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Connecticut Council of Small Towns
Appropriations Committee
February 16, 2024

RE: Governor's Proposed FY 25 Budget Adjustments for General Government B, Transportation, and Regulation and Protection Agencies.

The Connecticut Council of Small Towns (COST) respectfully submits the following comments on provisions in **HB-5048 (COMM) AN ACT ADJUSTING THE STATE BUDGET FOR THE BIENNIUM ENDING JUNE 30, 2025** relating to the above-referenced agencies.

Motor Vehicle Tax Cap Reimbursement Grants

The Motor Vehicle Tax Reimbursement Grant reimburses towns for revenue loss associated with the statewide 32.46 mill rate cap. The midterm budget adjustments reduce funding for the Motor Vehicle Tax Reimbursement Grant by \$18.3 million in FY 25, citing a reduction in cost.

Towns that were required to undertake revaluation, however, are now faced with a significant loss of revenue because their mill rates have been significantly lowered due to the dramatic increase in housing values during this period. The shift in the grand list was not anticipated and now towns are faced with sizable holes in their budget due to the reduction of or elimination of motor vehicle reimbursement grants.

In addition, there continues to be a disconnect between the car tax cap and reimbursement because the reimbursements are based on car tax revenues from the previous fiscal year. In municipalities that may be subject to the cap for the first time due to mill rate increases for this fiscal year, they will not be reimbursed for lost revenues until next year. This will force such towns to increase property taxes this year to offset the reduction in revenues from the car tax cap.

COST is requesting that lawmakers consider a legislative remedy to address these concerns and mitigate the burden on property taxpayers in these communities.

Transportation – Town Aid Road Funding

COST appreciates that HB-5048 maintains funding for critical municipal aid programs, including \$60 million for the Town Aid Road program.

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Town Aid Road grants are a critical source of revenue for small towns. This funding ensures that towns have the resources to maintain roads and other infrastructure to ensure safe, reliable transportation networks. This benefits motorists, pedestrians, bicyclists, and other road users. Well-maintained local roads and bridges are also critical to supporting local and regional economic development opportunities.

Small Town Economic Assistance Program

COST strongly supports provisions in the Governor's proposed budget which increase the grant awards that may be awarded under the state's Small Town Economic Assistance Program (STEAP).

The STEAP program was established in 2001 to mirror the Urban Act program and provide the state's smaller towns with assistance in moving forward with economic and community development projects to meet the needs of residents and local businesses. STEAP is a competitive grant program which provides funding to eligible small towns to support various local capital projects, including economic development projects, infrastructure projects, recreation and solid waste disposal projects, housing projects, and social service-related projects, such as senior centers, domestic violence and emergency homeless shelters, and day care centers.

Grants have been capped at \$500,000 since the inception of the program. Given the increase in construction costs in the 23 years since the program was created, the cap on eligible grant awards should be increased to \$1 million.

Thank you for the opportunity to comment on HB-5048 relating to General Government B, Transportation and Regulation and Protection Agencies.

COST is an advocacy organization committed to giving small towns a strong voice in the legislative process. COST champions the major policy needs and concerns of Connecticut's suburban and rural towns.