

## Message from the CFO regarding the Windfall Myth of \$1.1 million in State aid

There has been a recurring theme in a letters written to the newspaper, public officials and social media posts claiming that the Town of Somers has received more State aid than it budgeted and as a result has received a “windfall” of \$1.1 million. This claim which has at this point reached mythical status is without merit. I’ll attempt to explain why no such “windfall” exists:

- 1) Central points and questions raised by the authors
  - a. For the 2019 fiscal year the Town budgeted \$7,696,138 in anticipated state aid; Total State aid awarded was \$8,824,322. Difference of \$1,128,184
  - b. The \$1,128,184 has been termed a windfall by critics
  - c. They ask: Where did the windfall go? What is it being used for? Now that you have it, why aren’t you giving it back? Why aren’t you lowering the mill rate? Why are you reducing Transfer Station hours now that you have the windfall? The Town budgeted incorrectly
  
- 2) Last month I provided the Board of Finance with a reconciliation showing what makes up the difference or the \$1.1 million and that there has not been a “windfall”
  - a. First, one needs to understand the following:
    - i. Not all State aid received goes into the Town’s General Fund. TAR grants and Municipal Projects aid is, by statute restricted. These amounts are deposited directly in the TAR Fund. They are earmarked for road maintenance.
    - ii. LoCIP Funding which is included in the state number is not a grant at all. It represents a reimbursable allocation for money spent on state preapproved capital projects
    - iii. State aid amounts are estimates. They are not guaranteed. Grants can be cut or withheld at any time during the fiscal year.
    - iv. State aid is neither received in a lump sum nor is it received at the beginning of the FY. In fact, to date, we have yet to receive any state aid. Aid is received in installments throughout the year, sometimes installments are delayed
  
  - b. So TAR, Muni Projects and LoCIP (these are monies that don’t go into the General Fund) total \$454k. From the \$1.1, that leaves a difference of \$675k. \$664k or 98% of that amount is an ECS funding increase over budget
  
  - c. Why the difference? - Town budgeted ECS at the Governor’s amount (a budget cut) and Lawmakers ultimately restored his ECS cuts when they passed the state budget. So we are sitting on a potential increase in ECS money of \$664k. Will that amount be cut between now and 6/30/19? Possibly.
    - i. When Governor signed State budget into law, he vetoed a provision of the bill that said he could not cut, adjust or hold back ECS funding during the Fiscal Year
    - ii. Lawmakers failed to override the Governor’s veto. The governor and his successor now maintain the ability to withhold ECS funding when they feel the need to do so.
    - iii. While it appears we will be receiving \$664k more in ECS funds, that remains to be seen

There is NO windfall, we have not received any state money, to date; state funding is an estimate and not a guarantee; and what we don’t have we can’t use.