

Budget Crisis Threatens Tiny Connecticut Town



The new fiscal year started July 1, but Connecticut still does not have a state budget as lawmakers have remained gridlocked while the state faces a \$3.5 billion deficit over the next two fiscal years.



By **Daniela Altimari**

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The tiny Eastern Connecticut hamlet of Scotland could soon be teetering on the edge of insolvency.

With high education costs, an aging population and essentially no commercial tax base, the rural town is especially reliant on state aid. And with Gov. **Dannel P. Malloy** proposing to slash that aid in the absence of a state budget, Scotland could run out of money in February, town officials said.

“They’re looking at massive cuts under the governor’s executive order and simply cannot survive without that funding,” said Doug Dubitsky, the Republican lawmaker from nearby Chaplin who represents the town in the **General Assembly**.

Selectman Clare D. D'Appollonio said town taxpayers cannot fill the void left by the state. "We're doing what we can," she said. "We are looking at the only options we have."

In fiscal year 2017, the town received about \$1.4 million from the state. Under Malloy's revised executive order, the town is slated to lose about \$1 million of that.

Lawmakers in a divided legislature have been unable to approve a spending plan and adopt an education funding formula as they contend with a \$3.5 billion deficit over the next two years. Malloy is running the state through executive order, a limited budgetary tool that allows him to cut certain line items and shift funds but not raise new revenue.

Earlier this month, the Democratic governor released a new, temporary funding plan that shifts education aid to schools serving Connecticut's neediest students. The changes would take effect if the legislature fails to resolve the budget impasse by October.

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Running the state under executive order was never Malloy's preference because "it has forced the state to make some difficult expenditure cuts across state government that would have been avoidable if the General Assembly had passed a budget," said Chris McClure, the governor's budget spokesman. "With rising fixed costs, eroding revenues, and limited powers, the executive authority does not provide flexibility for allotting funds."

Officials in Scotland aren't waiting. The Bulletin of Norwich reported Friday that town leaders are considering various "worst-case scenarios," including bankruptcy and dissolution.

"If the governor's executive orders go into fruition, there simply is not going to be enough money to pay the bills," Dubitsky said. "They will have eliminated their entire general fund. They will be flat out of money."

Malloy has signaled that communities can no longer expect to receive the level of state aid that they have grown reliant on. He said state government has grown leaner in recent years and municipalities need to do the same.

But D'Appollonio said the town government in Scotland is already a very frugal operation: The

municipal budget is around \$1.5 million annually and, apart from two public works employees, almost every town worker is part time.

For Scotland, education costs are a key factor. The town is part of Regional School District 11, along with neighboring Chaplin and Hampton. Parish Hill school, the regional middle and high school, has a dwindling population and per-pupil costs that exceed the state average. “The school is in a very old building that was built for 700 kids,” Dubitsky said, adding that it currently has an enrollment of about 240 spread from grades six through 12.

“It’s very expensive to run,” Dubitsky added. “That’s one of the reasons why their finances are in such bad shape.” The towns that constitute Region 11 are currently considering various options, including dissolving the district.

The state budget crisis has caused major headaches for municipalities across the state. Some are pondering large-scale tax increases or dipping into reserve funds to offset the loss in state aid.

Dubitsky said other communities are also pondering the prospect of insolvency. “There are at least three or four other towns in this general area that have said, at least behind closed doors, that they could be in a similar situation ... maybe not right away but eventually,” he said.

The city of Hartford has begun formally exploring a course for bankruptcy; last month, it hired an international law firm that has expertise in financial restructuring. Hartford’s financial troubles have been building for decades and are due to a complex constellation of factors, include middle class flight, the disappearance of manufacturing jobs, a high number of facilities exempt from local property taxes and soaring costs. But the legislature has not provided a plan for the city to address its fiscal crisis.

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