



TESTIMONY BY MAYOR MARCIA LECLERC, TOWN OF EAST HARTFORD

February 24, 2017

HB 7027 Concerning the State Budget for the Biennium Ending June 30, 2019

Good evening Senator Osten, Representative Walker, Senator Formica, Representative Ziobron, Rep. Genga and members of the Appropriations Committee. My name is Marcia Leclerc and I serve as Mayor of the Town of East Hartford.

I offer the following testimony and plead for your support for the reinstatement of the PILOT MME program and to also highlight how the Town of East Hartford is negatively impacted by the allocations of state funding in the Governor's proposed budget.

PILOT MME

The governor's proposed budget cuts the program that reimburses towns for not levying taxes on manufacturing machinery and equipment. The 20-year-old program known as Payment In Lieu of Taxes Manufacturing Machinery and Equipment or (PILOT MME) was established as an effective incentive for manufacturers to invest in new equipment and the state was to reimburse towns for lost property tax revenue.

Although never making effected municipalities whole, municipalities could count on the State partial reimbursement to municipalities for such lost revenue until 2011. In 2011 the appropriation for the program was capped at \$48 million, reimbursing towns and cities for only 50% of lost revenue, well below what was called for in statute.

The reconstituted grant was paid out of the General Fund and was initially called the Municipal Revenue Sharing Grant. After a few years, it was reconstituted again and became the Municipal Projects Grant. Most recently, it retained the same name but was funded using bond proceeds. In the Governor's Budget, it is eliminated. That decision reduced municipal aid to East Hartford by \$4.4 million due simply to the size of Pratt's manufacturing footprint in East Hartford and the legacy nature of the constitution of the grant.

The proposed Governor's budget eliminates the \$48 million reimbursement to municipalities and negatively impacts municipal revenue. This underfunded mandate penalizes residential and business property taxpayers in municipalities that host such tax-exempt equipment and becomes another unfunded mandate. That decision reduced municipal aid to East Hartford by \$4.4 million due simply to the size of Pratt's manufacturing footprint in East Hartford and the legacy nature of the constitution of the grant.

If the State believes that making manufacturing machinery and equipment property tax exempt is good public policy for Connecticut, it should not force host communities and their property taxpayers to pay for it. There is no way to make up such a loss of revenue other than implementing a significant tax increase.

The state of CT has been a strong supporter of manufacturing and the Governor and legislature has invested significant money in programs to expand the footprint of manufacturing in CT. From educational programs to business loans and

grants for manufactures, these programs seek to ensure expansion and capital for manufacturing while ensuring a workforce pipeline for employers and a career path with higher wage earning potential and benefits for CT workforce. My community of East Hartford can no longer support the state of CT's obligation that diminishes their responsibilities and places the financial burden on my residents who see our mill rate rise, year over year, due in part to the state not keeping their promises to communities.

East Hartford is a distressed municipality with a senior population that makes up one third of the towns total population compounded with higher than average unemployment rates and lower per capita incomes than our neighbors. Our mill rate is 46.5M and is the 5th highest in the state. Ultimately these costs fall disproportionately on the residents and businesses of my community who will bear the financial impact through increased property tax consequences. The elimination of this revenue equates to a 1.65 mill (3.6%) increase which is an additional \$164 every taxpayer in our community will incur.

ECS

Some 20 years ago, East Hartford began a lawsuit seeking a fairer distribution of Educational Cost Sharing Aid. East Hartford took that action because at a State level, insufficient funding of the formula coupled with periodic political adjustments of the formula resulted in insufficient funding to allow East Hartford to provide an equal education to our students.

Today, that lawsuit is commonly called the CCJEF lawsuit and recently, a judge deciding the matter called for a fairer distribution of educational aid. Why does that relate to my testimony today? Well, when the Municipal Aid runs were issued in conjunction with the Governor's Budget which seemingly created a new formula to more fairly distribute municipal aid, East Hartford, the initiator of the CCJEF lawsuit saw a \$3.8 million reduction in its year over year ECS Grant.

As Mayor, knowing our wealth indicators, our student population, and our per pupil spending, it's hard to understand how a distressed community like East Hartford that has suffered for decades with an underfunded ECS formula somehow loses more under this new formula.

I believe I have a partial answer to the issue I just discussed. I'm of the understanding that \$450 million was reallocated away from the ECS formula in order to create a Special Education Grant. Today East Hartford pays \$18 million of its \$90 million Board of Education budget to provide Special Education services. While we would be the recipient of \$5.4 million more of Special Education aid under the new program on a net basis, the reallocation of ECS funding to Special Education simply is a circular movement of money with no overall relief to either the Board or Town budget.

In fact, if the Teacher's Pension contribution is factored against the new Special Education money, no new funding would have been provided by the State while our ECS grant was reduced by \$3.8 million.

Motor Vehicle Mill Rate (MVMR) Grant

Two last point I want to make. While I'm appreciative of the grant sent to drop the town's motor vehicle mill rate to 32, I find myself as Mayor increasing the Real Estate and Personal Property tax mill rate to provide the additional revenue to balance the budget, so again, the money is circular but it doesn't lift the town from raising taxes and that's in a distressed municipality.

LOCIP

Finally, and to my last point, in the revenue runs provided with the Governor's Budget, my community is reported as receiving \$818,900 in new LoCIP aid. I need to point out that because the State ran into a bonding ceiling in December of 2016, what looks to be an increase in aid to my community is in fact, no increase on a year over year basis.

Conclusion

So in the final analysis, while the initial reports state East Hartford received \$2M in aid were widely distributed and panned, the actual impact to my community when you reduce that number by an OFA \$500,000 additional reduction to ECS, the \$818,900 LoCIP increase reporting anomaly, the loss of \$1.7 million of Special Education Excess Costs now received by East Hartford, and the \$1.3 million increase to lower the motor vehicle mill rate which only increases the Real Estate and Personal Property mill rate by a similar amount, my community is actually receiving \$2.4 million less in aid this year than last and last year. Let me also remind you that last year East Hartford aid was reduced by \$2.1 million when you total up the initial \$1.5M of municipal aid reductions coupled with the mid-year losses of \$240,000 in ECS aid plus \$325,000 of Special Education Excess Cost Reimbursements that East Hartford will not receive based on a State notification received this week.

East Hartford urges the Appropriations Committee to review the Governor's proposed budget to be sure that distressed municipalities like East Hartford are not negatively impacted.

Thank you for your time and consideration.

Attachment of Town of East Hartford Analysis of State Aid

The Town of East Hartford
Analysis of State Aid
For the Period June 30, 2017

Description	State Adopted FY 17 Municipal Aid Amounts	Governor's Recommended FY18 Municipal Aid Amounts	State Budget FY17 vs. State Budget FY18 Inc. (Dec)	Comments
ECS (baseline - comes to Town)	41,710,817	38,405,790	(3,305,027)	Foundation grant to the Town
ECS - Alliance District Designation (goes to BOE)	7,364,339	7,364,339	-	Alliance - direct grant to the BOE
Special Education Grant (goes to the BOE?)	-	7,133,197	7,133,197	Special Education - direct grant to the BOE ?
Teacher's Retirement contribution (paid by the BOE)	-	(5,716,884)	(5,716,884)	Payment by the BOE for Teacher's pensions
Sub-total - Education Aid	49,075,156	47,186,442	(1,888,714)	
Adult Education	208,572	217,830	9,258	Direct grant to the BOE
MVMR Grant	2,603,089	3,927,886	1,324,797	Motor Vehicle Mill Rate to 37 and then 32?
M M and E PILOT	-	-	-	Currently Grants for Municipal Projects
MRSA - Sales Tax Sharing	1,274,192	7,036,894	5,762,702	Sales Tax Sharing SB 1
Special Education Reimbursement	-	-	-	No town reimbursement under the new policy
Grants for Municipal Projects	4,447,536	-	(4,447,536)	M M and E PILOT; then MRSA, now a bond
PILOT State Property	555,245	554,538	(707)	UCONN Stadium
PILOT Hospitals and Colleges (NET of Brownfield's bond payment)	487,075	916,085	429,010	Less: \$261,250 Brownfield/ Goodwin Magnets
Additional PILOT (SB 1)	205,669	214,997	9,328	Higher reimbursement percentages - SB 1
Education Transportation	-	-	-	Partial reimbursement for bus transportation
LOCIP	-	818,900	818,900	Capital improvement funded by the State
Pequot Funds	294,020	291,227	(2,793)	Casino Revenue sharing
Town Aid Road	584,370	584,370	-	Dedicated to road repairs and materials
Distressed Municipality Grant	-	-	-	For distressed communities
Sub-total - Non Education Aid	10,659,768	14,562,727	3,902,959	
Total All Aid	59,734,924	61,749,169	2,014,245	

Adjustments:

Lost Town Revenue from Special Education Excess Cost Reimbursement Grant	(1,700,000)
Timing of the LoCIP Grant	(818,900)
Removal of the Impact of the Motor Vehicle Mill Rate Grant	(1,324,797)
Total Adjustments	(3,843,697)
Net Impact of the Governor's Proposal	(1,829,452)
FY 17 Special Education Excess Cost Reimbursement Grant Reduction - Midyear	(325,000)
New Aid Runs supplied by Henry Genga on 2/21/2017	(478,455)
Total Adjustments	(2,632,907)