STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

January 10, 2019

Dear Chief Elected Municipal Official:

Subsection (h) of Connecticut General Statute, *Sec. 4-66l. Municipal revenue sharing account. Motor vehicle property tax grants. Municipal revenue sharing grants. Regional services grants* established a municipal expenditure cap. Pursuant to the law each municipality shall annually certify to the Secretary of the Office of Policy and Management (OPM) whether the municipality's adopted budget expenditure has exceeded the previous fiscal year by 2.5% or the rate of inflation, whichever is higher.

Although OPM is required to collect this certification, the adopted biennial state budget for fiscal years 2018 and 2019 does not include a penalty for exceeding the expenditure cap for municipal grants. Additionally, PA 148-81 eliminated grant funding during fiscal year 2020 and 2021. Depending on any legislative action during the 2019 session of the General Assembly, there may or may not be related penalties.

Attached is the legislation and the Municipal Spending Cap Certification Form. The form may also be found online at www.ct.gov/opm under the Comprehensive Planning and Intergovernmental Policy Division. Please complete, sign, scan and email it to Martin.Heft@ct.gov by February 11, 2019.

Please note that while the language in subsection (h) provides some very general guidance regarding what expenditures are considered outside of "municipal spending", it does not provide definitions or specific guidance. OPM believes that it is the intent of the law to exclude business-type activities from municipal spending. With this in mind, you will need to interpret the language in the statute and make those determinations for your municipality. Please be consistent across fiscal years when doing so.

Sincerely,

Melissa McCaw
Secretary

450 Capitol Avenue Hartford, Connecticut 06106-1379
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Sec. 4-66*l*. Municipal revenue sharing account. Motor vehicle property tax grants. Municipal revenue sharing grants. Regional services grants.

Subsection (h) (1) Except as provided in subdivision (2) of this subsection, for the fiscal year ending June 30, 2018, and each fiscal year thereafter, the amount of the grant payable to a municipality in any year in accordance with subsection (d) or (f) of this section shall be reduced if such municipality increases its adopted budget expenditures for such fiscal year above a cap equal to the amount of adopted budget expenditures authorized for the previous fiscal year by 2.5 per cent or more or the rate of inflation, whichever is greater. Such reduction shall be in an amount equal to fifty cents for every dollar expended over the cap set forth in this subsection. For the purposes of this section, (A) "municipal spending" does not include expenditures for debt service, special education, implementation of court orders or arbitration awards, expenditures associated with a major disaster or emergency declaration by the President of the United States, a disaster emergency declaration issued by the Governor pursuant to chapter 517 or any disbursement made to a district pursuant to subsection (c) or (g) of this section, budgeting for an audited deficit, nonrecurring grants, capital expenditures or payments on unfunded pension liabilities, (B) "adopted budget expenditures" includes expenditures from a municipality's general fund and expenditures from any nonbudgeted funds, and (C) "capital expenditure" means a nonrecurring capital expenditure of one hundred thousand dollars or more. Each municipality shall annually certify to the secretary, on a form prescribed by said secretary, whether such municipality has exceeded the cap set forth in this subsection and if so the amount by which the cap was exceeded.

(2) For the fiscal year ending June 30, 2018, and each fiscal year thereafter, the amount of the grant payable to a municipality in any year in accordance with subsection (d) or (f) of this section shall not be reduced in the case of a municipality whose adopted budget expenditures exceed the cap set forth in subdivision (1) of this subsection by an amount proportionate to any increase to its municipal population from the previous fiscal year, as determined by the secretary.

(i) For the fiscal year ending June 30, 2020, and each fiscal year thereafter, the amount of the grant payable to a municipality in any year in accordance with subsection (f) of this section shall be reduced proportionately in the event that the total of such grants in such year exceeds the amount available for such grants in the municipal revenue sharing account established pursuant to subsection (b) of this section.