



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

TESTIMONY PRESENTED TO THE APPROPRIATIONS COMMITTEE FEBRUARY 16, 2023

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Testimony Regarding the Proposed Budget for the Office of Policy and Management
for the FY 2024 – FY 2025 Biennium

Senator Osten, Representative Walker, and distinguished members of the Appropriations Committee, thank you for the opportunity to offer testimony regarding the proposed budget for the Office of Policy and Management (OPM) for the FY 2024 and FY 2025 biennium.

Aside from technical adjustments to the budget like removing funding for the 27th payroll that occurs in FY 2023 and shifting funds from OPM's Private Provider account to the impacted agencies, the proposed budget for OPM has three major policy items for your consideration:

1. A reorganization of funding for general government municipal aid grants administered by OPM;
2. A few additional staff for OPM to administer several important programs; and
3. Adjustments to Coronavirus State Fiscal Recovery Funds allocated to OPM.

Each of these is discussed in more detail below.

Reorganizing Municipal Aid Funding

The state budget includes nearly \$600 million annually in general government operating support to our towns and cities, reducing their reliance on property tax revenue while increasing equity across our communities. This support is primarily distributed via several grant programs administered by OPM:

- Tiered PILOT, which reimburses municipalities for a portion of revenue associated with properties owned by the state or other tax-exempt entities;
- Motor vehicle tax grants, which reimburses municipalities for the revenue loss imposed by the state cap on motor vehicle tax rates;
- Municipal Stabilization and General Fund Municipal Revenue Sharing grants, which provide grants to municipalities according to a list of payments enacted by the General Assembly;
- Mashantucket Pequot and Mohegan Fund grants, which distribute grants according to a statutory formula, or for the last several years via payment list, from the Mashantucket Pequot and Mohegan Fund; and
- Municipal Revenue Sharing grants from the Municipal Revenue Sharing Account, which disburses funds remaining in the account for each fiscal year according to a formula in statute.

In FY 2023, these grants are funded from: 1) the General Fund, 2) a separate, non-lapsing account within the General Fund - the Municipal Revenue Sharing account, or 3) the Mashantucket Pequot and Mohegan Fund. In some cases, multiple funding sources jointly support the same program. This level of

complexity does not provide any benefit to the municipalities receiving state support. Distributing so much state money from multiple interconnected funding sources only makes it more difficult for lawmakers, municipalities, and citizens to understand the state's policy for supporting local governments. (See Attachment 1.)

The Governor's budget proposes consolidating all of these grants under a single funding source: the Municipal Revenue Sharing Fund. This appropriated fund will receive the same 0.5 percent of the sales and use tax that is currently being diverted to the Municipal Revenue Sharing Account, and will additionally receive a transfer of revenue from the General Fund to maintain grant formulas and payment lists at current statutory levels. (See Attachment 2.)

By appropriating these grant payments as distinct line items under a single fund, the Governor's budget adds transparency and simplicity to our municipal aid programs while still honoring the formulas and payments in current statute. Unlike the Municipal Revenue Sharing Account, appropriating the grants from a separate fund also expressly allows OPM to process payments to municipalities early in the fiscal year before sales tax revenues accrue, ensuring that municipalities receive this support from the state in time to make necessary payments throughout the fiscal year.

In terms of the spending cap, it is worth noting that the Governor's proposal is cap-neutral: an adjustment is made for the portion of aid that is being brought on-budget so that there is no "penalty." Including the new Municipal Revenue Sharing Fund, the Governor's budget is under the spending cap by \$57.4 million in FY 2024 and \$405.3 million in FY 2025. Bringing the off-budget portion of municipal aid on-budget has the effect of treating all municipal aid similarly with respect to the cap, including Education Cost Sharing grants (the largest budgeted source of local funding) and the portion of general government grants currently on-budget (e.g., Tiered PILOT, state-owned PILOT, college and hospital PILOT, Municipal Revenue Sharing grants, Municipal Stabilization Grants).

Additional Staff Positions for New Initiatives

The proposed budget includes funding and positions for several important initiatives.

- Autism policy coordination. One (1) position and \$90,214 is proposed to support the comprehensive planning and coordination of services for all individuals across the autism spectrum. The current service system is fragmented, with several state agencies and school districts either directly providing or overseeing services for individuals on the autism spectrum. To address this, the budget includes resources for OPM's Health and Human Services Policy and Planning Division to assume lead agency responsibilities for autism. This will allow a more holistic review of autism services in order to identify gaps in the service continuum and improve cross-agency coordination going forward.
- Nonprofit Grant Program. One (1) position and \$85,958 is proposed to enable OPM to administer the Nonprofit Grant Program. This program provides capital support to private providers. The Governor's capital budget includes \$25 million in new authorizations for this program in each year of the biennium, in addition to \$45 million currently authorized but unallocated for this program, and almost \$9.2 million in previously allocated but unspent funding. The last time grants were offered under this program was 2019. Without this position, OPM would not have the administrative capacity to execute more than 100 grant contracts (based on the experience in previous years), review and approve reimbursement requests, and monitor contract compliance.
- Technical Assistance for Transit-Oriented Communities. One (1) position in FY 2024 in the amount of \$71,147 and two (2) additional positions for a total of three (3) in FY 2025 in the

amount of \$213,441, are proposed to reorganize OPM's Office of Responsible Growth and enable provision of technical assistance to transit-oriented communities.

ARPA Funding Adjustments

The proposed budget adjusts several allocations to OPM under the Coronavirus State Fiscal Recovery Fund. These adjustments include:

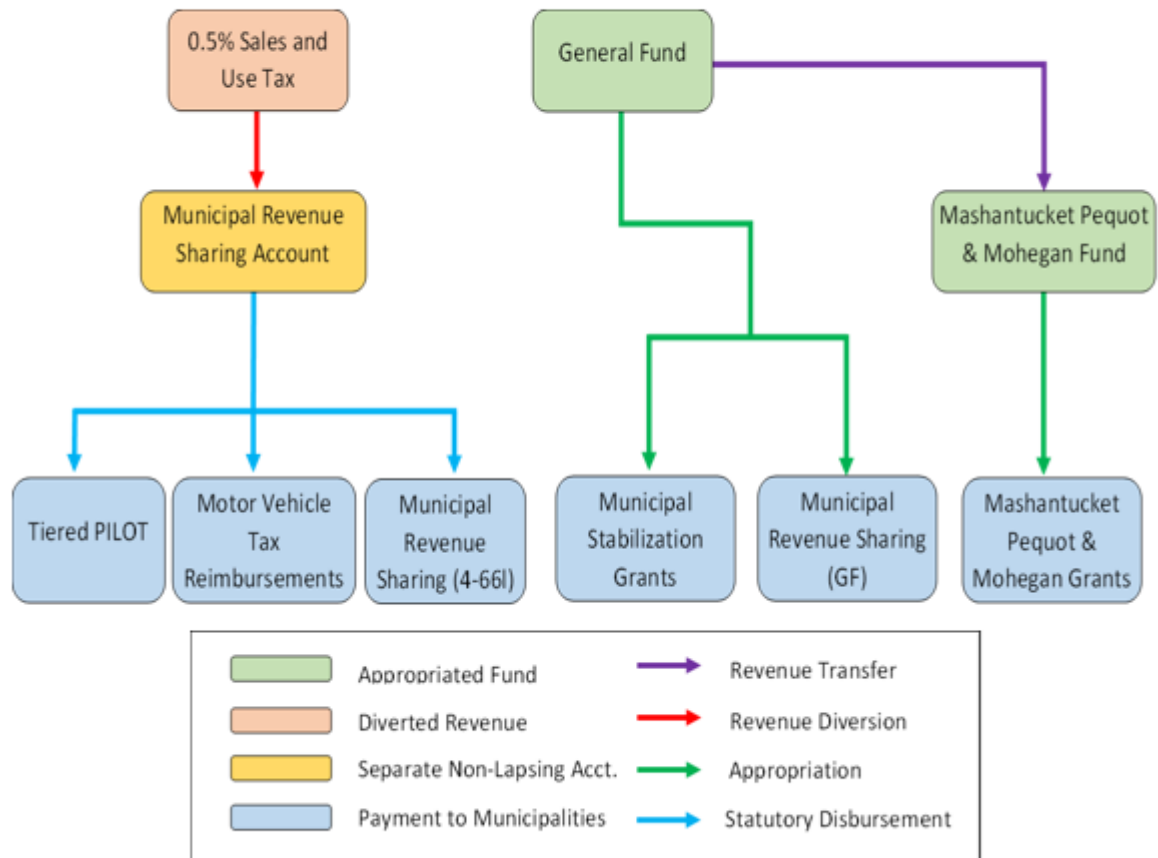
- Reductions of previous allocations by \$71.5 million due to revised estimates of pandemic preparedness needs by the Department of Public Health:
 - \$20 million for PPE and Supplies, and
 - \$51.5 million for COVID Response Measures.
- Redirection of \$5.3 million in the InvestCT allocation to support other proposed investments in education, health and workforce development;
- An increase in the allocation for state employee essential workers and National Guard premium pay by \$6.5 million (to a total of \$41.5 million) in order to support the state's last best offer, given that the issue is currently in interest arbitration; and
- New allocations as follows:
 - \$20 million to support work with a nonprofit to erase an estimated \$2 billion in medical debt;
 - \$250,000 to support a post-pandemic structural review of the Connecticut State Colleges and Universities; and
 - \$5.7 million to support eight (8) durational grants and contracts positions in high-need agencies to provide grant administration support for the agencies with the largest volume or more complex ARPA projects: DECD, SDE, OEC, DPH, DCF, DSS, DAS, and DESPP. This funding will cover salary, fringe benefits, and indirect costs for up to 39 months (the remainder of the ARPA funding period).

Thank you for the opportunity to present this testimony. OPM staff and I would be happy to answer any questions that you may have.

Attachment 1

Current Funding Arrangement – General Government Municipal Aid Grants Administered by OPM

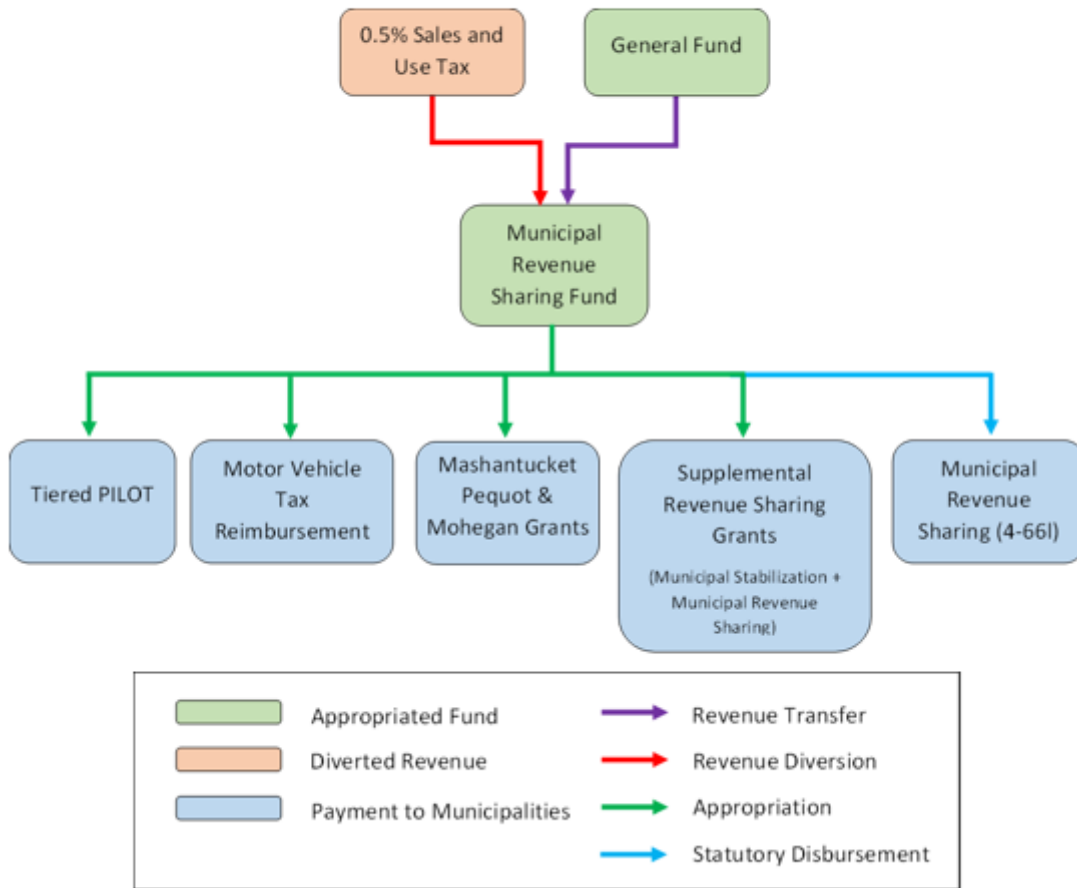
Municipal Aid Programs (Current Statute)



Attachment 2

Proposed Funding Arrangement – General Government Municipal Aid Grants Administered by OPM

Municipal Aid Programs (Proposed)



Municipal Revenue Sharing Fund (in millions)

	FY 2024 Rec.	FY 2025 Rec.
<u>Revenue & Transfers</u>		
1. 0.5% Sales Tax Diversion	\$ 453.3	\$ 464.2
2. Transfer from General Fund*	74.7	74.7
3. Additional General Fund Transfer	19.5	8.6
4. Transfer from Mashantucket Pequot and Mohegan Fund	51.5	51.5
5. <u>Net Revenue & Transfers</u>	<u>599.0</u>	<u>599.0</u>
<u>Appropriations</u>		
6. Tiered PILOT	317.1	317.1
7. Motor Vehicle Tax	155.3	155.3
8. Supplemental Revenue Sharing Grants	74.7	74.7
9. Mashantucket Pequot and Mohegan Grants	51.5	51.5
10. <u>Total Expenditures</u>	<u>598.6</u>	<u>598.6</u>
11. <u>Surplus / (Deficit)</u>	<u>0.4</u>	<u>0.4</u>