Distressed Municipalities and Public Investment Communities

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Issue

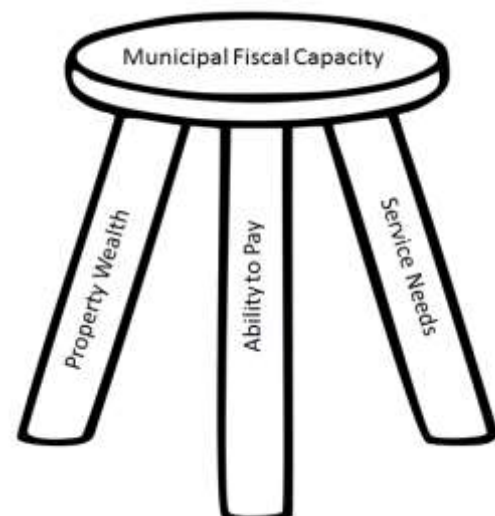Compare and contrast how the state designates distressed municipalities and public investment communities.

Summary

Distressed municipalities and public investment communities (PIC) are lists of the state's most fiscally and economically distressed municipalities. Both are prepared annually based on statistical indicators that measure the fiscal capacity of each municipality based on its tax base; the personal income of its residents; and, indirectly, the residents' need for public services (Figure 1). State agencies use the lists to target funds to the designated municipalities.

The number of indicators and the methods used to designate both groups vary. The most significant differences are the number of municipalities that can be designated (25 for distressed municipalities, 42 for PICs), the number and types of indicators used to score and rank municipalities (nine for distressed municipalities, five for PICs), and the formulas for calculating the scores. The formula for identifying distressed municipalities is the sum of a municipality's indicator rankings. The formula for identifying PICs is also the sum of a municipality's

Figure 1: Municipal Fiscal Capacity

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indicator scores, but these scores are based on the extent to which the indicator value for a specific municipality diverges from the value for the lowest ranked municipality, such as the municipality with the highest unemployment rate or the lowest per capita income (i.e., the variance).

In 2017, all of the municipalities that were designated as distressed were also designated as PICs, but many had significantly different rankings, reflecting the differences in the methods used to designate both types of municipalities.

Purpose

Distressed municipalities and PICs are lists of the state's most fiscally and economically distressed municipalities that the Department of Economic and Community Development (DECD) and the Office of Policy and Management (OPM), respectively, prepare and update annually. DECD designates distressed municipalities as an eligibility criterion to fund economic development projects (CGS § 32-9p). Other agencies also use the designation as a criterion to fund open space, brownfield remediation, and Urban Act projects. OPM first designated PICs in 1991 to identify fiscally distressed municipalities for economic development funding. Although the legislature stopped funding these grants in 1993, it continued to use the PIC designation as a criterion for funding certain housing, insurance, and economic development programs (CGS § 7-545).

Methodology

Distressed municipalities and PICs are designated using similar statistical indicators but different scoring and ranking formulas. The cutoff for making each list is also different. Table 1 highlights these key differences.

Table 1: Major Differences between Distressed Municipalities and PIC Designations

Designation Elements	Distressed Municipalities	PICs
Number of Indicators	9	5
Formula	Each municipality's total indicator rankings multiplied by the weight (in most cases 1)	Each municipality's indicator ranking adjusted by the gap or variance between municipalities indicator scores
Number of designated municipalities	25	42

Indicators

The statistical indicators used to designate both types of municipalities broadly measure a municipality's fiscal capacity to fund services. Both use indicators related to taxable property (i.e., adjusted grand list per capita); the ability of residents to pay for services (i.e., per capita income); and, indirectly, the need for services (i.e., unemployment rate). The distressed municipalities' indicators also include the age of housing stock; percent change in per capita income, population, and employment; percent of population with at least a high school degree; and percent of population below the poverty level. The PIC indicators also include equalized mill rate and percent of population receiving Temporary Family Assistance.

Table 2 compares the distressed municipalities and PIC indicators grouped according to three broad categories of municipal fiscal capacity—property wealth, ability to pay, and service needs.

Table 2: Comparison of 2017 Distressed Municipalities and PIC Indicators

Distressed Municipalities Indicators	*PIC Indicators*
• Adjusted equalized net grand list per capita in 2017-2018 • Percent of housing stock in 2015 that was built before 1939 • Per capita income in 2015 • Percent change in per capita income from 2000 to 2015 • Percent change in population from 2000 to 2010 • Percent change in employment from 2006 to 2016 • Percent of population in 2015 with at least a high school degree • Poverty rate in 2015 • Unemployment rate for 2016	• Adjusted equalized net grand list per capita (AENGL) • Per capita income • Equalized mill rate • Per capita Temporary Family Assistance • Unemployment rate

Source: DECD and OPM

Formulas

The formulas for designating distressed municipalities and PIC are significantly different. The former is mostly based on a municipality's numerical rank for each indicator. The PIC formula is based on the spread or difference between the indicator's value for a specific municipality and the indicator's value for the municipality with the highest value (e.g., the difference between the unemployment rate of a specified municipality and rate of the municipality with the highest rate).

Distressed Municipalities. The distressed municipalities' formula is relatively straightforward.

1. For each indicator, municipalities are ranked from highest to lowest and assigned a score equal to their rank multiplied by the indicator's assigned weight, in most cases, 1 (i.e., indicator score; the lower the rank, the higher the score).

2. Each municipality's indicator scores are totaled.

3. Municipalities are ranked from highest to lowest based on this total.

4. The top 25 ranked municipalities are designated "distressed municipalities."

Because New London ranked 1st among the 2017 distressed municipalities, we show, in Table 3, how its total score was calculated.

Table 3: Calculating New London's 2017 Distressed Municipalities Score

Distressed Municipality Indicator	Indicator Score Calculation		
	Rank	Weight	Score
AENGL per capita in 2017-18: $14,092	164	1	164
Percent of housing stock in 2015 built before 1939: 51.8%	169	.33	56
Per capita income for 2015: $21,736	163	1	163
Percent change in per capita income 2000 to 2015: 17.9%	156	1	156
Percent change in population from 2000 to 2010: 7.6%	59	1	59
Percent change in employment from 2006 to 2016: -12.8%	163	1	163
Percent of population in 2015 with at least a high school degree: 82.5%	164	1	164
Poverty rate for 2015: 25.3%	167	1	167
Unemployment rate in 2016: 7.2%	165	2	330
Total Score			1,422
Overall Rank			1

Date Source: DECD

PIC. The PIC formula uses fewer indicators, but treats them differently. Instead of scoring municipalities based on their indictor rank, the PIC formula scores them based on where a municipality's indicator value falls between the municipalities with the lowest (i.e., 1st percentile) and highest (100th percentile) indicator values. Using the unemployment rate as an example, a municipality's score increases the closer its unemployment rate is to that of the municipality with the highest rate.

To visualize how the variance calculation works, consider a hypothetical example involving the physical distance between a municipality and the state's capitol. The state determines that fiscal health of a municipality tends to decline the further away it is from the capitol. To offset this geographic effect, the state decides to base the amount of a municipal grant on the distance between a municipality and the capitol. The distance between the capitol and the furthest municipality is 100 miles.

Given these factors, a municipality's grant amount depends on how far it is from the capitol, relative to the furthest municipality. The amount is in proportion to its share of the 100 mile distance between the capitol and the furthest municipality. If the state sets the maximum annual grant amount at $1 million, the furthest municipality would receive the maximum amount while a municipality located 75 miles from the capitol would receive $750,000 (i.e., 75 miles divided by 100 miles (0.75) times $1 million).

Table 4 provides an example of how New London's unemployment rate and per capita income PIC scores were calculated.

Table 4: Calculation of New London's Unemployment and Per Capita Income PIC Scores

Step 1: Determine Indicator Rank	
For each indicator, rank the municipalities from lowest (1st percentile) to the highest (100th percentile)	
Unemployment Rate for 2015-2016 • Lowest: 3.3% (1st Percentile (Canaan, Cornwall, Salisbury, and Roxbury)) • Highest: 10.2% (100th percentile, (Hartford))	Per capita Income 2013 • Lowest: $16,619 (1st percentile (Hartford)) • Highest: $97,498 (100th percentile (New Canaan))
Step 2: Calculate the Indicator Variance	
For each indicator, calculate the variance between the highest and lowest indicator value	
Unemployment Rate Indicator Variance • 10.2% minus 3.3%=6.9% • Indicator Variance: 6.9%	Per Capita Income Indicator Variance • $97,498 minus $16,619=$80,879 • Indicator Variance: $80,879

Table 4 (continued)

Step 3: Calculate Municipality's Indicator Score	
Calculate the municipality's indicator score, incorporating the variance in the calculation	

New London's Unemployment Rate Indicator Score:
▪ Subtract the lowest municipal unemployment rate from New London's rate
    ○ 7.9% (New London) minus 3.3%=4.6%
• Divide the result by the variance:
    ○ 4.6% divided by 6.9%=.6666
• Multiple the result by 100:
    ○ .666 X 100=66.67
• New London's Unemployment Indicator Score: 66.71
	New London Per Capita Income Indicator Score
	• Subtract the lowest municipal per capita income from New London's per capita income
	    ○ $21,668 (New London) minus $16,619=$5,049
	• Divide the result by the variance:
	    ○ $5,049 divided by 80,879=.0624
	• Multiple the result by 100:
	    ○ .0624 X 100=6.24
	• Subtract the result from 100:
	    ○ 100-6.24=93.76
	• New London's Per Capita Indicator Score: 93.76

Step 4: Total Indicator Scores	
New London's Indicator Scores:	
• 2014 adjusted equalized net grand list per capita:	99.19
• 2013 per capita income:	93.76
• 2014 equalized mill rate:	51.24
• 2015-16 Per capita Temporary Family Assistance:	49.72
• 2015-2016 Unemployment rate:	66.71
• Total score:	360.61

Step 5: Rank the Municipalities According to Total Indicator Score, Designating Top 42 as PICs

Rank and Scores for Selected Municipalities
    ○ Hartford (1): 490.48 points
    ○ New London (6): 360.61 points
    ○ Ridgefield (165): 136.36 points
    ○ Greenwich (169): 23.39 points

Date Source: compiled by OLR using OPM data

Differences in Distressed Municipalities and PIC Ranking

A comparison of the 2017 distressed municipalities and PIC rankings shows that the 25 distressed municipalities were also PICs, but their rankings varied, in some cases, significantly. Table 5, which compares the 2017 distressed municipalities and PIC rankings, shows that 10 distressed municipalities had a higher PIC ranking; 12, a lower ranking; and three, the same ranking.

Table 5: 2017 Distressed Municipalities and Public Investment Communities

Municipality	Distressed Municipality Ranking	PIC Ranking	Difference
New London	1	6	-5
Ansonia	2	10	-8
Waterbury	3	3	0
Derby	4	12	-8
New Britain	5	2	+3
Hartford	6	1	+5
Bridgeport	7	4	+3
Putnam	8	33	-25
East Hartford	9	8	+1
West Haven	10	15	-5
Norwich	11	11	0
Windham	12	7	+5
Sprague	13	14	-1
Bristol	14	16	-2
Meriden	15	9	+6
Torrington	16	18	-2
Enfield	17	35	-18
Griswold	18	24	-6
Naugatuck	19	13	+6
New Haven	20	5	+20
Killingly	21	21	0
Plymouth	22	19	+3
Montville	23	38	-15
Chaplin	24	32	-8
East Haven	25	22	+3
Sterling	Not applicable	17	Not Applicable
Plainfield		20	
Manchester		23	
Winchester		25	
Stafford		26	
Hamden		27	
Vernon		28	
Middletown		29	
Stratford		30	
Bloomfield		31	
Seymour		34	
Scotland		36	
Mansfield		37	
East Windsor		39	
Plainville		40	
Brooklyn		41	
Voluntown		42	

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