

Bond Case Briefs

Municipal Finance Law Since 1971

Connecticut Governor Calls for Paradigm Shift in Relationship Between State, Cities.

Malloy defends proposal to solve state's two-year budget deficit of \$3.5 billion

Connecticut Gov. Dannel Malloy said Thursday it is time for a new relationship between the state and its 169 towns as he defended his proposal to close a yawning budget gap by shifting more costs from the state to municipalities.

State funding for cities and towns reached \$5.1 billion for the fiscal year that ended in June, a 21% increase over the past five years, according to a report from Mr. Malloy's budget office released Thursday. Funding for cities and towns has outpaced spending on transportation, Medicaid and debt service during that same time period, according to the report.

In the face of a two-year deficit of \$3.5 billion, the governor said that can't continue.

"Unfortunately, holding towns harmless and even increasing aid while we make excruciating cuts across state government is not sustainable in the long term," said Mr. Malloy, a Democrat and former mayor of Stamford, Conn. "It's clear that if we want to put Connecticut's budget on stable footing, we must modernize the relationship between the state and local municipalities."

After the legislature failed to pass a budget by the end of June deadline, the state has funded operations through an executive order signed by Mr. Malloy. State lawmakers continue to negotiate to pass a spending plan and say the earliest a could vote take place is in September.

Elizabeth Gara, executive director of the Connecticut Council of Small Towns, said towns are worried they will have to bear the brunt for bad fiscal management by the state.

"We are concerned the report sets the stage for cuts to municipal aid that will lead to property tax increases," Ms. Gara said.

Funding teacher pensions is one of the biggest drivers of spending increases in municipal aid, the report said. The state pays about \$1.2 billion annually in teacher pension costs, and that figure is expected to peak at \$6.2 billion in 2032.

Mr. Malloy has called for making cities and towns pay \$400 million annually to help bring teacher pension costs down. Currently, they don't pay into the system.

Ms. Gara says making towns pay for teacher pension costs is a mistake.

"It's unfair to saddle taxpayers with the costs of a problem that has festered because of the state's mismanagement," Ms. Gara said.

The Wall Street Journal

By Joseph De Avila

Aug. 24, 2017 5:39 p.m. ET

Write to Joseph De Avila at joseph.deavila@wsj.com

Copyright © 2024 Bond Case Briefs | bondcasebriefs.com