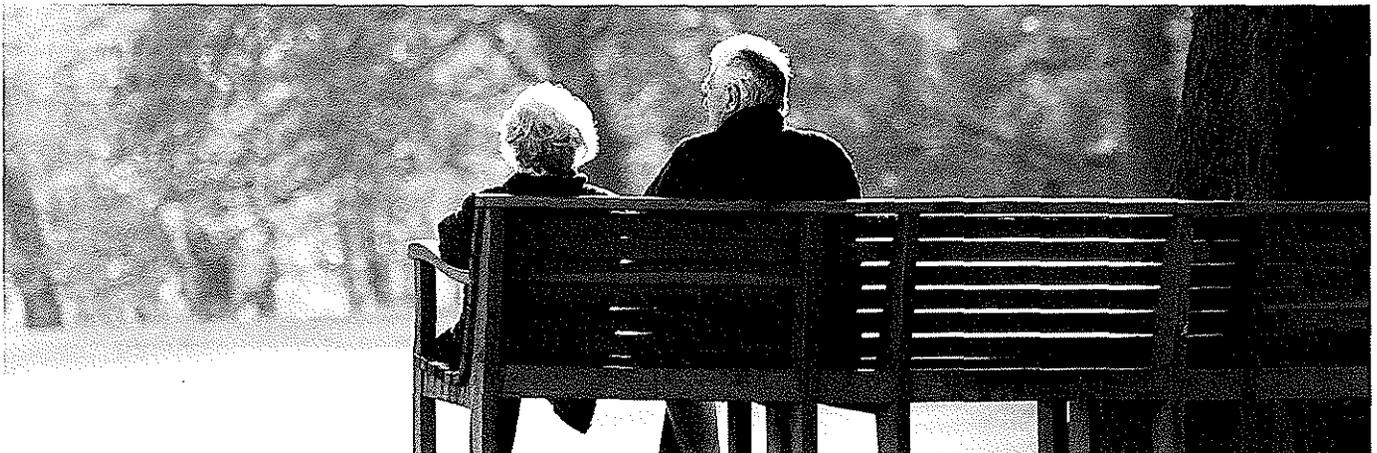
The 2014 General Assembly attempted to address this issue with a similar proposal (SB 63) for interest arbitration. However, "interest" arbitration differs from "grievance" arbitration, which is "generally used to arbitrate employee complaints over how an existing collective bargaining agreement is being applied or interpreted by an employer. When a municipal employees' union and the municipality cannot agree to the terms of a new collective bargaining agreement, the law requires them to undergo binding arbitration to determine the contested issues and prohibits the employees from striking."<sup>13</sup>

Nonetheless, SB 63, which passed the Senate in 2014 by a unanimous vote, would have ensured that an arbitrator in a municipal interest arbitration proceeding could begin deciding the case no later than 180 days after the arbitration process began. It would have done so by (1) requiring the municipality and the union representing the municipal employee group to file their last best offers and briefs on unresolved issues (steps which occur after testimony is taken, but before a decision is issued) before that 180-day deadline and (2) prohibiting them from modifying, deferring or waiving the deadline. Although current law specifies numerous deadlines in the arbitration process, it allows the parties to mutually modify, defer, or waive any of them, including the deadline to file the last best offers and briefs on unresolved issues, indefinitely. As proposed, SB 63 would have still allowed the parties to mutually waive or postpone deadlines for steps in the process, but not beyond the 180-day period.

The bottom-line when it comes to the local binding arbitration process in Connecticut: we cannot go on conducting business as usual. Whether we like it or not, we are in an era of limits. **Every mandate has its constituency – but it's time to make the difficult decisions necessary so that we will be able to maintain core government services, while still protecting employee rights.**

These are not radical ideas, instead they are reasonable proposals that could make the process more manageable for all parties involved.

**\* Update the Municipal Employees Retirement System**



The 2015 General Assembly should **address local officials' concerns about the alarming disparity between the contributions rates within the Municipal Employee Retirement System (MERS):**

- (1) **Adjust the employee contribution rates** for non-social security participants, from 5% to 8% over time, and the contribution rate for Social Security participating employees, from 2.25% to 5%, also over time; and
- (2) **Create a new tier within MERS, for new hires, that would maintain a defined benefit plan.** Such new tier would be modeled after the State's tier III, which currently exists within the state employee retirement system.

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<sup>13</sup> Office of Legislative Research Analysis, 2014; sSB 63.

**Adjust the Rates:**

MERS is financed through employer contributions, employee contributions, and fund earnings. It receives no state funding and is administered through the State Comptroller's Office. Over the past eleven years, the State Employees Retirement Commission (SERC), which is authorized by the Legislature to do so, has increased contribution rates for municipalities participating in MERS nine times. However, the Legislature has never increased the contribution rate for employees, as their contribution rates remain today as they were created in 1947 -- 2.25% of payroll earnings for employees in communities that participate in Social Security, and 5% for employees not in Social Security.

Various proposals to adjust these rates have been favorably reported by the General Assembly's Labor & Public Employees committee during the past several years. Most recently, CCM's 2014 proposal (SB 219) passed both the Labor Committee (unanimously) and the Planning & Development Committee by a 15-3 vote. The state's non-partisan Office of Fiscal Analysis reported that the relief proposal would provide "savings to municipalities participating in the Connecticut Municipal Employee Retirement System (CMERS), as it increases the employee share of the pension contribution. Total savings in CMERS employer contributions are estimated to be \$2.3 million in FY 15 and \$5.9 million in FY 16" and that in the out years "total savings are estimated to be \$9.8 million in FY 17 and \$12.6 million in FY 18."<sup>14</sup>

In contrast to its decision to retain its right to make changes in employee contribution rates, the General Assembly delegated the authority to make changes in the municipal contribution rate to the State Employees Retirement Commission. The Commission has exercised that authority often, voting to increase the municipal contribution rate ten times in the past eleven years. By doing so, the Commission upheld its legal obligation to set rates based upon "sound actuarial principles" (C.G.S. 7-441(b), and has kept MERS liabilities reasonably well funded. It has also dramatically shifted the cost burden of funding the system onto municipalities.

This increased financial burden, driven primarily by both the enhanced benefits instituted by the Legislature in 2001, and the stock market losses experienced in the financial crisis, has fallen entirely to municipalities (see chart below). Contributions that were shared on an approximately equal basis in 2002, now fall 80% to the Towns, and only 20% to the employee.

**EMPLOYER CONTRIBUTION RATES**

	POLICE and FIRE		GENERAL EMPLOYEES	
	Soc. Sec.	non Soc. Sec.	Soc. Sec.	non Soc. Sec.
July 2002	2.75	3.75	2.75	3.00
July 2013	16.96	16.01	11.98	13.00
Increase	517%	327%	336%	327%



**Create An Additional Tier:**

It is no secret that the most significant drivers of municipal budgets are employee benefits – beyond that of rising energy and healthcare costs. These are also some of the toughest costs to contain. By establishing a new tier within MERS, modeled after the State's tier III, towns and cities could begin to achieve savings from adjusted retirement and vesting eligibility yet, still preserve a defined benefit plan for new employees. Such a mandate relief proposal would not affect current municipal employees, should be considered a reasonable compromise to addressing local officials' concerns about the financial viability of the retirement system – and fiscal well-being of our hometowns.



<sup>14</sup> Office of Fiscal Analysis, 2014, File No. 113; sSB 219.

The Legislature created both the State Employees Retirement System (SERS) and MERS in the 1940s. The State Legislature made many changes to the State's own pension plan over the years in response to changes in life expectancy, a general evolution in benefit levels, and the resulting need to contain the costs of the system. The original Tier I plan was replaced with Tier II (1984), Tier IIa (1997), Tier III (2011), the Hybrid Plan (2011) and the Alternative Retirement Plan (ARP). These many alterations have been enacted to keep the State's pension plans current, and financially viable. However, the MERS system has never been adjusted with the creation of an additional tier for municipal employees.

In 2001, the State Legislature substantially increased MERS benefit levels from 1.167% per year of service to 1.5%. However, it made no adjustments to other key aspects of the benefits formula. As a result, MERS currently imposes a financial burden which is more reflective of the State's old Tier I plan, a plan which was replaced because it was deemed financially unsustainable. Some of the outmoded aspects of the current municipal retirement system which the 2015 General Assembly should address are:



- MERS retains a low normal retirement age of 55 (50 for Police/Fire) compared to age 60, 62 and 65 in the State's Tier IIa, dependent on service time, and age 63 or 65 for the State's Tier III employees;
- MERS has a five year vesting period as compared to ten years in the State Tier III plan;
- MERS retirement benefits are calculated on the three highest earning years versus five in the newer State plans;
- MERS utilizes no differential in the contribution rate between general and hazardous duty employees. The State Tier IIa and III plans do provide for a differential between these groups of employees (2% vs. 5%); and
- MERS provides a 1.5% benefit level per year of service as compared to 1.33% for the state plans enacted after Tier I.

**Changes to the MERS system are not subject to the collective bargaining process.** Plan benefit levels, contribution rates, and enrollment eligibility in Connecticut municipal pension plans are typically negotiated by the parties. This is not the case in MERS. Upon joining the system, communities agree to its administration by the State Retirement Division, which is part of the State Comptroller's office. For example, that Office determines who is an eligible "member", or what compensation is considered "pay", based upon direct statutory language. At other times, it may issue administrative decisions based upon its best efforts at implementing unclear, unstated, or even conflicting language. None of these efforts are subject to municipal input. There is simply no mechanism for MERS to provide a direct voice to municipalities in the matters of system design, management, or funding.

Although municipalities are technically permitted to withdraw from MERS, they are specifically prevented from realizing any financial benefit by doing so. Legislative language only permits system withdrawal "provided the rights or benefits granted to any individual under any municipal retirement or pension system shall not be diminished or eliminated."<sup>15</sup> Such legislative restrictions preclude any attempts to resolve the current funding crisis through the collective bargaining process.

In 2012, a State Labor Relations Board arbitration panel ruled that the Town of Thompson could enroll new hires in a pension system outside of MERS. The Town shortly received a letter from the Commission informing it that statutory restrictions did not permit such action. Again, local efforts to resolve the issue were precluded by legislative restrictions.

**State lawmakers in the General Assembly are the only permissible source of adjustments to the MERS system.** While the Legislature has recognized the need to make changes in its own plans many times over the past 30 years, it has never implemented such revisions to the municipal system. As a result, the cost for the governmental participants in MERS has more than tripled in the last decade.

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<sup>15</sup> C.G.S. section 7-148(5)(A).

# MORE EFFICIENT LOCAL GOVERNMENT

Doing more with less is a harsh reality for local officials in today's economy. However, in 2014, Connecticut's towns and cities can only post legal notices in the back pages of printed newspapers – putting them online doesn't count. This is an antiquated state law that has out-lived its purpose and should be updated.

## \* Allow Towns the Option to Post Legal Notices Online

The General Assembly should amend this mandate to reflect the realities of today's world and to allow towns and their boards and commissions the option of an alternate means of publishing legal notices.

It is estimated that this 20th century law costs small towns several tens of thousands of dollars annually in advertisement fees, while the costs to larger cities can be as much as hundreds of thousands of dollars per year. According to a recent CCM survey, our hometowns are forced to spend approximately \$4 million of taxpayers' dollars statewide, each year, to for-profit print newspapers companies.

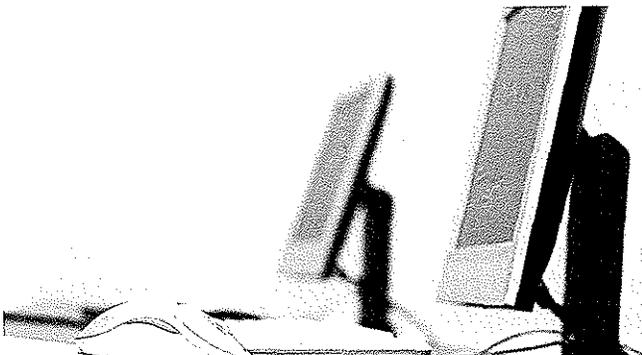
Local officials should be allowed to improve the transparency of government by legally posting notices online, in user-friendly, searchable formats, for all to see – while also saving taxpayers' money. Editors across the state should embrace, not resist, the realities of our world, develop a modern-day business model and work with lawmakers on solutions to this onerous mandate.

In the 21st century, the quickest, most transparent and cost-effective way to get information to the greatest amount of residents is via the Internet. The Internet is where people shop, communicate, do their banking, and share general information. *Municipal and state websites have become a critical lifeline that link living rooms to their governments instantly.* Just like the rise of local cable access stations, the Internet and municipal/state websites have allowed governmental activities to emerge even further into the public spotlight. Despite these obvious advances, in 2014, Connecticut's municipalities continue to be mandated to post their legal notices in printed newspapers with dwindling circulations.

The Internet has become a tool widely used for the dissemination of a wide array of information on all levels. **The State itself has moved to a paperless system in similar ways** – the General Assembly several years ago stopped printing certain bills and legislative documents, and Public Act 12-92 requires proposed state agency regulations to be placed online instead of in paper form. What is amended in the name of efficiency for the State, should also be done for our towns and cities.

Municipalities are **not seeking complete repeal** of the law, but rather a reasonable modification, similar to what was proposed in the 2014 legislative session (the original SB 40). Such a proposal would have **allowed for publishing notice of the availability of a document in local newspapers**, along with a summary and clear instruction as to how to obtain additional information or the complete text of the public document. The proposal would have also allowed notices to be posted in weekly, free newspapers.

The purpose of Section 1-2 of the state statutes was to ensure the public is provided information on governmental actions and issues that may impact them. **No one is seeking to hamper the public's right to know** - rather towns and cities seek a more cost effective and efficient manner in which to provide information. In fact, published legal notices in print copy are not placed in a coordinated manner to allow readers ease of access to the information. If the newspapers were serious about protecting the public's right to know, then all newspapers would have a designated section for all public notices to be listed – for the benefit of readers – complete with a directory listing of the publications' table of contents, in alphabetical order.



## INCREASED TRANSPARENCY

It is important to keep in mind:

- The Internet is **accessible to everyone**. All local libraries are equipped with computers at no cost to the users. Newspapers must be purchased to be read;
- Online readers **can adjust font sizes for reading-impaired** residents, compared to the small print in the back of newspapers;
- Internet sites **can be accessed from anywhere in the world at any time**. Newspapers can only be purchased within the region they serve; and
- Public notices placed on Internet sites **can remain there indefinitely (archived)**, making the information available for a greater amount of time. Notices placed in newspapers are only there for the allotted time paid for.

The reality of this issue boils down to the fact that private newspaper companies continue to cling to a business model that no longer makes sense, as such, they hold a captive client in municipal government. To compound matters, pressure tactics to preserve this state mandate forces towns to essentially subsidize failing private companies. **Citizens should be aware that print newspaper companies receive a direct financial benefit from the State not allowing local public notices to be legally published online** which directly stunts the operation – financial and otherwise – of our communities. See Appendix B which separates the newspaper lobby's "spin" from the facts.

**The 2015 General Assembly should address this costly mandate once and for all** – through thoughtful compromise – and (1) **allow for publishing notices about the availability of municipal documents in local newspapers**, along with a summary and clear instructions as to how to get additional information or the complete text of the public document; and (2) allow notices to be published in **free, weekly newspapers**.

### \* Do Not Force Hometowns to Keep Undesired, Evicted Tenants' Possessions



Although some relief was provided in 2010 by eliminating the mandate that required towns and cities to transport the possessions of evicted tenants – the existing mandate to store such items continues to drain local finances and resources. While municipalities are allowed to try to recoup some of the costs by auctioning off the items, municipalities must incur costs associated with conducting an auction (including publicizing the auction, etc.). And, usually the possessions are not sellable – ultimately, the municipality receives little or no reimbursement.

According to the Office of Legislative Research report #2006-R-0164 "State Laws on Landlord's Treatment of Abandoned Property", of the 37 states researched, **Connecticut is the only state that mandates that municipalities store the possessions of evicted tenants.** In other states, landlords or sheriffs have the responsibility. The tenant evictions mandate is still costly to municipalities. It is estimated that there are about 2,500 residential evictions per year - this is a conservative estimate.

Municipalities should not be forced into the storage business for others' property. It simply makes no sense. Municipalities should not be dragged into each individual landlord-tenant issue. Amending state law, to provide towns and cities the flexibility to decide how and when to allocate their own resources would free our local departments from this unnecessary obligation, and allow municipalities to be more efficient in their day-to-day public works operations.

#### \* **Eliminate the Premium Tax**

The health insurance premium tax on municipalities is 1.75% tax on fully insured municipal premiums. Many municipalities, particularly small towns, cannot reasonably consider self-insurance as an option, because just one catastrophic illness could have a severely negative impact on a local budget. Last session, the Governor proposed, and the Finance, Revenue & Bonding Committee approved, SB 28, which was a much-needed means of relieving towns and cities from this onerous tax.

In addition, however, many self-insured municipalities pay for stop loss insurance and as a result, also pay this state-mandated tax. SB 28 would have been a tangible means of "state mandate relief" for many communities - as it is estimated that the proposed elimination of the premium tax would save municipalities up to \$9 million each year, statewide.

**The 2015 General Assembly should make sure the premium tax on municipal health plans is finally eliminated.**

#### \* **Consolidate Polling Places for Primaries**

Public Act 12-73, approved by the General Assembly, yet vetoed by the Governor, would have among other things, "authorized registrars of voters to reduce the number of polling places for a primary, the location of which may be the same or different than the polling places for the election."<sup>16</sup> Allowing municipalities this option could provide savings by consolidating polling places (when appropriate), and more importantly allow more efficient use of resources on Election Day. It is estimated that a savings in excess of \$10,000 could have been achieved for smaller towns...<sup>17</sup> Public Act 12-73 included safeguards to ensure voters would not be disenfranchised. Most notable:

(1) The Secretary of the State would have had to be notified no later than 60 days prior to the primary;

(2) Signs would have been required to be placed at all closed polling places indicating where voters should go to vote; and

(3) candidates could have confidentially objected to such changes in polling locations.

Legislators should continue to support this particular relief for their communities, and work even closer with the Governor's office to ensure that it becomes law in 2015. Giving towns the ability to consolidate polls is a logical measure of relief and should be achieved without compromising the integrity of our voting process.



<sup>16</sup> Office of Legislative Research, Summary for Public Act 12-73, 2012.

<sup>17</sup> Substitute Senate Bill 218, An Act Concerning Polling Places for Primaries, Governor Dannel P. Malloy veto letter, June 6, 2012.



## DEEP'S PROPOSED MS4 PERMIT:

### Unrealistic Standards with Huge Costs

As local officials seek relief from existing burdensome state mandates, there is a mandate in the works that, as proposed, would have a significantly negative impact on local budgets and personnel. **The 2015 General Assembly should enact legislation to ensure the State Department of Energy and Environmental Protection's (DEEP) General Permit for the Discharge of Stormwater from Small Municipal Separate Storm Sewer Systems (known as MS4 permits) for discharges into waters of the state, is not another costly unfunded state mandate on towns – and is implemented with proper legislative oversight.**

Although the current general permit expires on January 8, 2015, the current general permit will continue to be in effect until January 8, 2016 or until the DEEP Commissioner makes a final decision on the renewal of the general permit, whichever is earlier. As a result, a draft MS4 permit has been issued, which provides "significantly more detail on the requirements and implementation of the six Minimum Control Measures than the current general permit, as well as expanding certain requirements. It also includes an expanded monitoring program covering in-stream and outfall sampling. The number of sample locations in the proposed general permit will vary by MS4 population."<sup>18</sup>

The draft DEEP MS4 permit would impose significant expenses that Connecticut's municipalities would be hard-pressed to meet. If approved, the proposal may result in tax increases, employee layoffs, and/or a reduction in key municipal services.

Specifically, local officials have the following concerns:

- The **increased frequency of required road sweeping by towns and cities.** The proposed schedule would require that (1) main roads, arteries to the main roads, commercial/business district roads and municipal parking lots be swept monthly from April through October, (2) commercial and business district sidewalks must be swept quarterly, (3) residential streets and roads and all other streets must be swept annually and, (4) event gathering places must be swept within 48 hours of the event, or within 24 hours of the event if rain is forecast. *Compliance with this requirement would dramatically increase municipal costs to cover the required increase in labor and needed capital equipment.*
- **Additional sampling and testing of dry and wet weather stormfall monitoring.** This would require increased municipal resources or the hiring of an outside vendor, and result in increased laboratory costs required to analyze the samples.
- The proposed permit would result in **increased municipal costs to meet the Public Outreach and Education requirements**, as well as the costs associated with increasing Public Involvement and Participation. These costs would increase due to state-mandated Freedom of Information Act (FOIA) requirements regarding the noticing of meetings and publication of the Stormwater Management Plan and Annual Report.
- Municipal officials have concerns with the **costs associated with the expansion and implementation of Illicit Discharge Detection and Elimination (IDDE) ordinance**, the requirement to track and locate the source of illicit discharges, and the implementation of program to prevent future IDDEs.

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<sup>18</sup> Notice Of Tentative Determination Intent To Renew A National Pollutant Discharge Elimination System Permit For The Following Discharges Into The Waters Of The State Of Connecticut; [www.ct.gov/deep](http://www.ct.gov/deep).

The draft MS4 permit is not realistic. There needs to be a better balance of protecting the State's water bodies and protecting towns and cities ability to adequately afford and provide services to their taxpayers. State lawmakers should seek reasonable means of reducing the number, scope and costs of the additional requirements that DEEP has proposed such as: **enacting law that specifies any provisions contained within the proposed MS4 permits that go beyond the mandated Federal EPA requirements be removed in order to reduce the fiscal impact on towns and cities.**

Furthermore, lawmakers should advocate that DEEP (1) conduct a comprehensive cost-benefit analysis of the requirements and costs within the proposed permit, to ensure that any increased costs result in measurable improvements to the environment and at reasonable costs to local taxpayers; and (2) establish a collaborative process to fully vet the issues and costs associated with stormwater management – identifying and agreeing on the best scientific approach and viable options for compliance (including timeframes for compliance).

A cooperative process between the State and municipalities would lead to a more effective and cost efficient process for managing stormwater rather than another “top-down” imposed, unfunded state mandate.

## EDUCATION BREATHING ROOM

Although economists have declared that the “Great Recession” officially ended in June 2009, Connecticut towns and cities continue to cope with its crippling effects. This is most evident in the delayed improvements in Connecticut's local public education system. With no shortage of education reform advocates in the legislative and executive branches, there still remains significant and costly state-imposed requirements in the education area.

### \* Let Local Education Breathe and Provide Education Mandates Relief

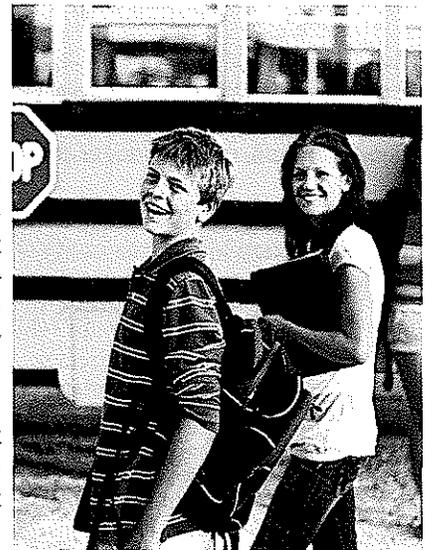
#### Minimum Budget Requirement

The Minimum Budget Requirement (MBR) is a statutory requirement that each town appropriate at least the same amount for education as it did the previous year. The MBR, and its predecessor the Minimum Expenditure Requirement (MER), were originally intended to be companions to ECS that would require towns to spend at least the foundation amount for each student. However, with the foundation remaining virtually flat over the years, minimum spending evolved into a requirement for towns to commit all or most new ECS aid they receive to local education budgets. Eventually any connection to per pupil spending or the foundation ceased to exist.

The MER, which set a minimum amount of local funding for education, was in effect until 2007. In 2007, the MBR was put into place. The original purpose of the MBR was to explicitly prohibit a municipality from supplanting local education funding when it received an increase in ECS funding.

Municipalities are required to budget at least the same amount for education for FY 15 as they did in FY 14. For non-Alliance Districts, any ECS increase in FY 15 must also be used for education and will be subject to the MBR. Reductions of up to 0.5% of the budgeted appropriation are allowed for any of the following, though a district may select only one option.

- Lower enrollment (reduction of \$3,000 per student) or permanently closing a school. The Commissioner of Education would have to approve the reduction due to school closing.
- Documented cost savings resulting from (a) increased efficiencies within the school district, provided the Commissioner of Education approves the savings, or (b) a regional collaboration or cooperative arrangement with one or more other districts.
- A district with no high school paying for fewer students to attend high school outside the district - reduction of its budgeted appropriation by the full amount of its lowered tuition payments.



The MBR for Alliance Districts is their previous year's MBR plus any increase that might be needed to meet an increased minimum local funding percentage. That percentage increases from 21 percent in FY 14 to 22 percent in FY 15.

**The MBR is the State's way of making up for its own underfunding of preK-12 public education.** They do this by forcing towns and cities and property taxpayers to make up for state underfunding with local resources. Unfortunately, school boards, superintendents, and teachers unions support the MBR against the wishes of mayors and first selectmen who lobby hard for the State to meet its funding obligation to towns and cities. The MBR lets the State off the funding hook.

In an era in which governments are looking for budget efficiencies, the MBR is a relic. Virtually every agency in state and local governments is being scrutinized for savings. But the MBR means boards of education and their budgets are protected from such examination. As state education aid fails to keep pace with cost increases – the MBR, as a policy, is impractical and unfair to residential and business property taxpayers. It also means every other local public service, every other local employee, and property taxpayers must pay the price for the State's MBR mandate and the State's chronic underfunding of preK-12 public education.

### **Education Finance Reform**

**Reforming preK-12 public education finance is a key to property tax reform in Connecticut.** Chronic state underfunding of preK-12 public education is the single largest contributor to the overreliance on the property tax in our state. The ECS grant alone is underfunded by more than \$600 million. Special-education costs are now approaching \$2 billion per year and impose staggering per-pupil cost burdens on host communities.

### **Special Education Costs**

**The 2015 General Assembly should enact law that ensures special-education costs are borne collectively by the State and not by individual school districts; and eliminate or modify the MBR mandate on local education spending.** Additionally, state lawmakers should consider suspending, for two years, the myriad of costly unfunded state mandates on school districts, unless necessary to comply with court orders or federal law.

The Bristol Public Schools conducted an analysis of the cost of mandates on their district. **It estimated that complying with state education mandates costs the district almost \$15 million.** See Appendix C for an illustrative example. Surely state lawmakers can muster the political will to at least suspend, repeal or fund some of these education mandates, in order to free up desperately needed local resources.

## **STATE-MANDATED PROPERTY TAX EXEMPTIONS**

What once were laudable public policy objectives may no longer be rational for towns and cities. Case in point: **our home-towns lose staggering amounts of revenue as the result of state-mandated property tax exemptions for real and personal property** owned by the State and by private colleges and hospitals, and other entities. In fact, there are at least 72 mandated property tax exemptions in state statute.<sup>19</sup> These state imposed obligations and state imposed revenue losses force all municipalities to increase their property tax rates. While the State reimburses municipalities for some of the lost revenue through payments in lieu of taxes (PILOTs), those reimbursements fall short.

### **PILOT: Private Colleges & Hospitals**

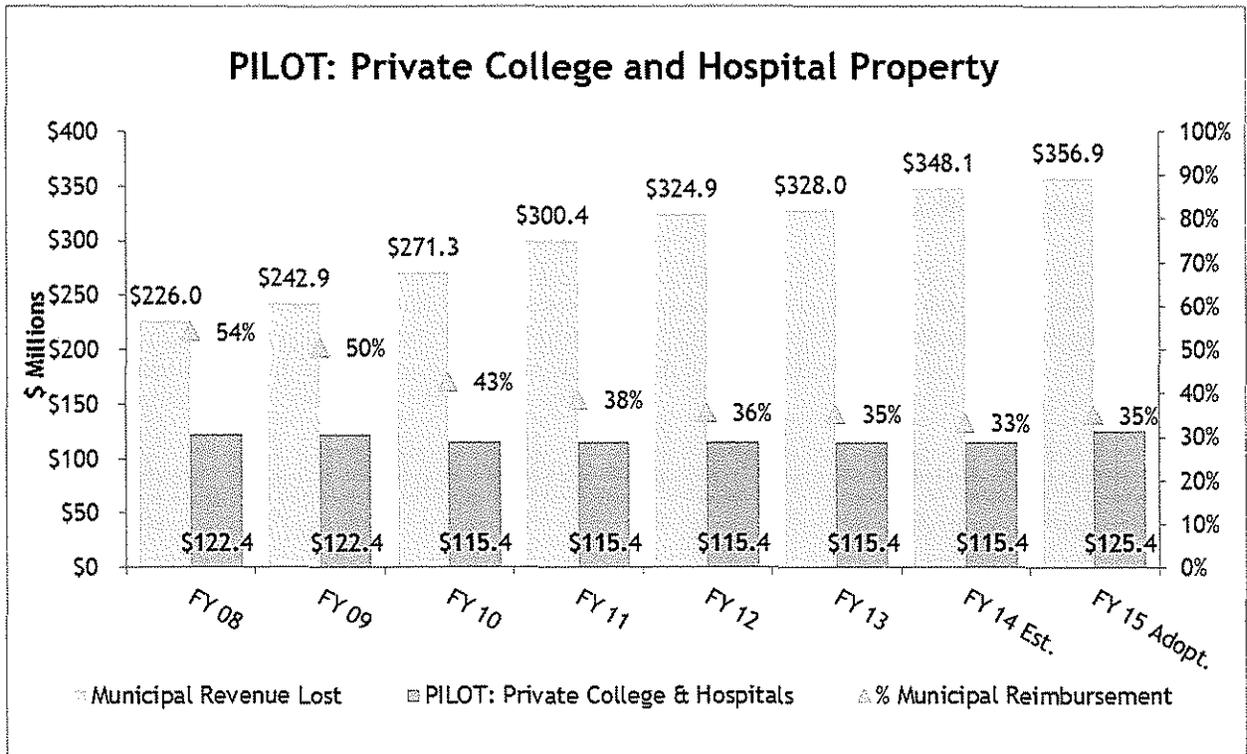
Municipalities receive payments in lieu of taxes (PILOTs) from the State as partial reimbursement of lost property taxes on state-owned and on private college and hospital property. The payments are provided to offset a portion of the lost revenue from state-mandated tax exemptions on this property. This lost revenue totals about \$660 million.<sup>20</sup>

The reimbursement rate for tax-exempt private college and hospital property is supposed to be 77 percent. It is actually 35 percent.

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<sup>19</sup> See Appendix D.

<sup>20</sup> CCM estimate. PILOT reimbursements cover only real property and do not include revenue lost from state-mandated exemptions on personal property.



Source: Adopted state budgets; CCM.

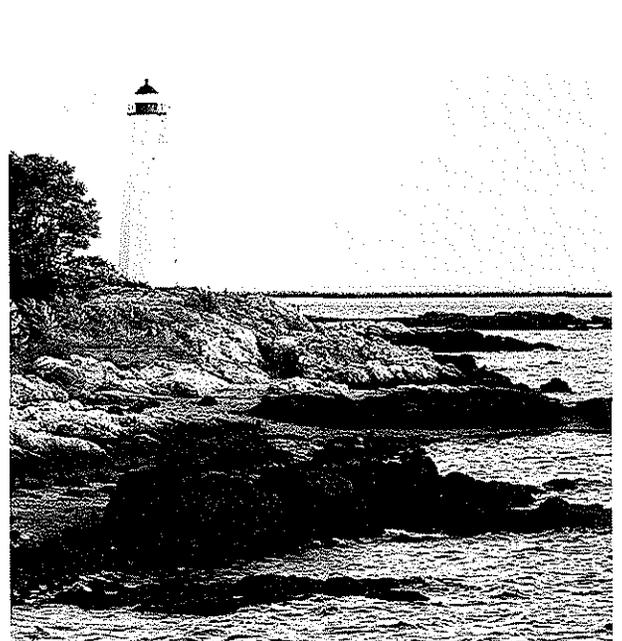
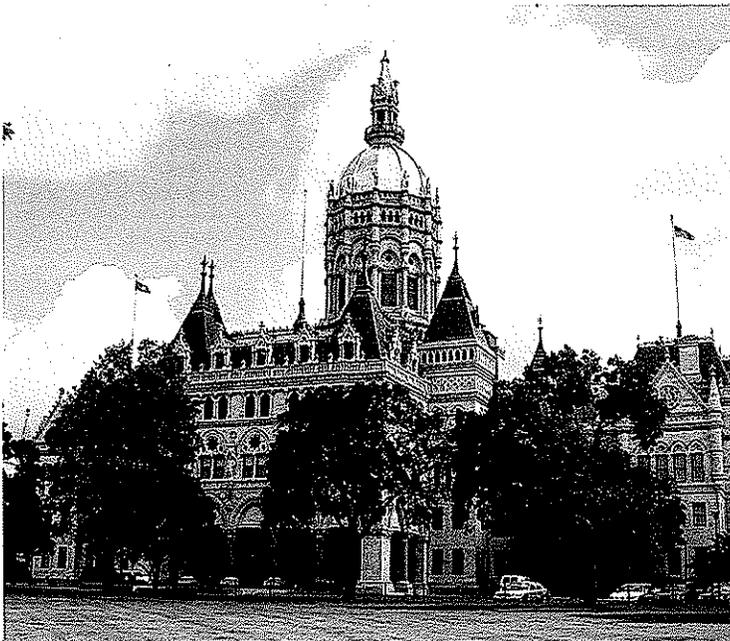
Note: This includes only revenue lost on real property and not additional revenue lost on personal property.

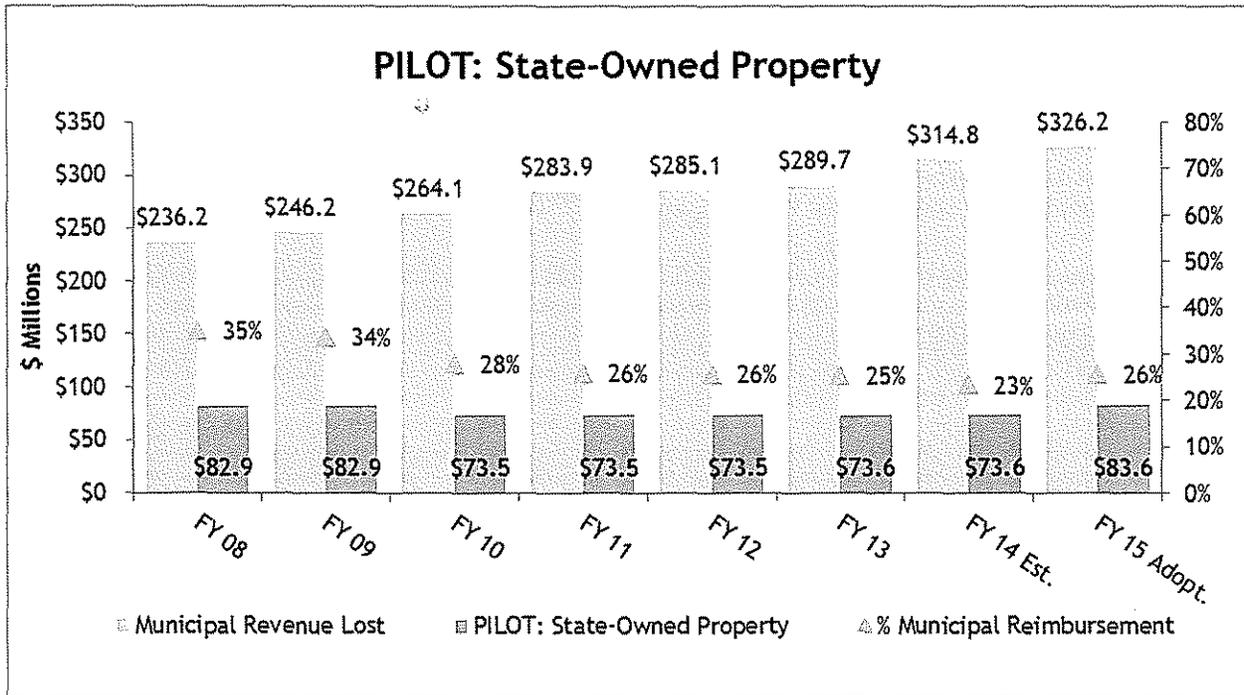
### PILOT: State-Owned Property

Similarly, the reimbursement rate for most state-owned property is supposed to be 45 percent. It is actually 26 percent.

The actual reimbursement rates are lower due to statutes that allow the amount of the PILOT reimbursements to be reduced on a pro-rated basis when state appropriations are not sufficient. In addition, these PILOT reimbursements cover only real property and do not include revenue lost from state-mandated exemptions on personal property.

Many of our poorer towns and cities host the most tax-exempt property.





Source: Adopted state budgets; CCM.

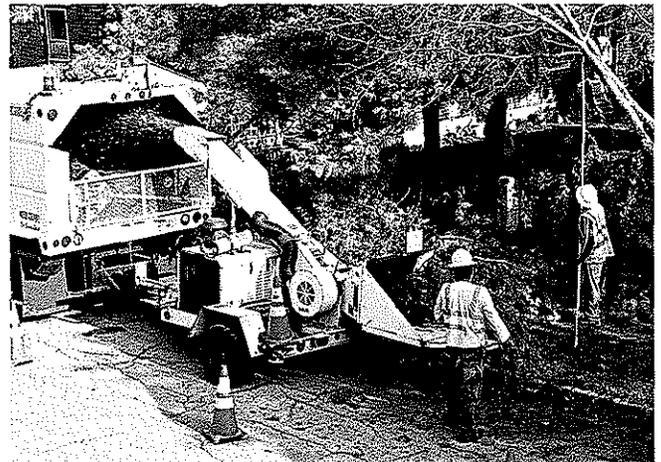
Note: This includes only revenue lost on real property and not additional revenue lost on personal property.

### PILOT: MME – State Commitment Severed

The State mandates that qualified machinery and equipment is exempt from local property taxes. Under the PILOT for manufacturing machinery and equipment (PILOT MME) program, the State was supposed to provide reimbursement to towns and cities in an amount equal to 80 percent of the revenue lost as a result of property tax exemptions. After several years of underfunding the program, the PILOT MME program was eliminated in 2011 and towns and cities lost \$50 million in reimbursement.

When PILOT reimbursements fall short, it forces other residential and business property taxpayers to make up the difference. Thus, other property taxpayers are forced to pay for the State's underfunded and unfunded property-tax exemption mandates.

**State lawmakers should fully fund the private colleges and hospitals, and state-owned property payments-in-lieu-of-taxes (PILOTs) reimbursements.** They should also enact a moratorium on state-mandated property tax exemptions for the duration of this fiscal downturn, or until full state reimbursement is made for those already on the books.



# CLEARLY & FAIRLY IDENTIFY PROPOSED STATE MANDATES

Although the State has become more aware of the impact of unfunded state mandates on municipalities, and their consequences in terms of financial and administrative burdens, much more remains to be done.

The 2015 General Assembly should **take the following actions to improve the process of (a) identifying, (b) promulgating, and (c) quantifying the impact** of these corrosive proposals:

- *Improve the estimation of municipal fiscal impact on proposed legislation to more accurately reflect the costs 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, or that would create or expand property tax exemptions.*
- *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 adequate review 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* and expand the requirement so that proposed property tax exemptions also go before Appropriations. 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 – and recent legislative rules have allowed majority leadership offices broad latitude. 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.



## SUMMARY

The similarities of towns and cities are far more important than those characteristics that distinguish them. Together, as partners with the State, there remains optimism in this new era that local officials can work with the General Assembly and the Governor to achieve our common goal of improving the quality of life throughout Connecticut.

As lawmakers prepare another fiscally challenging legislative session, a seemingly easy solution to the state's budget woes would be to slash state aid to municipalities. Cutting state aid to towns and cities is not the remedy for what ails our state budget. It is imperative that lawmakers resist such a desperate temptation and steadfastly protect our hometown schools, parks, and services. Towns need solutions – not cuts.

The Connecticut Conference of Municipalities has clearly spelled out those solutions – one of which is to eliminate and/or modify toxic state laws known as unfunded mandates.

These onerous laws have become cruel and usual punishment for local governments as they struggle to provide community services to property taxpayers still rapt in a recession. Mandates reliefs as part of the solution to current budget problems – sound simple? It is, and this report has succinctly outlined ways the State could save our communities money so they do not have to layoff police officers, close libraries or cut school programs.

The art of public policy teaches about windows of opportunity and seizing the right moments to enact meaningful change. This upcoming legislative session, state leaders stand on the threshold of a door, larger than any policy window, with the precious opportunity to purge old ways of mandating law and to provide tangible solutions to serious budget problems.

**Mandates relief is part of the solution to current local budget problems.** This report is a tangible starting point for the State to use and help our communities save money and avoid more layoffs, closings, and program cuts. The State should not sit idle as these unfunded state mandates stifle towns' abilities to deliver much-needed day-to-day services and should take advantage of these cost-saving measures.

Let 2015 be the year that lawmakers champion serious unfunded state mandates relief over the well-financed demands of special interest groups.



# APPENDIX A

## Connecticut General Statutes – Chapter 16

### Sec. 2-32b. State mandates to local governments. Definitions.

As used in this section:

(1) “Local government” means any political subdivision of the state having power to make appropriations or to levy taxes, including any town, city or borough, consolidated town and city or consolidated town and borough, any village, any school, sewer, fire, water or lighting district, metropolitan district, any municipal district, any beach or improvement association, and any other district or association created by any special act or pursuant to chapter 105, or any other municipal corporation having the power to issue bonds;

(2) “State mandate” means any constitutional, statutory or executive action that requires a local government to establish, expand or modify its activities in such a way as to necessitate additional expenditures from local revenues, excluding any order issued by a state court and any legislation necessary to comply with a federal mandate;

(3) “Local government organization and structure mandate” means a state mandate concerning such matters as: (A) The form of local government and the adoption and revision of statutes on the organization of local government; (B) the establishment of districts, councils of governments, or other forms and structures for interlocal cooperation and coordination; (C) the holding of local elections; (D) the designation of public officers, and their duties, powers and responsibilities; and (E) the prescription of administrative practices and procedures for local governing bodies;

(4) “Due process mandate” means a state mandate concerning such matters as: (A) The administration of justice; (B) notification and conduct of public hearings; (C) procedures for administrative and judicial review of actions taken by local governing bodies; and (D) protection of the public from malfeasance, misfeasance, or nonfeasance by local government officials;

(5) “Benefit spillover” means the process of accrual of social or other benefits from a governmental service to jurisdictions adjacent to or beyond the jurisdiction providing the service;

(6) “Service mandate” means a state mandate as to creation or expansion of governmental services or delivery standards therefore and those applicable to services having substantial benefit spillover and consequently being wider than local concern. For purposes of this section, applicable services include but are not limited to elementary and secondary education, community colleges, public health, hospitals, public assistance, air pollution control, water pollution control and solid waste treatment and disposal. A state mandate that expands the duties of a public official by requiring the provision of additional services is a “service mandate” rather than a “local government organization and structure mandate”;



(7) "Interlocal equity mandate" means a state mandate requiring local governments to act so as to benefit other local governments or to refrain from acting to avoid injury to, or conflict with neighboring jurisdictions, including such matters as land use regulations, tax assessment procedures for equalization purposes and environmental standards;

(8) "Tax exemption mandate" means a state mandate that exempts privately owned property or other specified items from the local tax base;

(9) "Personnel mandate" means a state mandate concerning or affecting local government: (A) Salaries and wages; (B) employee qualifications and training except when any civil service commission, professional licensing board, or personnel board or agency established by state law sets and administers standards relative to merit-based recruitment or candidates for employment or conducts and grades examinations and rates candidates in order of their relative excellence for purposes of making appointments or promotions to positions in the competitive division of the classified service of the public employer served by such commission, board or agency; (C) hours, location of employment, and other working conditions; and (D) fringe benefits including insurance, health, medical care, retirement and other benefits.

(b) The Office of Fiscal Analysis shall append to any bill before either house of the General Assembly for final action which has the effect of creating or enlarging a state mandate to local governments, an estimate of the cost to such local governments which would result from the passage of such bill. Any amendment offered to any bill before either house of the General Assembly which has the effect of creating or enlarging a state mandate to local governments shall have appended thereto an estimate of the cost to such local governments which would result from the adoption of such amendment.

(c) The estimate required by subsection (b) of this section shall be the estimated cost to local governments for the first fiscal year in which the bill takes effect. If such bill does not take effect on the first day of the fiscal year, the estimate shall also indicate the estimated cost to local governments for the next following fiscal year. If a bill is amended by the report of a committee on conference in such a manner as to result in a cost to local governments, the Office of Fiscal Analysis shall append an estimate of such cost to the report before the report is made to either house of the General Assembly.

(d) On and after January 1, 1985, (1) any bill reported by a joint standing committee of the General Assembly which may create or enlarge a state mandate to local governments, as defined in subsection (a) of this section, shall be referred by such committee to the joint standing committee of the General Assembly having cognizance of matters relating to appropriations and the budgets of state agencies, unless such reference is dispensed with by a vote of at least two-thirds of each house of the General Assembly, and (2) any bill amended by either house of the General Assembly or by the report of a committee on conference in such a manner as to create or enlarge a state mandate shall be referred to said committee, unless such reference is dispensed with by a vote of at least two-thirds of each house of the General Assembly. Any such bill which is favorably reported by said committee shall contain a determination by said committee concerning the following: (A) Whether or not such bill creates or enlarges a state mandate, and, if so, which type of mandate is created or enlarged; (B) whether or not the state shall reimburse local governments for costs resulting from such new or enlarged mandate, and, if so, which costs are eligible for reimbursement, the level of reimbursement, the timetable for reimbursement and the duration of reimbursement.

(June Sp. Sess. P.A. 83-12, S. 1, 2, 5; P.A. 84-124; 84-546, S. 149, 173; P.A. 93-434, S. 16, 20; P.A. 05-288, S. 4.)

History: P.A. 84-124 amended Subsec. (d) to delete requirement that estimate appended to each bill shall indicate type of mandate contained in bill and whether mandate results in no new governmental duties, provides clarifying, nonsubstantive changes, imposes duties which can be accomplished without appreciable cost increase, provides savings which offset costs, imposes cost recoverable from financial aid sources or imposes cost less than \$1,000 for a single local government or less than \$50,000 state-wide, inserting new provisions to require that on and after January 1, 1985, any bill reported by a joint standing committee or amended by either house, which may create mandate, shall be referred to committee with cognizance of appropriations and state agency budgets unless reference is dispensed with by a two-thirds vote of each house, and that any such bill reported by said committee shall contain determination re type of mandate, if any, created, and whether or not state shall reimburse for resulting costs, and, if so, the level, timetable and duration of reimbursement for eligible costs; P.A. 84-546 made technical changes in Subsec. (d), substituting "house" for "branch" in references to general assembly; P.A. 93-434 amended Subsec. (a)(2), defining "state mandate", to delete "state-initiated" before "constitutional", effective June 30, 1993; (Revisor's note: In 1995 the Revisors substituted editorially the Subdiv. designators (A) and (B) for (1) and (2) in Subsec. (d) for consistency with statutory usage); P.A. 05-288 made a technical change in Subsec. (c), effective July 13, 2005.

# APPENDIX B

## Updating Legal Notices Mandate: Protects 'Public Right to Know' AND Saves Tax Dollars

<b>MYTH</b> <i>Industry Claims</i>	<b>FACT</b> <i>The Real Story</i>
<p>Eliminating legal notices will cut more than it saves</p> <p style="text-align: center;">—</p> <p><i>(Journal Inquirer editorial, 3/3/14)</i></p>	<p><b>NOTICE WOULD STILL BE PUBLISHED</b> <i>Saves money AND enhances public access.</i></p> <p><b>No one is seeking to hamper the public's right to know.</b> Rather, local officials seek a reasonable modification to allow for publishing of a brief summary of the notice in local newspapers, along with clear instruction as to how to obtain additional information or the complete text of the public document.</p> <p>This meaningful mandates reform will provide substantive relief to local budgets – <b>millions of dollars of taxpayer money saved annually state wide</b> – while continuing to ensure the public's right to know.</p>
<p>Would make the information readily available to fewer people and more difficult to access</p> <p style="text-align: center;">—</p> <p><i>(Connecticut Daily Newspaper Association testimony - 2014, SB 40)</i></p>	<p><b>ALLOW MUNICIPALITIES TO ENTER THE 21st CENTURY</b> <i>The State is embracing it.</i></p> <p><b>The State is moving to a paperless system</b> - the General Assembly stopped printing certain legislative documents, and PA 12-92 requires all proposed state agency regulations to be placed online instead of published in paper form.</p> <p>The Internet is the quickest, most transparent and cost-effective way to get information to the most amounts of residents.</p> <ul style="list-style-type: none"> <li>• The internet is <b>accessible to everyone</b>. Most people have access to the Internet – either at home or work, and if not libraries are equipped with computers at no cost to the users. Newspapers must be purchased.</li> <li>• The internet can <b>be accessed from anywhere in the world at any time</b>. Newspapers however, are only purchased in the region they serve.</li> <li>• The public notices placed on Internet sites <b>can remain there indefinitely</b>, making the information available for a greater amount of time. Notices placed in newspapers are only there for the allotted time paid.</li> </ul>
<p>Unlike newspapers, towns' website quality is shaky and they're not permanent</p> <p style="text-align: center;">—</p> <p><i>(Courant editorial, 3/13/14)</i></p>	<p><b>UNFOUNDED &amp; OFFENSIVE</b> <i>This claim is a ruse to distract from needed reform.</i></p> <p><b>Municipal officials include custodians of public records who have sworn obligations and professional standards to protect the integrity of such records.</b></p> <p>Newspapers can continue to publish these documents - similar to how they publish a host of other "public information" on their own – without any mandate, if they feel this is important to the right-to-know process.</p>

# APPENDIX C

## Cost of Unfunded and Partially Funded Mandates for 2008-09 Bristol Public Schools Philip A. Streifer, Ph.D.

<b>Partially Funded Mandates</b>	<b>Estimated Funds/ Hours for 2008-2009</b>	<b>Hourly Rate Applied</b>	<b>Extended Cost</b>
Adult Education - Bristol Share (Total: \$512,000)	\$308,581		\$308,581
CAPT Testing - Grade 10	100+ hours per year	\$8,300	\$8,300
CMT Testing - Grades 4/6/8 Expanded Testing	500+ / 45 hours per year	\$45,235	\$45,235
Preparation for mandated science testing in grades 5/8 (2007)	60 hours	\$4,980	\$4,980
English Language Learners - ELL & Bilingual	\$547,916		\$547,916
Special Education District Share (65%)	\$7,549,694		\$7,549,694
<b>Un-Funded Mandates</b>			
ADA accommodations (transportation/signs/elevators)	\$100,000		\$100,000
Alternate Education for Expelled Students (\$12,000 per student)	\$33,300		\$33,300
Air Quality	\$4,000		\$4,000
Asbestos Training for Building Grounds Staff (1 day per year)	\$200		\$200
Background Checks and Finger Printing (Follow-up)	\$1,250		\$1,250
BEST Program (Subs & Oversight)	\$17,000		\$17,000
Bullying Policy (investigations/record keeping/follow-up)	\$7,500		\$7,500
Child Abuse Reporting (200 per year @ \$120 per)	\$24,000		\$24,000
Continuing Education Units (CEU Professional Development) 18 hours per year	\$870,166		\$870,166
CPR/First Aid and Heimlich Training (nurses/coaches/staff)	\$2,000		\$2,000
Hepatitis B (@ \$120)	\$120		\$120
Drug Education (health staff)	\$130,000		\$130,000
ED-001 END OF YEAR SCHOOL REPORT (audit cost)	200 hours and \$30,000	\$16,600	\$46,600
ED-014 MINIMUM EXPENDITURE COMPLIANCE CHECK	2 hours per year	\$166	\$166
ED-156 FALL HIRING SURVEY	2 hours per year	\$166	\$166
ED-163 CONNECTICUT SCHOOL DATA REPORT	64 hours per year	\$5,312	\$5,312
ED-166 DISCIPLINE OFFENSE REPORT	360 hours per year	\$29,880	\$29,880
ED-525 STUDENT DROPOUT REPORT	30 hours per year	\$2,490	\$2,490
ED-540 GRADUATION CLASS REPORT	30 hours per year	\$2,490	\$2,490
ED-006S PUBLIC SCHOOL INFORMATION (PSIS)	\$35,000		\$35,000
ED-612 LANGUAGE ASSESSMENT SCALES DATA COLLECTION	100 hours per year	\$8,300	\$8,300
ED-003 TEACHER/ADMINISTRATORS NEGOTIATIONS	\$25,000		\$25,000
ED-162 NON-CERTIFIED STAFF	8 hours per year	\$664	\$664
ED-607 SURVEY OF TITLE IX COORDINATORS	2 hours per year	\$166	\$166
ED-172 REQUEST 90 DAY CERTIFICATION	10 hours per year	\$830	\$830
ED-1723 REQUEST TEMPORARY AUTHORIZATION FOR MINOR ASSIGN	5 hours per year	\$415	\$415
ED-175 SPECIAL WAIVER FOR SUBSTITUTE	4 hours per year	\$332	\$332
ED-177 REQUEST-DURATIONAL SHORTAGE AREA PERMIT	2 hours per year	\$166	\$166

ED-186 APPLICATION-TEMP/EMERGENCY COACHING PERMIT	2 hours per year	\$166	\$166
ED-017 GRANT APPLICATION NONPUBLIC HEALTH SERVICES	2 hours per year	\$166	\$166
ED-021 OUT OF TOWN MAGNET SCHOOL TRANSPORTATION	6 hours per year	\$498	\$498
ED-111 CASH MANAGEMENT REPORT	60 hours per year	\$4,980	\$4,980
ED-114 GRANT BUDGET REVISION	100 hours per year	\$8,300	\$8,300
ED-141 STATEMENT OF EXPENDITURES FED/STATE PROJECTS	60 hours per year	\$4,980	\$4,980
ED-042 REQUEST FOR REVIEW OF FINAL PLANS	100 hours per year	\$8,300	\$8,300
ED-042CO NOTICE OF CHANGE ORDER	20 hours per year	\$1,660	\$1,660
ED-046 REQUEST FOR SCHOOL CONSTRUCTION PROGRESS PAYMENT	20 hours per year	\$1,660	\$1,660
ED-049 GRANT APP FOR SCHOOL BUILDING PROJECT	100 hours per year	\$8,300	\$8,300
ED-050 SCHOOL FACILITIES SURVEY	2 hours per year	\$166	\$166
ED-053 SITE ANALYSIS	20 hours per year	\$1,660	\$1,660
ED-099-AGREEMENT FOR CHILD NUTRITION PROGRAMS	2 hours per year	\$166	\$166
ED-103 REIMBURSEMENT CLAIM NAT. SCHOOL LUNCH PROGRAM	12 hours per year	\$996	\$996
ED-205 TITLE I EVALUATION REPORT	30 hours per year	\$2,490	\$2,490
SEDAC (SPECIAL EDUCATION INFORMATION SYSTEM)	2,100 hours and \$65,000	\$174,300	\$ 239,300
ED-229 BILINGUAL EDUCATION GRANT APPLICATION	30 hours per year	\$2,490	\$2,490
ED-241/241A ADULT EDUCATION SUMMARY REPORT	30 hours per year	\$2,490	\$2,490
ED-244/244A GRANT APPLICATION FOR ADULT EDUCATION	30 hours per year	\$2,490	\$2,490
ED-245/245A GRANT APPLICATION REVISION-ADULT EDUCATION	10 hours per year	\$830	\$830
ED-236 IMMIGRANT STUDENT SURVEY REPORT	2 hours per year	\$166	\$166
ED-613A STATE DISTRICT CONSOLIDATION APPLICATION	30 hours per year	\$2,490	\$2,490
ED-613B FEDERAL DISTRICT CONSOLIDATION APPLICATION	200 hours per year	\$16,600	\$16,600
Family and Medical Leave Act (@\$6,000 per plus cost of sub)	\$254,200		\$254,200
Sub-cost	\$246,000		\$246,000
Freedom of Information Legal Costs & Administration	\$12,000		\$12,000
Health Insurance Portability and Accountability Act (HIPAA)	5 hours per year	\$415	\$415
Internet Protection Act for Children( software and staff cost)	\$9,000		\$9,000
Jury Duty (50@ cost of sub)	\$3,250		\$3,250
Medicaid Reimbursement (OT/PT/Speech/Psy)	\$60,000		\$60,000
Minority Staff Recruitment	\$7,000		\$7,000
No Child Left Behind Act (NCLB) Report	100 hours per year	\$8,300	\$8,300
Paraprofessional Mandates for Title 1 Schools (highly qualified)	20 hours per year	\$1,660	\$1,660
McKenny-Vento Act	200 hours per year	\$16,600	\$16,600
AYP Reporting/action	350 hours per year	\$29,050	\$29,050
Military Recruitment	40 hours per year	\$3,320	\$3,320
Homeless Transportation (@ \$150 per day for a school year, per student)	\$65,000		\$65,000
Data Collection	750 hours per year	\$62,250	\$62,250
Policy related expenses	300 hours per year	\$24,900	\$24,900
Non-public school transportation	\$982,522		\$982,522

Pesticide Applications Policy	6 hours per year	\$498	\$498
Promotion and Graduation Requirements	500 hours per year	\$41,500	\$41,500
Restraint Training for Special Education and Support Staff	\$10,000		\$10,000
Residency investigation	\$10,000		\$10,000
Restaurant Safety Act (signs)	\$600		\$600
School Records and Retention	\$5,000		\$5,000
School Transportation Safety Reporting	\$5,000		\$5,000
Sexual Harassment Training	\$1,250.00		\$1,250
Student Survey	20 hours per year	\$1,660	\$1,660
Special Education Due Process (proactive)	\$70,000		\$70,000
Special Education Excess Cost our share plus 5% state Reduction	\$700,000		\$700,000
Special Education Coverage at PPT's	5000 hours per year	\$415,000	\$415,000
Gifted and Talented	\$127,722		\$127,722
Strategic School Profiles (SSP) (data collection/reporting)	200 hours per year	\$16,600	\$16,600
Student Physicals and Immunizations (Grades K,7,10)	1000 hours per year	\$83,000	\$83,000
Hearing Screenings	\$30,000		\$30,000
School Medical Advisor	\$6,000		\$6,000
Related Medical Equipment	\$150,000		\$150,000
Summer School or other supplemental services for intervention	\$86,804		\$86,804
Teacher/Administrator Evaluations	\$500,000		\$500,000
Transportation to Regional Vo/AG/Technical Schools	\$297,000		\$297,000
Truancy Reporting (10 per year)	\$30,000		\$30,000
Tuition to Regional Vo/AG schools	\$200,000		\$200,000
Vending Machines	20 hours per year	\$1,660	\$1,660
504 Accommodations	\$35,000		\$35,000

**TOTAL COSTS FOR MANDATES: \$14,733,344**



# APPENDIX D

## State-Mandated Property Tax Exemptions

State-mandated property tax exemptions were worth about \$55.6 billion<sup>21</sup> from the 2011 Grand List.

The following property is exempt from taxation in Connecticut (C.G.S. §12-81):

1. Property of the United States.
2. State property, reservation land held in trust by the state for an Indian tribe.
3. County property (repealed).
4. Municipal property.
5. Property held by trustees for public purposes.
6. Property of volunteer fire companies and property devoted to public use.
7. Property used for scientific, educational, literary, historical or charitable purposes.
8. College property.
9. Personal property loaned to tax-exempt educational institutions
10. Property belonging to agricultural or horticultural societies.
11. Property held for cemetery use.
12. Personal property of religious organizations devoted to religious or charitable use.
13. Houses of religious worship.
14. Property of religious organizations used for certain purposes.
15. Houses used by officiating clergymen as dwellings.
16. Hospitals and sanatoriums.
17. Blind persons.
18. Property of veterans' organizations.
  - a. Property of bona fide war veterans' organization.
  - b. Property of the Grand Army the Republic.
19. Veteran's exemptions.
20. Servicemen and veterans having disability ratings.
21. Disabled veterans with severe disability.
  - a. Disabilities.
  - b. Exemptions hereunder additional to others. Surviving spouse's rights.
22. Surviving spouse or minor child of serviceman or veteran.
23. Serviceman's surviving spouse receiving federal benefits.
24. Surviving spouse and minor child of veteran receiving compensation from Veteran's Administration.
25. Surviving parent of deceased serviceman or veteran.
26. Parents of veterans.
27. Property of Grand Army Posts.
28. Property of United States Army instructors.
29. Property of the American National Red Cross.
30. Fuel and provisions.
31. Household furniture.
32. Private libraries.
33. Musical instruments.
34. Watches and jewelry.
35. Wearing apparel.
36. Commercial fishing apparatus.
37. Mechanic's tools.
38. Farming tools.
39. Farm produce.
40. Sheep, goats, and swine.
41. Dairy and beef cattle and oxen.
42. Poultry.

---

<sup>21</sup> Total value of tax-exempt property, OPM.



43. Cash.
44. Nursery products.
45. Property of units of Connecticut National Guard.
46. Watercraft owned by non-residents (repealed).
47. Carriages, wagons, and bicycles.
48. Airport improvements.
49. Nonprofit camps or recreational facilities for charitable purposes.
50. Exemption of manufacturers' inventories.
51. Water pollution control structures and equipment exempt.
52. Structures and equipment for air pollution control.
53. Motor vehicle of servicemen.
54. Wholesale and retail business inventory.
55. Property of totally disabled persons.
56. Manufacturing facility in a distressed municipality, targeted investment community, or enterprise zone.
57. Machinery and equipment in a manufacturing facility in a distressed municipality, targeted investment community, or enterprise zone.
58. Vessels used primarily for commercial fishing.
59. Passive solar energy systems.
60. Solar energy electricity generating and cogeneration systems.
61. Vessels.
62. Beach property belonging to or held in trust for cities.
63. Any livestock used in farming or any horse or pony assessed at less than \$1000.
64. Property of the Metropolitan Transportation Authority.
65. Manufacturing and equipment acquired as part of a technological upgrading of a manufacturing process in a distressed municipality or targeted investment community.
66. Any motor vehicle owned by a member of an indigenous Indian tribe or their spouse, and garaged on the reservation of the tribe (PA 89-368)
67. New machinery and equipment, applicable only in the five full assessment years following acquisition.
68. Temporary devices or structures for seasonal production, storage, or protection of plants or plant material.
69. Certain vehicles used to transport freight for hire.
70. Certain health care institutions.
71. New machinery and equipment for biotechnology, after assessment year 2011.
72. Real property of regional council or agency.

# APPENDIX E

## 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 as the country has been 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.



# CCM: THE STATEWIDE ASSOCIATION OF TOWNS AND CITIES



The Connecticut Conference of Municipalities (CCM) is Connecticut's statewide association of towns and cities. CCM is an inclusionary organization that celebrates the commonalities between, and champions the interests of, urban, suburban and rural communities. 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 and 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 (headquarters) and in Hartford.

**900 Chapel Street, 9th Floor**  
**New Haven, Connecticut 06510-2807**  
**Tel: (203) 498-3000**  
**Fax: (203) 562-6314**  
**E-mail: [ccm@ccm-ct.org](mailto:ccm@ccm-ct.org)**  
**Web Site: [www.ccm-ct.org](http://www.ccm-ct.org)**

August 19, 2014

Town Manager Matthew Hart  
Beck Municipal Bldg., 4 South Eagleville Road  
Mansfield, CT 06268

Dear Mr. Hart:

It's been a good year! With a reliable stream of assured State funding through Fiscal 2015, the Eastern Regional Tourism District/Mystic Country (ERTD) has been able to enter a year of growth and planning. The enclosed Annual Review for 2013-2014 highlights some of the specific accomplishments and events that have transpired.

Thank you for your part in appointing Anne Smith to represent the town of Mansfield on the Eastern Regional Tourism District Board. She has been instrumental in realizing our mission of representing the 42 towns with 42 voices.

As you look through this report you will see that our small staff, consultants, and dedicated volunteers have indeed been busy achieving some impressive numbers and accomplishments while keeping an eye on future efforts. Please let me know how we can assist you and the Tourism Industry in the future.

Warm Regards,



Ed Dombroskas  
Executive Director

ANNUAL REVIEW 2013-2014

# mysticcountryside

Connecticut | *still revolutionary*



EASTERN REGIONAL TOURISM DISTRICT

After a few years of fiscal uncertainty, I am pleased to report that the past year (2013/14) has been a year of stability and rebuilding. Although the Eastern Regional Tourism District continues to operate with significantly fewer resources than in earlier years, we have crafted new approaches and incorporated new ideas that continue to support and enhance the tourism industry in eastern Connecticut.

I am particularly grateful to the staff and professional consultants who work tirelessly to promote eastern Connecticut as a destination for leisure, business, group and special event travel. Unquestionably, the methods and resources consumers use

to gather information and make decisions, especially about travel, have changed dramatically over the last few years. It is essential as a destination marketing organization that we keep ahead of the technological curve as well as the trends and habits of our potential customers. As you will read in this report, this past year presented many opportunities and challenges. Clearly the efforts of our staff, dedicated volunteers and engaged constituents have been instrumental in maintaining and advancing the tourism industry in eastern Connecticut. I am grateful for their work and look forward to continuing to work with them.

Above: Mystic Seaport, Mystic

On the cover: Inn at Harbor Hill Marina B&B, Niantic. Tim/Martin Photo/Reprinted with permission by The Day



This report provides many details about the activities and accomplishments of the Eastern Regional Tourism District (ERTD) in support of the tourism economy of eastern Connecticut. Highlighted below are some of the specific accomplishments and events that transpired in 2013-14.

### Organization/Finance

Fortunately, as a result of a more stable and positive fiscal picture at the state level, the financial and organizational turmoil that marked prior years did not repeat itself this year. The compromise budget of FY '14 provided funding for Regional Tourism Districts at the same level as FY '13. Further, the budget approved for FY '15 also continues funding for Regional Tourism Districts at the same level. This reliable stream of resources allows for more tactical planning and promotion of the region as a tourism destination.

Given fiscal stability a greater cooperative relationship between the State Office of Tourism and the District was achieved. \$30,000 of the District budget was earmarked for cooperative projects with the State. This money was utilized for promotion of the State and Mystic Country through the Discover New England organization, as well as for online and social media advertising of Mystic Country matched by the Office of Tourism. The District co-op investment of \$30,000 resulted in promotion and advertising at a level of \$50,000. Further cooperative advertising is scheduled for Fall 2014. This will be the first time in over five years that Mystic Country will be in the marketplace for the Fall season.

The Tourism District also became more active in developing cooperative partnerships with our constituents resulting in more extensive promotion and enhanced income. Among these efforts were representing individual properties at trade shows with their brochures; partnering with District properties to attend trade shows which alone the District could not afford to do; negotiating lower advertising rates in important and influential media publications and reselling discounted advertising space to constituents; and sponsored receptions for key constituency groups. These efforts resulted in over \$60,000 in outside revenue to the District.

For nearly four years, the Tourism District office space was provided, as an in-kind contribution, by Joyce Olson Resnikoff of Olde Mistick Village. Never considered a permanent arrangement, the understanding was that as finances stabilized the District offices would move out of the Village. This past year as our financial picture improved, the Mystic Country office of the Eastern Regional Tourism District moved to new space at 27 Greenmanville Avenue, Mystic CT. We minimized disruption by maintaining current telephone numbers and post office. We gratefully acknowledge the generosity of Joyce and express our appreciation for her support of the District.

### Greater Mystic Visitors Bureau

Our partnership relationship with the private sector, the Greater Mystic Visitors Bureau (GMVB), continued throughout the year. Under our written agreement, the GMVB maintained full control over the Mystic.org website while the District developed and maintained all social media content, collecting and submitting website content updates including monthly promotions and calendar entries to the GMVB for posting on Mystic.org. In addition, the District participated in a cooperative paid media plan with the GMVB as well as joint consumer promotions.

It must be noted that the Mystic.org website did experience some technical difficulties during the year. The GMVB is currently engaged in efforts to identify the technical issues and develop solutions.

### Industry Relations

Perhaps one of the most important functions of the District is to provide information, data and support to our tourism constituents, thus

helping their businesses thrive. It is important that the District maintain up-to-date information about each individual constituent so that they may be properly promoted and supported. To that end, the District launched a new web-based resource **Industry.MysticCountry.com**. This non-consumer, industry-based website contains multiple levels of data including current research, co-op advertising opportunities, planning calendars and much more information relevant to the eastern Connecticut tourism industry. An important element of the site is the industry database where each individual constituent can access and update the data for their business utilized in all ERTD efforts.

This year, recognizing the growing importance of social media, the District partnered with the GMVB, Miranda Creative and the Chambers of Commerce to produce two Social Media Boot Camps. These sessions, one in the North and the other in the South, were hands-on opportunities for the industry to learn and apply social media applications to their own operations. Both presentations were well-received and additional opportunities are planned for the upcoming year.

### Northeast

Last year, we reported on the efforts to ensure that Mystic Country fully represented the unique qualities of Northeast Connecticut, sometimes referred to as the "Quiet Corner." We have continued those efforts during the year with monthly meetings of representatives of the towns and businesses in the Northeast. We also concluded a one-year photography project that captured truly outstanding images of the Northeast to be used in our advertising and promotions. In addition, we have made special efforts to represent the Northeast prominently in the *Mystic Country Visitors Guide*, as well as in our blog and social media efforts.

Maintaining communication between our Northeast constituents and the District is of key importance for the tourism industry in that area. We will work diligently to maintain and advance the progress in this area.

### Mystic Country Visitors Guide

The District again partnered with The Day Publishing Company, the Chambers of Commerce and the GMVB to produce a visitors guide for the entire region. This cooperative effort resulted in 150,000 copies of a comprehensive consumer-oriented *Mystic Country Visitors Guide*, the primary fulfillment piece by the District. This was accomplished at no cost to the District. In addition, we also acknowledge the support and generous contribution of the Mashantucket Pequot Tribal Authority in providing storage for the printed guides. By the close of 2013, all guides had been distributed to potential visitors.

### International Tourism

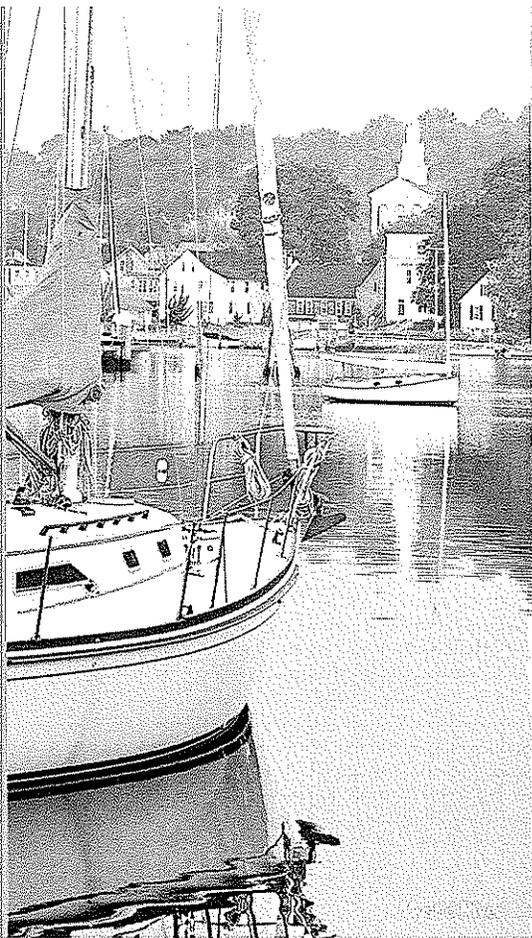
This year we had the unique opportunity, in partnership with the Connecticut Office of Tourism and the six-state consortium of tourism offices called Discover New England, to host the annual tourism summit for international tour operators. By all measures this event was a great success and provided us the opportunity to showcase eastern Connecticut to tour operators who send international travelers to our area. Since it has been 12 years since this event last came to this region, it was a unique opportunity to establish ongoing relationships with this highly valuable segment of the tourism industry.

As you look through this report you will find more detailed information regarding our activities and accomplishments over the past year. Please call on us whenever you feel we can assist you and the tourism industry in Mystic Country.

### Ed Dombroskas

Executive Director

Eastern Regional Tourism District/Mystic Country



## Marketing & Advertising

*Mystic Country Trails Journal* et Harry's Place

In September 2013, the Eastern Regional Tourism District kicked-off eastern Connecticut's fall tourism season at Harry's Place—a National Register of Historic Places site—in Colchester with a media launch of two new regional trail brochures: *Foodie Finds* and *Pet-Friendly*. These two brochures—available for the first time in print—joined the updated *Sundae Drives* and *Antiques Trail* brochures. This launch resulted in both national and local media coverage, prompting requests for the brochures from potential Mystic Country visitors nation-wide.

In 2014, in addition to reprints of our current trails, the ERTD will update and reprint the *Mystic Pizza Trail* brochure, a piece originally created by the Connecticut Film Office.

*By the Day*

**5,965 LEADS**

CT Getaway Guide FSI Fall/Winter 2013-14.

**570 LEADS**

Yankee Magazine full page ad in May/June 2013 Travel issue and listing on Yankee.com.

**353 LEADS\***

CT Visitors Guide 2014: Mystic Country Co-op section.

**516 LEADS\***

Yankee Magazine full page ad in May/June 2013 Travel issue and listing on Yankee.com.

**1,100 LEADS\***

CT Getaway Guide FSI Spring/Summer 2014. Weekly reports are ongoing through September.

*Mystic Country Trails Journal* Fall 2013-14: Managed distribution for 150,000 copies.

2013-14: Provided content for free listings and photography; provided advertising space for northeast advertorial section; negotiated distribution contracts; managing distribution of 150,000 copies

(full run is 250,000 copies – remainder of distribution managed by *The Day*).

*Discover Mystic Country*

Travel Exclusive newsletter emailed to international consumers.

*Connecticut Travel*

In cooperation with the GMVB, the ERTD published a quarterly consumer-based newsletter outlining interesting things to see and do in Mystic Country. The newsletter is distributed to a list of over 50,000 consumers.

\*as of June 15, 2014

## Summer Marketing Campaign

The ERTD participated in a cooperative paid media plan with the GMB for Summer 2013. The online-focused media plan targeted areas of New York, Rhode Island and Massachusetts. The ERTD contributed \$30,000 to the campaign.

### Mystic.org

Total Visits June 1, 2013 – June 1, 2014 = 657,312, down 13.22% when compared year-over-year (June 1, 2012 to June 1, 2013).

Average Pages Per Visit = 2.89, down 34.77% when compared year-over-year (4.42 pages per visit).

Average Time on Site (Average Visit Duration) = 00:02:17, down 37% when compared year-over-year (00:03:38).

In total 544,459 people visited Mystic.org during 2013-14, averaging 45,372 visits per month.

Special ERTD-organized and updated Mystic.org mini-promotions for the 2013-14 year included:

Fireworks in Mystic Country	Get Out on the Water
Sundae Drives	Thanksgiving Eats
Antiques Trail	Foodie Finds
Mystic Country by Fireside	April Vacation
Mystic Pizza Trail	Chocolate Lovers
Gardens & Wine	Farmers Markets
St. Patrick's Day	Summer Music
Pet-Friendly	Cut-Your-Own Tree
Scenic Drives	Egg Hunts in Mystic Country
Holiday Tidings & Santa Sightings	

## Distribution & Fulfillment

150,000 *Mystic Country Visitors Guides* were distributed by the ERTD. Major distribution locations included: 200 AAA offices throughout the Northeast; Bradley Airport; Amtrak Northeast hubs; Fairfield and Westchester County train stations; CT Welcome Centers; New York Thruway and Northern NJ Thruway; I-95 and I-91 in CT and MA; Boston Hotels & Info Centers; New England Tourism Center in Montreal; and various local and regional hotels, restaurants and info centers.

Approximately 10,000 copies of the *Mystic Country Visitors Guide* were mailed or delivered through website requests, phone requests, fulfillment of Mystic Information Center and CTVisit.com requests from individuals, conference and group planners, special event requests and trade show follow-up.

## Sales

### Trade Shows Attended

National Tour Association Travel Exchange (CT/Group)  
American Bus Association Marketplace (CT/Group)  
USTA's International Pow Wow (CT/International)  
PA Bus Association (Group)  
MD Motorcoach Association (Group)  
Discover New England Annual Summit (International)  
Reunion Friendly ConFAM (Group)  
Destinations of New York (Group)  
Yankee Trails World Travel Expo (Group)  
HSMIA MEET with NESCVB (Meeting)  
NEBA Reception (Group)  
DNE Japanese Reception (International)

### Co-op Partners

Mystic Seaport	Quality Inn Mystic
Inn at Harbor Hill Marina B&B	Denison Pequotsepos Nature Center
Mystic Whaler	Roseland Cottage
Florence Griswold Museum	Residence Inn - Mystic
Holiday Inn Norwich	SpringHill Suites - Waterford
Olde Mistick Village	Hilton Garden Inn Preston
Howard Johnson Inn - Mystic	Bellissimo Grande
Foxwoods Resort Casino	Hyatt Place Uncasville
Inn at Mystic	Ocean Beach Park
Nature's Art Village	Mystic Aquarium
The Spa at Norwich Inn	S&P Oyster Company
Willimantic Brewing Company	Captain Daniel Packer Inne
Woodstock Merchants Association	Marriott Hotel & Spa
Greater Mystic Visitors Bureau	Mashantucket Pequot Museum
Mohegan Sun	Mystic Marriott Hotel & Spa

### Leads

Leads from trade shows totaled 421, plus leads from International trade shows attended by Discover New England.

### Requests for Proposals (RFP)

The ERTD distributed 21 RFPs for a total of 5,122 room nights.

One RFP, from the Providence CVB for US Youth Soccer Association Tournaments at URI, totaled 32,370 room nights. Nearly 10,000 room nights will be in Mystic Country (remaining rooms in RI and MA). Contracts were signed for 2013 and 2014.

### Assistance

ERTD assisted a number of meeting planners, tour operators and group leaders with site visits, options for transportation and tours, meals, activities and *Mystic Country Visitor Guides*, maps and brochures.



## Industry Support

### Mystic Country Industry Website

This year the Eastern Regional Tourism District launched **Industry.MysticCountry.com**, an industry resource for Mystic Country travel professionals. The Industry Website is a place to learn about industry-related news, ways to get involved in tourism promotion and marketing opportunities in eastern Connecticut and update property's listings, events and specials in the Eastern Regional Tourism District's Database.

### Sales Committee

Twenty-three members, representing hotels and attractions throughout the ERTD, met quarterly to discuss sales strategies and co-operative projects.

### Northeast Committee

Monthly meetings were held to discuss tourism marketing priorities. Locations for the meetings changed every month throughout the Northeast communities. A major photography project was completed. Photographs from the project are now available for publicity and marketing purposes. Requests from towns, merchant groups, the media and organizations are ongoing.

A full page ad was placed in the *NECT Visitors Guide*.

Through the Windham Chamber, a full page ad was placed in Windham Arts Council's new publication, *CHAT*.

A two-page advertorial about the Northeast was placed in the *Mystic Country Visitors Guide*.

### Discovery Tours with Blackstone Valley Tourism Council

ERTD participated in the second *Southern New England Tour* as part of a program in Rhode Island for residents to learn more about the attractions in their backyard. ERTD developed the *Tasty Temptations* tour with stops in downtown Putnam and Roseland Cottage and Taylor Brooke Winery in Woodstock.

### Brochure Swaps

Two successful Brochure Swaps were held in Mystic and Pomfret, bringing together constituents and their printed materials to share and distribute at the opening of the tourism season. After the Swaps, remaining materials were delivered to Connecticut Welcome Centers.

### Tourism Marketing Boot Camps

ERTD joined with regional partners to produce and deliver two highly successful half-day workshops on Social Media for the tourism marketing professional. These Boot Camps featured sessions on Facebook, Twitter, principles of marketing, public relations and more. Locations were in Mystic and at Danielson.

### Southeastern Connecticut Photo Project

The ERTD has once again funded a professional photographer to gather images of the region, focusing this year on the southeastern area of Mystic Country. These images are available for constituents to use for promotional, communications and marketing purposes free of charge and are used by the ERTD in their media outreach, marketing and promotions.

# Public Relations & Social Media

## Media Outreach

Maintained and continually updated a comprehensive calendar of events for eastern Connecticut. Submitted region wide events to a total of 52 regional media outlet calendars monthly.

Over 200 events were submitted and published annually on behalf of Mystic Country organizations that do not have internal communications staff.

Maintained contact with travel writers and editors. Pitched story ideas about the region and published seasonal email blasts to travel writers and editors offering regional events and feature angles. Outreach involving seasonal mailings, press releases and social media resulted in more than 120 placements over the course of the year featuring Mystic Country events, businesses and travel itineraries. These placements were in addition to calendar listings.

Conducted and hosted travel writers on assignment and/or familiarization tours, including referrals from the state's tourism office, to generate positive press endorsement of the region. Six domestic travel writers and bloggers were hosted last year plus four writers and content producers from Germany, England, Australia, Italy and Austria.

Maintained contact with trade writers who write about unique, off-site event and meeting locations. Four major trade article/mentions of Mystic Country and Mystic Country venues resulted from our outreach and work with these important publications.

Social media (see sidebar) grew in importance as a way to reach media as well as consumers. Media outlets follow @MysticCountryCT for tips and story ideas.

Engaged the assistance of a digital media specialist to help with SEO and blog infrastructure.

Arranged first blogger FAM to Mystic Country followed by Tweet-Up to "converse" about the region and recap the recent visit.

Attended state tourism meetings and coordinated regional efforts with statewide tourism campaigns.

Drafted advertorial and provided images for statewide tourism efforts.

## Consumer Outreach

Produced special themed radio programming. Taped and aired 52 "Mystic Country Moments" segments. Mystic Country Moments airs weekdays and weekends on WELJ 104.7 FM, Q105 105.5 FM and WLLM 98 AM as well as The Wolf 102.3 FM. Each segment offers listeners a round up of events in the 42 town region weekly.

Mystic Country also supported the Windham Regional Chamber of Commerce's *Festivals, Fun and Flair* program on WILI-AM. This weekly program promotes events and fun things to do in the northeast region of Mystic Country and is directed by the Windham Chamber.

## Social Media

Maintained and grew presence on Facebook, Twitter, Pinterest, Instagram, Foursquare and SeeMysticCountryCT.com which together comprise the only region-wide social media network in eastern Connecticut.

In the past year the Mystic Country blog, SeeMysticCountryCT.com, has featured 111 articles discussing events and happenings across Mystic Country.

The new homepage feature allows people to see the beauty and fun of the region at a glance. All blog posts are fed into social media vehicles.

Blog Growth: 18,823 people visited the blog articles with 35,070 pageviews. These numbers are down slightly from the previous period but average session durations are up almost 12%.

Top markets that viewed the blog: Connecticut, New York, Massachusetts, Rhode Island, New Jersey, Florida, California and Pennsylvania. New Jersey is a strong newcomer and New York has moved up a notch to the number 2 position.

## Tourism Constituent Outreach

The ERTD published a monthly Business of Tourism newsletter. This electronic newsletter is sent to over 1,600 industry professionals. For FY 13-14, 25 issues were distributed: 12 standard issues and 13 special announcement issues.

Consulted as needed with regional businesses to assist with marketing tools, social media and promotions.

Cross-pollinated constituent social media sites. Linked news from constituent feeds to Mystic Country's highly trafficked Facebook and Twitter feeds.

## Mystic Country Social Media Outlets\*

### FACEBOOK

facebook.com/MysticCountryCT  
Growth: 19,030 fans to 28,516  
(50% growth)

### TWITTER

twitter.com/MysticCountryCT  
Growth: 1870 to 2682 (43% growth)

### FOURSQUARE

foursquare.com/MysticCountryCT  
Current followers: 421 (12% growth)

### INSTAGRAM

instagram.com/MysticCountryCT  
Growth: 105-656 (525% growth)

### PINTEREST\*

pinterest.com/MysticCountryCT  
GROWTH: 0 to 92

Visit SeeMysticCountryCT.com to view a merging of all of Mystic Country outreach vehicles.

\*as of June 15, 2014



Roseland Cottage - Woodstock

### Media Outlets

that included Mystic Country in their 2013-2014 news as a result of ERTD outreach:

- |                                |                                       |   |
|--------------------------------|---------------------------------------|---|
| Consumer                       | FoodParadiseTV.com                    | The-e-list  |
| AAA Horizons                   | FOX-TV and FoxCT.com, FOX Connecticut | The Hartford Courant  |
| AAA Journeys                   | FunTravels.com                        | The Telegraph, UK   |
| AAA Pet Book                   | Getaway Mavens.com                    | The Villager Newspapers                                     |
| AAAJourneys.com/WebExtras      | GoNewEngland.about.com                | ThePackedBag.com  |
| APP.com (Asbury Park Press)    | Hartford Courant                      | Travel + Leisure Daily Transporter                          |
| ARRIVE Magazine                | Hartford Magazine                     | UrbanMoms.com   |
| Boston Globe                   | Inside Mystic (hibu publication)      | Westchester Family Magazine                                 |
| Boston Globe Magazine          | Martha's Vineyard Times               | Westerly Life   |
| Boston.com                     | Metro NY                              | WFSB-TV and WFSB.com, CBS Connecticut                       |
| BostonEventsInsider.com        | Metrowest Daily News                  | WTNH-TV and WTNH.com, ABC Connecticut                       |
| BostonMagazine.com             | MVTimes.com                           | Willimantic Chronicle                                       |
| Chelsea Groton Bank Newsletter | NetworkConnecticut.com                | WIRE PRESS RELEASE 10/25/2013 - Multiple Markets Nationally |
| Chicago Tribune                | New England Boating Magazine          | WVIT-TV, NBC Connecticut                                    |
| Coastal Connecticut            | New England Wine Gazette              | Yankee Magazine & YankeeMagazine.com                        |
| Coastal Living                 | NewYorkMom.com                        |   |
| CoastalCTmag.com               | NJDigitalMoms.com                     | Trade   |
| Colchester Reminder News       | Norwich Bulletin                      | Bus Tours Magazine  |
| Connecticut Explored           | Norwich Magazine                      | Group Tour Magazine   |
| Connecticut Magazine           | OurGoodFamily.org                     | GroupTravelPlanner.com                                      |
| Connecticut Mommy Poppins      | OutandAboutMom.com                    | Student Group Tour Magazine                                 |
| ConnecticutLifestyles.com      | ProvidenceJournal.com                 |   |
| ConnecticutMag.com             | RealtheKitchenandBeyond.com           |   |
| CTNow.com                      | SmartMeetings.com                     |   |
| Drive I-95 2013                | SouthShoreSenior.com                  |   |
| Eishockey News (Germany)       | The Connecticut Bride                 |   |
| EventsInsider.com              | The Day & TheDay.com                  |   |

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