

Connecticut Municipal Budget Adoption Experiences for 2017-18 & 2018-19

This report covers the 28th and 29th years that the Advisory Commission on Intergovernmental Relations (ACIR) has studied budget adoption experiences of the state's 169 municipalities and 17 regional school districts. Data are derived primarily from survey forms returned by municipalities and regional school districts, augmented by other sources, including municipal and media websites.

Unlike the annual reporting of previous years, this report covers a two-year period. As many readers will remember, the long-delayed adoption of the state's FY 2017-18 budget disrupted that year's budget adoption process for many municipalities. By the time it seemed appropriate to request information about the year's budget process, municipalities and school districts were already developing their 2018-19 budgets. The ACIR chose instead to postpone that year's study and to collect two years of data following the completion of the 2018-19 budgets.

The experiences of 2017 drew attention to assumptions that are made when a municipality adopts its budget before the state adopts its own budget. For many municipalities, intergovernmental revenue from the state makes up a greater proportion of their budgets of than in the past, reducing the ability of municipalities to accommodate unforeseen changes.

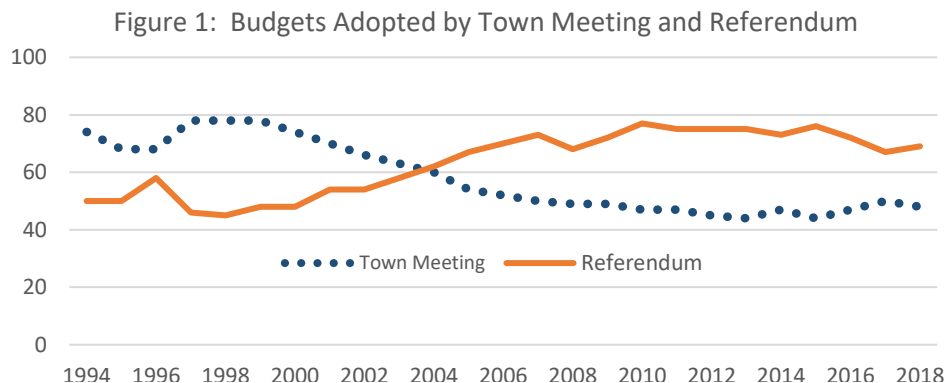
The ACIR appreciates any suggestions that can help refine its studies of municipal budget adoption experiences or identify additional factors to explore.

Method of Municipal Budget Adoption

As reflected in Table 1, there has been little variation in the mechanism by which municipalities have adopted budgets in recent years. The turmoil accompanying the 2017-18 budget adoption process had surprisingly little impact on the number of votes required to adopt that year's municipal budgets.

Table 1	Budget Adoption Body					Total Number of Votes			
	2015	2016	2017	2018		2015	2016	2017	2018
Town Meeting	44	47	50	48	1 Vote	149 (84%)	154 (91%)	149 (84%)	152 (90%)
Referendum	76	72	67	69	2 Votes	12 (8%)	7 (4%)	11 (7%)	8 (5%)
Council	34	34	36	36	3 Votes	6 (4%)	7 (4%)	4 (2%)	6 (4%)
Rep. Town Mtg.	8	8	8	8	4 Votes	1 (2%)	1 (1%)	2 (1%)	2 (1%)
Other	7	8	8	8	5+ votes	1 (1%)	0 (0%)	1 (1%)	0 (0%)

As illustrated in Figure 1, referendums became the most common means of budget adoption in the mid-2000s.



In the early years of ACIR budget studies, an average of 74 municipalities adopted their budget by town meeting and 50 did so by referendum. That changed during an approximately ten-year period beginning in the late 1990s, however, when there was a steady increase in the tendency of municipalities to adopt their budget by referendum, matched by a decline in town meetings. By the end of that period, the numbers had reversed and have remained relatively stable since that time.

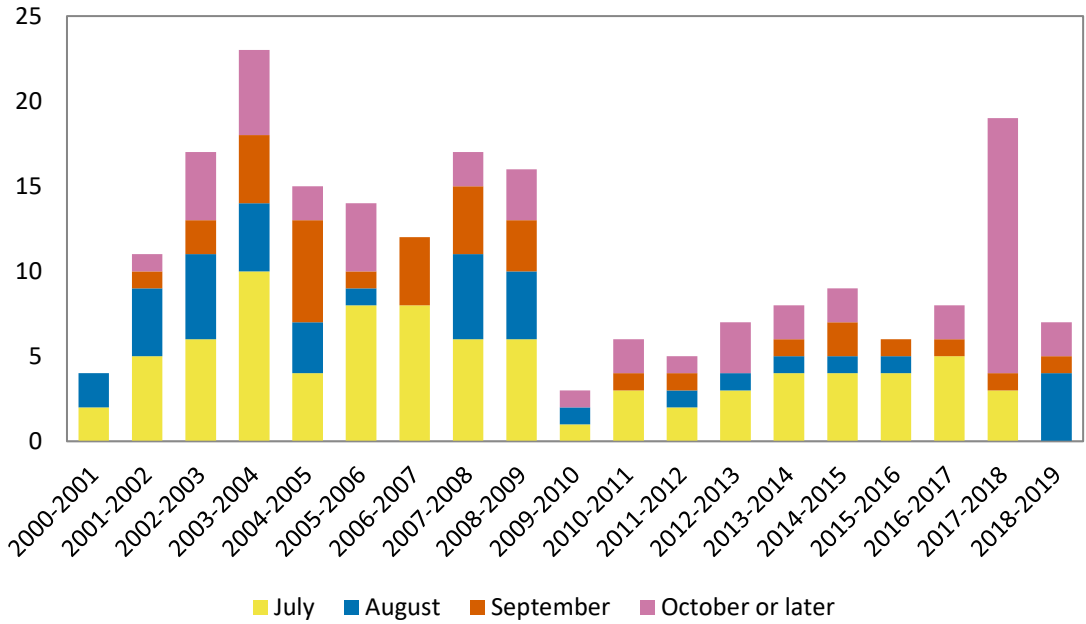
Town meetings have been described as being the purest form of democracy, so it seems noteworthy that so many municipalities that adopted their budget by town meeting as recently as twenty years ago now adjourn the town meeting to a referendum for the vote. Norman Rockwell painted a New England town meeting, not a referendum, but a number of towns seem to have decided that they prefer a referendum. The ACIR has not studied this, but a referendum might offer more convenience, as well as privacy for many potential voters.

The Timing of Budget Adoption Votes

When a municipality has not adopted a budget by the July 1 start of the fiscal year, [Connecticut General Statutes Section 7-405](#) (CGS 7-405) allows the municipality to make necessary expenditures as authorized by the budget-making authority for up to ninety days. If a budget still has not been adopted by the end of that 90-day period, a municipality may make necessary expenditures on a month-by-month basis, within the limits of appropriations specified in budgetary line items for the previous fiscal year. This does not apply to charter towns, which may adopt their own provisions.

Delays in the adoption of a municipal budget have been considered evidence of municipalities potentially facing internal division or challenging economic conditions. In recent years, relatively few municipalities were unable to adopt a budget prior to the July 1 start of the fiscal year. Twice as many municipalities tended to do so in the previous decade. In 2017-18, however, nineteen municipalities adopted their budget after July 1, as indicated in Figure 2.

Fig. 2 Number of Budgets Adopted after Beginning of Fiscal Year



Based on just the total number of budgets adopted after the beginning of the new fiscal year, FY 2017-18 would not have been an outlier in the previous decade. No fewer than eleven and as many as 23 municipalities were delayed in adopting their budgets from 2001 to 2008. What stands out about the FY 2017-18 budget adoption cycle is the duration of the delays. Only four of that year's budgets were adopted during July-September, an unusually low total because that is the period that most delayed budgets tend to be adopted. Following that

lull, fifteen municipalities adopted their 2017-18 budget in October or later, including two that adopted their budget in early 2018. That is unmatched by any year of the 2000s, despite the higher frequency of delayed budgets in that decade.

An intriguing aspect of the 2017-18 budget adoption cycle is that, of the fifteen municipalities that adopted their budget in October or later, eleven apparently did not even vote to adopt a budget before October. Most of them, furthermore, adopted their budget with their initial vote. Historically, adoption of a budget so late tends to follow a series of failed votes and the ACIR has interpreted such delays as evidence of division within a municipality. The apparent ease with which municipalities were ultimately able to adopt their delayed 2017-18 municipal budgets highlight that delays in municipal budgeting can signal division at the level of the state. That year's experience highlights how uncertainties in state funding decisions impact municipalities.

The following Figures 3a and 3b display budget adoption mechanisms on a month-by-month basis. While it is a small sample size, statistically-speaking, it seems noteworthy that longest-delayed budgets of 2017-18 were adopted by the three mechanisms most commonly used during the typical budget adoption season and in relatively similar proportions.

Fig. 3a 2017-18 Budget Adoption Method by Month

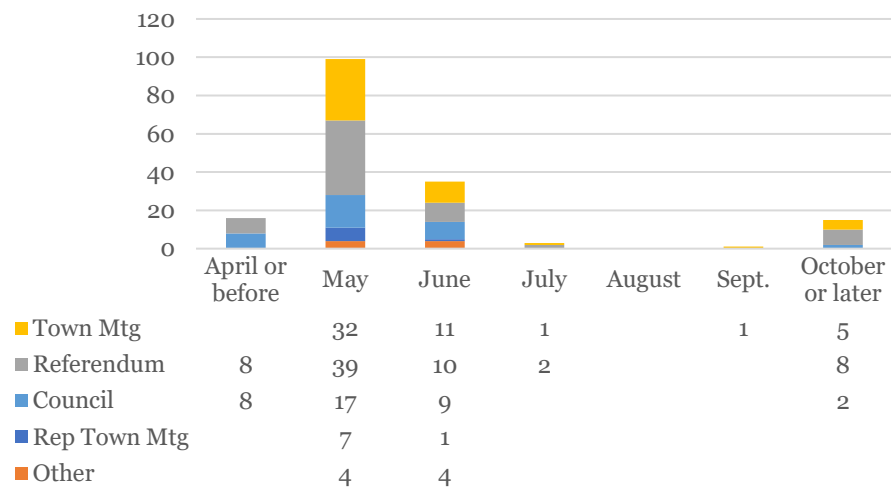
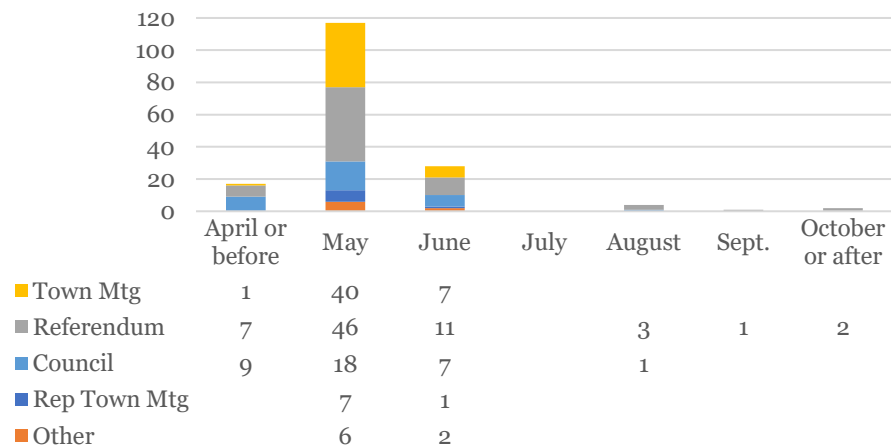


Fig. 3b 2018-19 Budget Adoption Method by Month



While a budget is not officially late if it is adopted prior to the July 1 start of the new fiscal year, June 15 has traditionally been considered the latest date a town can adopt a budget and have time to issue tax bills before the start of the new fiscal year. In 2017-18, ten municipalities adopted their budget after June 15 but before the start of the next fiscal year. The total of 29 municipalities that adopted their FY 2017-18 budget after June 15 lagged only the 34 that did so in 2003. That said, no fewer than 20 did so each year from 2002 through 2008.

To provide a sense of the difficulty municipalities experienced in adopting their budgets, ACIR budget adoption reports provide tables listing municipalities that adopted their budget after June 15, the number of votes required to adopt the budget, and the dates of those votes. It should be noted that, although Table 2a lists 29 municipalities that adopted their 2017-18 budget so late and Table 2b lists 14 that did the following year, only two municipalities appear in both lists. One of those two municipalities, furthermore, adopted its budget with a single vote each those years and also adopted its 2016-17 budget with a single vote after June 15 as well.

Table 2a Intervals Between Votes - 2017
(For budgets adopted after June 15)

<u>Town</u>	<u>Votes</u>	<u>Dates</u>	<u>Town</u>	<u>Votes</u>	<u>Dates</u>
Ansonia	1	6/20	Norfolk	1	6/20
Ashford	1	12/21	North Canaan	1	9/15
Beacon Falls	2	5/31, 6/20	North Stonington	2	11/27, 12/18
Brooklyn	1	6/21	Preston	1	6/20
Canterbury	1	12/19	Scotland	1	11/30
Coventry	1	11/28	Stratford	8	5/8, 6/12, 7/5, 7/13, 8/14, 11/13, 12/18
East Haddam	2	6/6, 7/25	Thomaston	2	6/14, 7/5
Franklin	2	6/22, 11/20	Thompson	4	5/23, 6/20, 10/19, 11/30
Griswold	1	7/11	Tolland	2	10/30, 11/14
Hampton	1	6/22	Voluntown	1	6/20
Lebanon	1	11/20	Watertown	2	5/16, 6/27
Marlborough	4	5/8, 5/24, 6/7, 6/26	Windsor	1	12/18
Middlefield	1	11/27	Windsor Locks	1	1/2/2018
Morris	5	7/12, 9/13, 12/6	Wolcott	5	6/8, 6/13, 6/19
New Hartford	1	12/5			

Table 2b Intervals Between Votes - 2018
(For budgets adopted after June 15)

<u>Town</u>	<u>Votes</u>	<u>Dates</u>	<u>Town</u>	<u>Votes</u>	<u>Dates</u>
Bozrah	3	6/21, 6/29, 8/2	New London	1	8/20
Canterbury	1	6/18	New Milford	3	5/15, 6/5, 6/19
Clinton	4	5/9, 5/23, 6/6, 6/20	North Branford	1	6/19
Colchester	1	6/19	Preston	3	6/12, 7/10, 8/21
East Hampton	4	5/15, 6/12, 9/19, 10/23	Redding	3	5/8, 6/5, 6/26
Meriden	2	5/24, 8/24	Sprague	2	6/6, 10/10
New Britain	2	6/6, 6/9	Windham	3	5/28, 6/12, 9/25

The Number of Budget Adoption Votes

Of the 67 municipalities that adopted their 2017-18 budget by referendum, only ten required more than one referendum to adopt the budget. For the 2018-19 budget year, ten of 69 did. While those results are similar to recent years, they contrast sharply with some earlier years. In adopting their 2003-04 budgets, for instance, only 25 of the 58 towns that had adopted their budget by referendum did so with their first attempt.

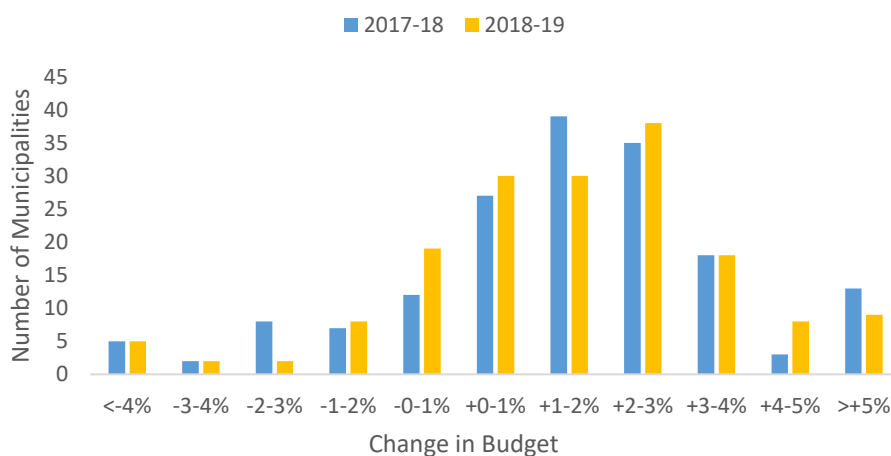
Whether adopted by referendum, town meeting or another mechanism, a municipality can require multiple votes to adopt a budget when confronted by division within the municipality or challenges imposed from outside. In both 2017 and 2018, eight municipalities needed three or more votes to adopt a budget, which is the same as in 2016 and 2015 and five fewer than in 2013 and 2014. However, two towns of those had required four votes to adopt their 2017-18 budget, two others required five, and one required eight. Only one town and required as many as four votes in 2016 and only two required four in 2018.

Due to the multiple votes in some municipalities, there were 95 budget referendums in 2017 and in 2018. Remarkably, that is the same number as in 2016. Despite the consistency across those three years, that number was 9 fewer than in 2015, 22 fewer than in 2014, and 65 fewer than the high of 160 referendums required in 2007.

Changes in Budget Expenditures

Although the focus of this report is on budget adoption processes, the ACIR certainly recognizes that it is the property tax and municipal services implications of a municipal budget that are the primary interest of most people. Budget trends are also of great interest to the ACIR. Figure 4 illustrates the number of municipalities each year that increased or reduced their budget within specified ranges, ranging from reductions of 4% or more on the left to increases of 5% or more on the right.

Fig. 4 Change in Budget From Previous Year



A total of 34 municipalities adopted a 2017-18 budget with expenditures being smaller than in their 2016-17 budget. 36 adopted a 2018-19 budget with smaller expenditures than in 2017-18. Each is more than twice as many as had reduced budget expenditures in their 2016-17 and 2015-16 budgets. The ACIR's data do not reveal how such reductions were achieved. Tables 3a and 3b provide further details.

Table 3a FY 2017-18 Change in Municipal Budget

Municipalities: Cumulative Adopted Budget Total - \$14,050,578,241	Average change: +2.2%	Median change: +1.5%
Municipalities with change <2.5%: 131	Municipalities with change ≥2.5%: 38	
13 Towns had a budget increase exceeding 5%	12 Towns had a budget reduction between 0.01 - 0.99%	
3 Towns had a budget increase between 4-4.99%	7 Towns had a budget reduction between 1 - 1.99%	
18 Towns had a budget increase between 3-3.99%	8 Towns had a budget reduction between 2 - 2.99%	
35 Towns had a budget increase between 2-2.99%	2 Towns had a budget reduction between 3 - 3.99%	
39 Towns had a budget increase between 1 - 1.99%	5 Town had a budget reduction exceeding 4%	
27 Towns had a budget increase between 0 - 0.99%		

Table 3b FY 2018-19 Change in Municipal Budget

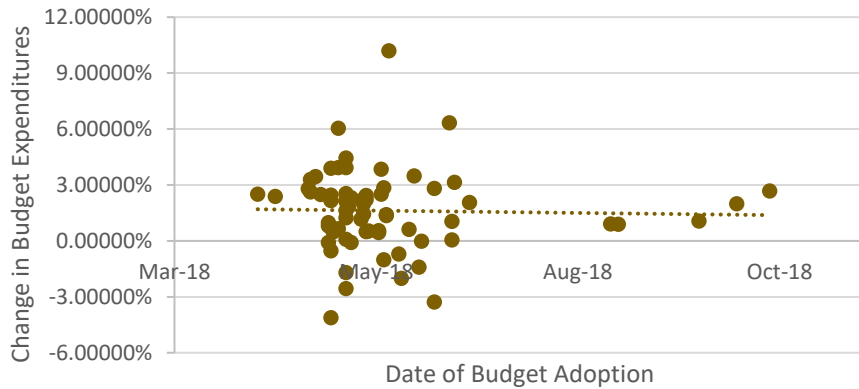
Municipalities: Cumulative Adopted Budget Total - \$14,209,935,763	Average change: +1.1%	Median change: +1.5%
Municipalities with change <2.5%: 117	Municipalities with change ≥2.5%: 52	
9 Towns had a budget increase exceeding 5%	19 Towns had a budget reduction between 0.01 - 0.99%	
8 Towns had a budget increase between 4-4.99%	8 Towns had a budget reduction between 1 - 1.99%	
18 Towns had a budget increase between 3-3.99%	2 Town had a budget reduction between 2 - 2.99%	
38 Towns had a budget increase between 2-2.99%	2 Towns had a budget reduction between 3 - 3.99%	
30 Towns had a budget increase between 1 - 1.99%	5 Town had a budget reduction exceeding 4%	
30 Towns had a budget increase between 0 - 0.99%		

As mentioned in previous reports, [PA 15-244](#) created a new subsection (h) in [CGS 4-66l](#) that would reduce state funding to a municipality that increases its general budget expenditures by more than the rate of inflation or by 2.5%, whichever is greater. The legislation provides some very general guidance regarding expenditures that are considered outside of "municipal spending", but it does not provide definitions or specific guidance. Ignoring the various exclusions and other details of the actual calculation, only 38 of 169 municipalities increased their total budget expenditures by 2.5% or more in their 2017-18 budget and 52 did so in their 2018-19 budget. Both are fewer than in the previous years: 58 municipalities increased their budget expenditures by 2.5% or more in adopting their 2016-17 budget and 70 did for their 2015-16 budget. The state's adopted biennial state budget for fiscal years 17-18 and 18-19 did not include a penalty for exceeding the expenditure cap as grant payment lists were utilized rather than formula base.

The ACIR also has considered the possible relationship between year-to-year changes in budget expenditures the timing of budget adoption. Budgets proposing larger increases in expenditures and likely imposing higher property taxes might face greater opposition and, potentially, require more time for adoption. On the other hand, budgets imposing unpopular reductions might result in the same.

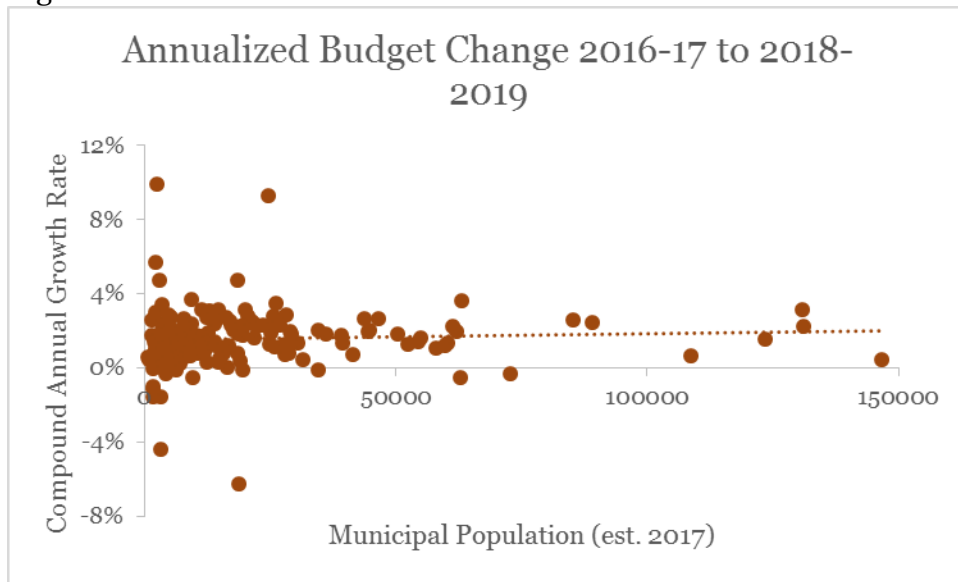
As illustrated in Fig. 5, no strong association is observed between changes in budget expenditures and the date of adoption of the 2018-2019 budgets, which was the more typical of the two budgeting years addressed by this report. That graph, however, cannot show if a municipality that adopted its budget later might have made significant reductions to an initially higher budget proposal during its more prolonged adoption process. The ACIR does not have complete data regarding the amount of the budget at the time of the initial vote in municipalities that held multiple votes.

Fig. 5 Change in Budget vs Date of Budget Adoption for Budgets Adopted by Referendum
 (excluding one town with large increase in reimbursable capital expenditures)



The ACIR also assessed the relationship between municipal population and budget changes. To buffer year-to-year volatility, the ACIR annualized the budget change across the two budget years covered by this report. Fig 6 shows that the ACIR found essentially no association between municipal population and the rate of change in budget expenditures across that period.

Fig. 6



The ACIR also considered the association between the changes in municipalities' budgets and their location in the state, based on counties. As indicated in Table 4, what appear to be potentially significant inter-county variations across one or even two-year periods are greatly reduced when annualized across five years.

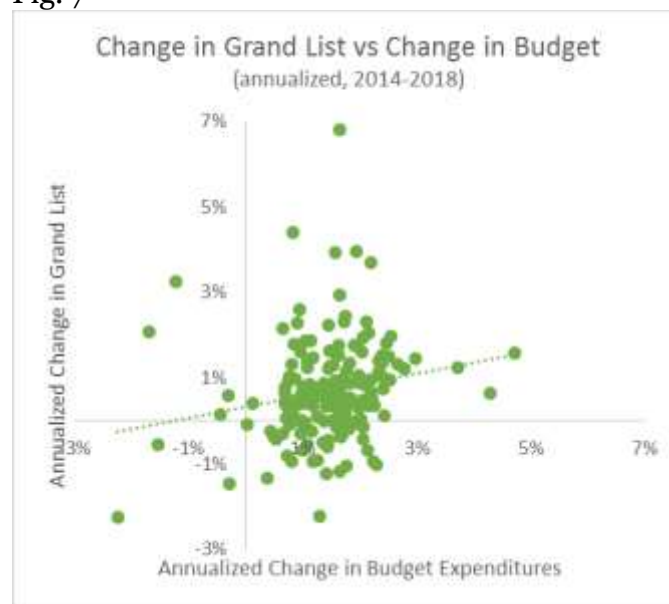
Table 4. Change in Municipal Budgets, by County

County	1-Year	2-Year (annualized)	5-Year (annualized)
Fairfield	1.1%	1.5%	1.5%
Hartford	0.5%	1.9%	1.6%
Litchfield	1.1%	1.2%	1.1%
Middlesex	1.5%	1.8%	1.7%
New Haven	1.1%	1.5%	1.4%
New London	2.6%	2.0%	1.6%
Tolland	0.6%	1.1%	1.5%
Windham	3.5%	3.1%	1.9%

Budgets and Taxable Property

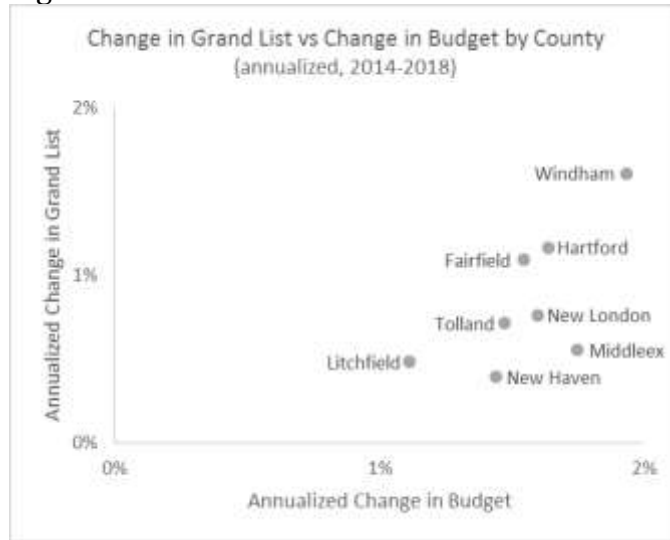
One of the ACIR's underlying concerns regarding the general trend of increasing municipal budgets is that locally-derived revenue is largely derived from property taxes that are calculated on the basis of a municipality's grand list of taxable property. The ACIR compared changes in net grand lists to changes in budgets, each calculated across the most recent five years to buffer annual changes. As reflected in Figure 7, the growth of budget expenditures tends to exceed the annualized growth of grand lists. In fact, the rate of budget growth exceeded the rate of grand list growth by a factor of 2x or more in 100 of 169 municipalities. During that period, net grand lists grew at a higher rate than budgets in only 29 of the state's municipalities.

Fig. 7



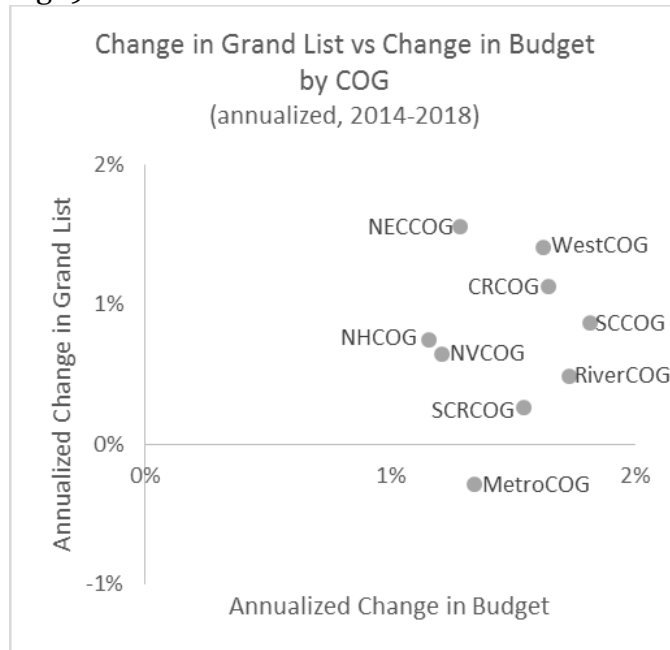
To simplify the visualization of the data, the ACIR also condensed municipal-level data to counties, as displayed in Figure 8. Viewed from that perspective, municipal budget expenditures increased at more than twice the rate of municipal grand lists in five of the state's eight counties and no county had a combined grand list that grew as quickly as its municipalities' combined budget expenditures.

Fig. 8



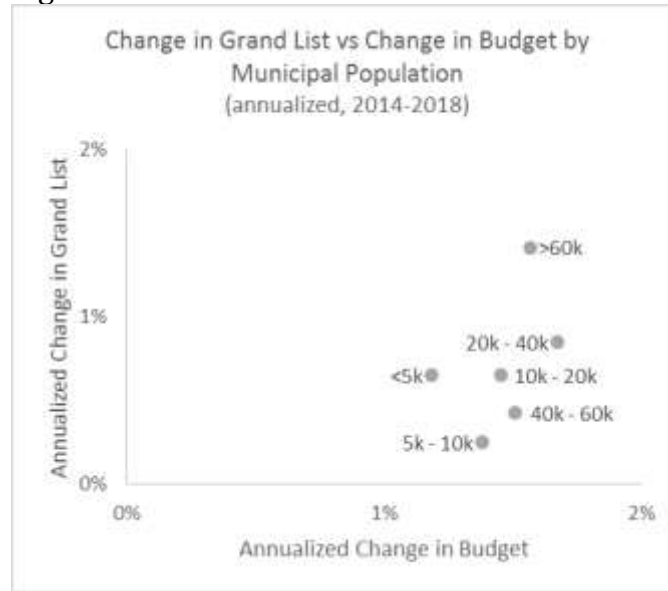
An alternative approach for regionalizing the municipal data is to group municipalities on the basis of the regional council of governments (COG) to which each belongs. COGs and counties do not share the same borders and a different regional picture emerges, as shown in Figure 9.

Fig. 9



Yet another alternative to viewing the municipal data regionally is to group municipalities according to their population. Figure 10 shows the relationship between grand list growth and budget growth for municipalities that have been grouped by population.

Fig. 10



The graphed values are expanded in Table 5 and the ACIR points out that separating the groups at different levels of population could result in a very different pattern. It should be noted that the two groups of municipalities having the smallest populations include more than 40% of the state's municipalities, but little more than 10% of the state's population. The group of largest municipalities includes less than 10% of the state's municipality's, but 34% of the population.

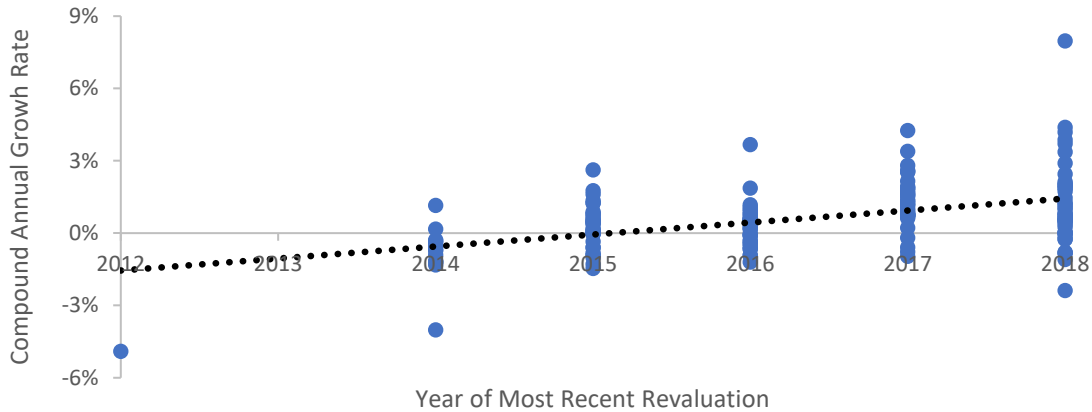
Table 5. Changes in Municipal Budgets and other Factors, by Municipal Population

Municipal Population	Number of Munis	Total Pop.	Budget Annual Growth Rate 2014-2018	Net Grand List Annual Growth Rate 2014-2018	Grand List Rate/Budget Rate	Budget per capita (2018)	Grand List per capita (2018)
<5000	39	111,830	1.2%	0.7%	55%	\$3,770	\$136,695
5k – 10k	33	247,891	1.4%	0.3%	18%	\$3,799	\$107,428
10k – 20k	42	629,684	1.5%	0.7%	45%	\$3,877	\$106,109
20k – 40k	31	850,834	1.7%	0.9%	51%	\$4,136	\$119,681
40k – 60k	11	550,938	1.5%	0.4%	28%	\$3,524	\$78,530
>60k	13	1,197,007	1.6%	1.4%	90%	\$4,131	\$105,236

The ACIR has taken different approaches in presenting data in the preceding graphs and charts, in part to illustrate that different approaches in organizing the data might lead to different interpretations. These charts and graphs should not be interpreted as proof of the various factors being relevant or irrelevant. County or COG boundaries, for instance, might not be the most meaningful system of delineating geographic areas for this. This might be especially true in a state where a broader regional unit such as a county has essentially no role in governance and fiscal policy.

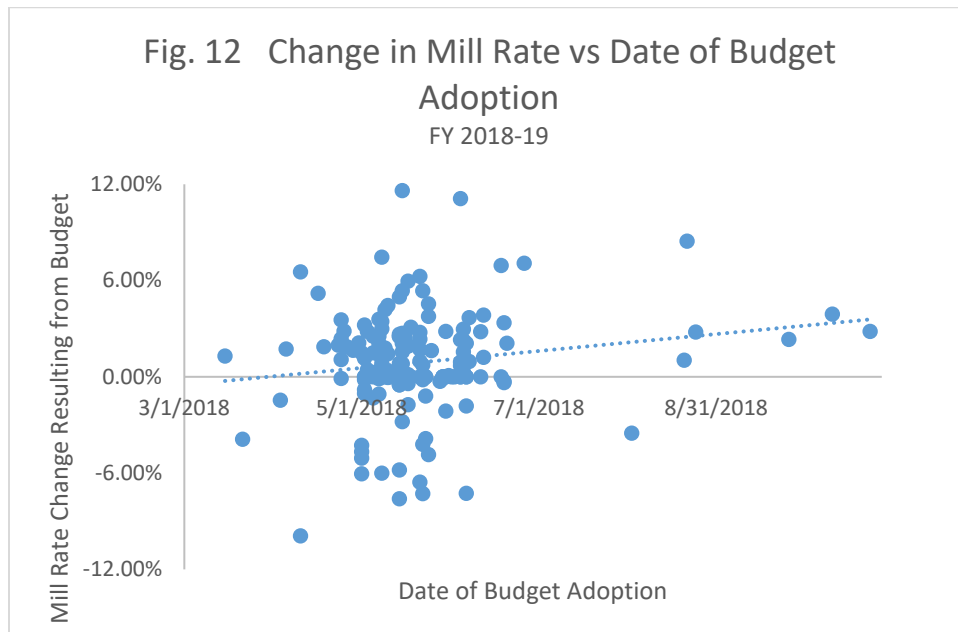
One other complication that must be considered is that municipalities conduct their property revaluations on different schedules. While not directly related to this report, the ACIR noticed a visible association between the timing of the most recent revaluation and the change in the grand list change between revaluations. The result is illustrated in Figure 11. That pattern led to a decision to consider changes to net grand lists across the past five years not between the last two revaluations. Nevertheless even that solution might bias the above analyses for some municipalities.

Fig. 11. Compound Annual Growth Rate of Grand List Between The Two Most Recent Revaluations



Following the adoption of its budget, a municipality must adopt a mill rate for calculating property taxes. All else being equal, a budget resulting in an increased mill rate will tend to increase the tax on a property, so much attention is focused on how a budget will impact the mill rate. One might expect that budgets resulting in smaller mill rate increases might be adopted more readily.

Figure 12 shows the association between budget adoption dates and changes in mill rates during the FY 2018-19 budget adoption cycle. While the trend line of the following graph does show a tendency for budgets resulting in a greater mill rate increase to be adopted later, it is a weak association. That said, budgets adopted late commonly have been reduced during the adoption process. Consequently, the mill rate required by the budget as adopted might not reflect the increase that would have been imposed by a proposed budget rejected earlier. The ACIR has only incomplete data regarding how budgets changed during the adoption process, so cannot analyze this effect further. Additionally, property revaluation can result in changes to mill rates having no immediate impact on many taxpayers or can result in situations where even a reduced mill rate can result in a tax increase. That is beyond the scope of this analysis.



This year's report provides various charts and graphs illustrating what appears to be weak, if any, associations between changes in municipal expenditures or in the timing of budget adoption and factors including the population of municipalities or their location in the state, as well as with changing grand lists or mill rates. This does not prove that there is no meaningful relationship between any of those factors: perhaps a more nuanced analysis is required to reveal them. The ACIR will continue studying the experiences of municipalities in adopting their budgets and appreciates suggestions that can help refine the work or identify additional factors for more rigorous analysis.

Regional School District Responses

In 2017 and 2018, as in most recent years, most of the seventeen regional school districts adopted their budgets by referendum, as listed in Table 6. Each of these two years, one district adopted its budget by a district meeting, although it was not the same district both years. As had also happened in 2016, two of the districts required two referendums in 2017 and one required three. In 2018, however, five districts required a 2nd vote, the first time so many have done so since 2008. In 2017, all but one district adopted its budget by the end of May, as has been typical in recent years. In 2018, on the other hand, three districts adopted their budgets after the end of May, the largest number to do so since 2008. All districts, nevertheless, adopted their budget as usual before the end of the fiscal year.

Table 6. Regional School District Budget Adoption Mechanisms, by Year

Adoption Body

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
District Meeting			2	1	1	2	1	2		2	1	1
Referendum	17	17	15	16	16	15	16	15	17	15	16	16

Number of Votes

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
1 Vote	14	11	15	16	15	14	14	14	15	14	14	12
2 Votes	2	1	1	1	1	2	1	3	2	2	2	5
3 Votes		4	1		1	1	1			1	1	
4+ Votes	1	1					1					

Date of Adoption

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Before June 1	16	12	16	17	16	16	15	16	16	16	16	14
June		4	1		1	1	1	1	1	1	1	3
July		1										
August	1											
Sept. or later							1					

As listed in Table 7a, the school districts' collective 2017-18 budgets increased by 1.7% over the previous year, which slightly more than the increase of previous year. Eight of the seventeen districts increased their budget by 2% or more for the 2017-18 fiscal year, which is two more than had done so the previous year, but three fewer than had done so in each of the two years before that. Four districts increased their budgets by more than 3%, which is three more than in the previous year but one less than had done so each of the two years before that.

The districts' 2018-2019 budgets increased by only 0.4%, as listed in Table 7b, which is a notable slowing of the long-term increase. None of the seventeen districts increased their budget by 2% or more for the 2018-19 fiscal year and only four had an increase exceeding 1%, although each of those approached or exceeded 1.9%. Some previous ACIR reports have commented on the frequency of district budgets with increases of just under 2%. That said, the small budget increases of FY 2018-19 are without recent precedent.

Table 7a FY 2017-18 Change in Regional School District Budget

Cumulative Adopted Budget Total: \$524,686,735 Average change: +1.7% Median change: +1.4%

4 District had a budget increase between 3-4%
4 Districts had a budget increase between 2-3%
2 Districts had a budget increase between 1-2%

5 Districts had a budget increase between 0-1%
2 District had a budget reduction

Table 7b FY 2018-19 Change in Regional School District Budget

Cumulative Adopted Budget Total: \$526,982,889 Average change: +0.4% Median change: +0.1%

0 District had a budget increase between 3-4%
0 Districts had a budget increase between 2-3%
4 Districts had a budget increase between 1-2%

11 Districts had a budget increase between 0-1%
2 District had a budget reduction