



# Senate

General Assembly

**File No. 655**

February Session, 2026

Substitute Senate Bill No. 511

*Senate, April 16, 2026*

The Committee on Finance, Revenue and Bonding reported through SEN. FONFARA of the 1st Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

## **AN ACT ESTABLISHING MUNICIPAL GROWTH DIVIDEND PAYMENTS.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective October 1, 2026*) (a) As used in this section:

2 (1) "Municipally attributable revenue" or "MAR" means the sum of  
3 the portion of revenue, as determined by the Department of Revenue  
4 Services, from (A) the tax imposed by chapter 219 of the general statutes  
5 that is attributable to sales occurring at a specific physical business  
6 location within a municipality, (B) the withholding portion of the tax  
7 imposed by chapter 229 of the general statutes that is attributable to  
8 wages earned at a physical place of employment located within a  
9 municipality, and (C) the tax imposed by chapter 208 of the general  
10 statutes that is attributable to business activity occurring within a  
11 physical nexus in a municipality;

12 (2) "MAR baseline" means the amount of the municipally attributable

13 revenue of a municipality for the fiscal year ending June 30, 2026; and

14 (3) "Municipality" means any town, city, consolidated town and city  
15 or consolidated town and borough.

16 (b) (1) There is established an account to be known as the "state-wide  
17 municipal growth account", which shall be a separate, nonlapsing  
18 account. The account shall contain any moneys required by law to be  
19 deposited in the account. Moneys in the account shall be expended by  
20 the Secretary of the Office of Policy and Management for the purpose of  
21 distributing municipal growth dividends to municipalities in  
22 accordance with subsection (d) of this section.

23 (2) For the fiscal year ending June 30, 2030, and annually thereafter,  
24 the aggregate amount of the municipal growth dividend for all  
25 municipalities as determined under subsection (c) of this section shall  
26 be transferred by the Treasurer to the account. Investment earnings  
27 credited to the account shall become part of the assets of the account.

28 (c) The Department of Revenue Services shall determine, not later  
29 than November 1, 2028, the MAR baseline for each municipality.  
30 Commencing with the fiscal year ending June 30, 2030, and annually  
31 thereafter, the department shall determine the municipally attributable  
32 revenue for each municipality for the applicable fiscal year and provide  
33 all determinations made pursuant to this subsection to the Office of  
34 Policy and Management.

35 (d) (1) Commencing with the fiscal year ending June 30, 2031, and  
36 annually thereafter, the Secretary of the Office of Policy and  
37 Management shall distribute municipal growth dividends to  
38 municipalities in the amount of one-half of one per cent of the  
39 municipality's MAR for the preceding fiscal year, except that:

40 (A) If a municipality's MAR for a fiscal year is below its MAR  
41 baseline, such municipality shall receive no municipal growth dividend  
42 distribution for such fiscal year; and

43 (B) For any municipal development project that is intended to

44 support municipal economic growth and for which the state has  
45 provided instrumental capital, the municipality shall receive, in lieu of  
46 the distribution under this subsection, fifty per cent of the municipal  
47 growth dividend attributable to such project and the state shall receive  
48 fifty per cent of such growth dividend until the full amount of the state  
49 capital expenditure has been recouped.

50 (2) Any distributions received by a municipality pursuant to this  
51 section shall be used by the municipality to provide municipal services  
52 in accordance with the provisions of subsection (e) of this section or to  
53 reduce the municipality's mill rate, or both.

54 (e) Each municipality shall establish a municipal revenue  
55 stabilization fund and all distributions received by a municipality  
56 pursuant to this section shall be deposited in such fund. For the purpose  
57 of providing municipal services, a municipality may use the moneys in  
58 such fund as a one-time expenditure or as an ongoing expenditure,  
59 provided the legislative body of the municipality certifies that such fund  
60 is sufficiently capitalized to sustain such ongoing expenditure for not  
61 less than three fiscal years.

62 (f) Not later than November 1, 2030, and annually thereafter, the  
63 Secretary of the Office of Policy and Management shall submit, in  
64 accordance with the provisions of section 11-4a of the general statutes,  
65 to the joint standing committees of the General Assembly having  
66 cognizance of matters relating to finance, revenue and bonding and  
67 local governments a report that sets forth for each municipality for the  
68 applicable fiscal year the municipally attributable revenue and  
69 information regarding any municipal growth dividends distributed to  
70 the municipality.

71 Sec. 2. Subsection (b) of section 2-35 of the general statutes is repealed  
72 and the following is substituted in lieu thereof (*Effective October 1, 2026*):

73 (b) (1) The state budget act passed by the legislature for funding the  
74 expenses of operations of the state government in the ensuing biennium  
75 shall contain a statement of estimated revenue, based upon the most

76 recent consensus revenue estimate or the revised consensus revenue  
77 estimate issued pursuant to section 2-36c, itemized by major source, for  
78 each appropriated fund, and supplied by the joint standing committee  
79 of the General Assembly having cognizance of matters relating to state  
80 finance, revenue and bonding.

81 (2) Commencing in the fiscal year ending June 30, 2018:

82 (A) Such itemization shall include the estimate for each major  
83 component of the personal income tax imposed pursuant to chapter 229  
84 as follows: Withholding payments and estimated and final payments;  
85 and

86 (B) Commencing with the consensus revenue estimate or revised  
87 consensus revenue estimate maintained or revised not later than  
88 November 10, 2017, each consensus revenue estimate or revised  
89 consensus revenue estimate shall include a line item designated as the  
90 volatility adjustment that reflects the amount of the estimated transfer  
91 pursuant to subsection (a) of section 4-30a.

92 (3) Commencing in the fiscal year ending June 30, 2030, each  
93 consensus revenue estimate or revised consensus revenue estimate shall  
94 include a line item designated as the municipal growth dividend that  
95 reflects the amount of the estimated transfer pursuant to subdivision (2)  
96 of subsection (b) of section 1 of this act.

97 [(2)] (4) The statement of estimated revenue applicable to each such  
98 fund shall include, for any fiscal year, an estimate of total revenue with  
99 respect to such fund, which amount shall be reduced by (A) an estimate  
100 of total refunds of taxes to be paid from such revenue in accordance with  
101 the authorization in section 12-39f, and (B) an estimate of total refunds  
102 of payments to be paid from such revenue in accordance with the  
103 provisions of sections 3-70a and 4-37.

104 [(3)] (5) The total estimated revenue for each fund, as adjusted in  
105 accordance with this section, shall not be less than the total net  
106 appropriations made from each fund plus, for the fiscal year ending

107 June 30, 2014, and each fiscal year thereafter, the amount necessary to  
 108 extinguish any unassigned negative balance in each budgeted fund as  
 109 addressed in the most recently issued annual report of the Comptroller  
 110 published in accordance with section 3-115. On or before July first of  
 111 each fiscal year, the joint standing committee of the General Assembly  
 112 having cognizance of matters relating to state finance, revenue and  
 113 bonding shall, if any revisions in such estimates are required by virtue  
 114 of legislative amendments to the revenue measures proposed by said  
 115 committee, changes in conditions or receipt of new information since  
 116 the original estimate was supplied, meet and revise such estimates and,  
 117 through its cochairpersons, report to the Comptroller any such  
 118 revisions.

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2026	New section
Sec. 2	October 1, 2026	2-35(b)

**Statement of Legislative Commissioners:**

In Section 1(f), ", the adjusted baseline" was deleted for consistency.

**FIN**      *Joint Favorable Subst. -LCO*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

**OFA Fiscal Note**

**State Impact:**

Agency Affected	Fund-Effect	FY 27 \$	FY 28 \$
Policy & Mgmt., Off.	GF - Cost	Potential	Potential
Resources of the General Fund	GF - Revenue Loss	None	None

Note: GF=General Fund

**Municipal Impact:**

Municipalities	Effect	FY 27 \$	FY 28 \$
All Municipalities	Revenue Gain	None	None

**Explanation**

The bill has a significant state and municipal revenue impact, described below, and reflected in the "out years" table at the bottom of the fiscal note.

The bill expands municipal revenue sharing to include 0.5% of state revenue from the: 1) withholding portion of the personal income tax; 2) corporation business tax, and 3) the General Fund's remaining portion of the sales and use tax.<sup>1</sup> For reference, 0.5% of the aggregate amount of these revenue streams is projected to be \$88.2 million in FY 29.

Under the bill, the state revenue would begin to be set aside in FY 30 and distributed to municipalities beginning in FY 31 as municipal growth dividends.

The municipal growth dividend amounts per municipality would be

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<sup>1</sup> By law, 0.5 of the 6.35 general sales tax (equal to 7.87% of the total rate) is shared via the Municipal Revenue Sharing Fund.

determined according to each municipality's respective growth from a baseline determined by the Department of Revenue Services.

There is a potential cost to the Office of Policy and Management beginning in FY 27 to the extent additional resources are necessary to (1) manage the new Municipal Growth Account, and (2) submit a report annually beginning November 1, 2030.

The bill results in a revenue gain to municipalities beginning in FY 31 that is dependent on the funds available and if the municipality meets certain requirements.

**The Out Years**

**State Impact:**

Agency Affected	Fund-Effect	FY 29 \$	FY 30 \$	FY 31 \$
Policy & Mgmt., Off.	GF - Cost	Potential	Potential	Potential
Resources of the General Fund	GF - Revenue Loss	None	88,200,000	90,600,000

Note: GF=General Fund

**Municipal Impact:**

Municipalities	Effect	FY 29 \$	FY 30 \$	FY 31 \$
All Municipalities	Revenue Gain	None	None	88,200,000

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**OLR Bill Analysis****sSB 511****AN ACT ESTABLISHING MUNICIPAL GROWTH DIVIDEND PAYMENTS.****SUMMARY**

This bill establishes a revenue sharing program that diverts a portion of state revenue from income, sales and use, and corporation business taxes into a new statewide municipal growth account and requires the Office of Policy and Management (OPM) to disburse the funds as “municipal growth dividends” to eligible municipalities (towns, cities, consolidated towns and cities, and consolidated towns and boroughs).

Under the bill, these dividends start in FY 31 and are generally tied to the amount of this tax revenue for a given year that the Department of Revenue Services (DRS) determines is attributed to each municipality compared to that amount for FY 26 (the “municipally attributable revenue (MAR) baseline”). For municipalities that have received certain state capital funds to support a municipal development project, the dividend is instead (1) tied to the amount of the specified tax revenue attributable to the project and (2) split with the state.

Starting with FY 30, the bill requires (1) the state treasurer to annually transfer the total amount of municipal growth dividends for all municipalities to the statewide municipal growth account and (2) consensus revenue estimates to include a line item, designated as the municipal growth dividend, reflecting the estimated amount of this transfer. (Consensus revenue estimates are the basis for the governor’s proposed budget and the revenue statement included in the budget act the legislature passes.) Under the bill, the statewide municipal growth account is a separate, nonlapsing account that contains any money required by law to be deposited into it, including any investment earnings credited to the account.

Starting by November 1, 2030, the OPM secretary must annually

report to the Finance, Revenue and Bonding and Planning and Development committees on (1) each municipality’s MAR for the applicable fiscal year and (2) any municipal growth dividends distributed.

EFFECTIVE DATE: October 1, 2026

**MUNICIPALLY ATTRIBUTABLE REVENUE**

The bill requires DRS to determine, and provide to OPM, the (1) MAR baseline for each municipality by November 1, 2028, and (2) amount of each municipality’s MAR for each fiscal year starting with FY 30.

Under the bill, a municipality’s MAR is the sum of the following:

1. sales and use tax revenue attributable to sales made at physical business locations in the municipality;
2. the withholding portion of the personal income tax attributable to wages earned at physical places of employment in the municipality; and
3. corporation business tax attributable to business activity occurring within a physical nexus in a municipality. (The bill does not define “physical nexus.”)

**MUNICIPAL GROWTH DIVIDENDS**

***Amounts***

Starting with FY 31, the OPM secretary must annually distribute municipal growth dividends to municipalities that have MAR for the preceding fiscal year that equals or exceeds their MAR baseline. These dividends must generally equal 0.5% of each municipality’s MAR for the preceding fiscal year.

The exception is for municipalities with municipal development projects designed to support municipal economic growth that received “instrumental capital” from the state. (The bill does not define municipal development projects or instrumental capital for these purposes.) In these cases, instead of receiving 0.5% of its MAR for the preceding fiscal year, the municipality receives a municipal growth

dividend attributable to the project only. The dividend is split, with half going to the municipality and half going to the state, until the state recoups the full amount of its capital expense in the project.

If a municipality’s MAR for a fiscal year is less than its MAR baseline, it receives no municipal growth dividend distribution for that year.

**Required Uses**

Under the bill, each municipality must set up a municipal revenue stabilization fund and deposit their municipal growth dividends in the fund. They may use the dividends to (1) reduce their mill rates; (2) pay for municipal services, as allowed under the bill; or (3) do both.

Municipal services funded with the dividends may either be one-time expenditures or on-going expenditures, but the latter is allowed only if the municipality’s legislative body certifies that the fund is sufficiently capitalized to sustain the expenditure for at least three fiscal years.

**BACKGROUND**

**2025 Law on Sourcing Revenue to Municipalities**

A 2025 law requires DRS, starting with FY 26, to track and record the source of state sales and use, personal income, and corporation business tax revenue to accurately and fairly attribute the revenue from each of these taxes to municipalities. The commissioner must determine the sourcing method for attributing this revenue to each municipality, based on certain criteria established under the law. Taxpayers paying these taxes must provide disaggregated information and any other data the commissioner requests to carry out these requirements.

Annually, starting by October 31, 2026, the commissioner must post on DRS’s website the amount of revenue from each of these taxes attributed to each municipality for the applicable fiscal year (PA 25-168, § 391, codified at CGS, 2026 Supp., § 12-7e).

**COMMITTEE ACTION**

Finance, Revenue and Bonding Committee

Joint Favorable

Yea 43 Nay 11 (03/30/2026)