

Appropriations Committee
February 16, 2024 Public Hearing
Governor's Proposed FY 25 Budget Adjustments for General Government

Dear Committee members:

Thank you for the opportunity to submit testimony regarding the Governor's Proposed FY 25 Budget Adjustments for General Government as detailed in HB 5048, An Act Adjusting the State Budget for the Biennium Ending June 30, 2025.

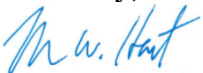
In the 2022 session the General Assembly made the most recent revisions to the state's motor vehicle mill rate cap, setting it at 32.46 mills. The cap applies to municipalities as well as special taxing districts. The state has established the Motor Vehicle Tax Reimbursement Grant to reimburse municipalities with mill rates above the cap for lost revenue and to mitigate a shift in tax burden to homeowners. The Governor's proposed midterm budget adjustments reduce funding for the Motor Vehicle Tax Reimbursement Grant by \$18.3 million in FY 25, citing a reduction in need.

Unfortunately, there appear to be some unintended consequences in the grant formula, as municipalities lose funding when they lower their mill rate to a level that is closer to or below the state cap. This has occurred in several communities following their recent townwide property revaluations as municipal grand lists have grown considerably due to significant increases in housing values. There are six municipalities within the CRCOG region that stand to lose significant revenue in FY25 because of this component of the grant formula.

Another potential flaw in the grant formula is that the state grant reimbursement is 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 coming fiscal year (FY25), they will not be reimbursed for lost revenues until the following year (FY26). This will force these municipalities to increase property taxes in FY25 to offset a reduction in revenues from the mill rate cap.

CRCOG respectfully requests that the General Assembly develop a legislative remedy to address the immediate impact on property taxpayers in these affected communities, and to consider adjustments to the grant formula to mitigate these revenue losses in the future.

Sincerely,



Matthew W. Hart
Executive Director