

# CONNECTICUT CONFERENCE OF MUNICIPALITIES

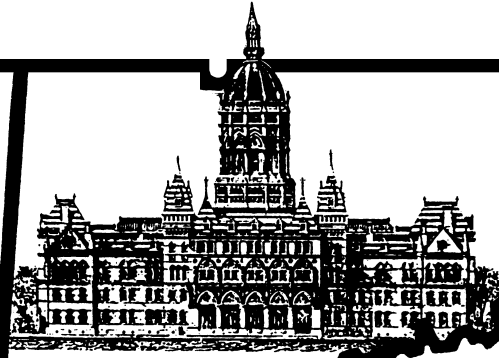


## CCM: CONNECTICUT'S ASSOCIATION OF CITIES AND TOWNS

The Connecticut Conference of Municipalities (CCM) is Connecticut's association of cities and towns. CCM represents municipalities at the General Assembly, before the state executive branch and regulatory agencies, and in the courts. It provides member cities and towns with a wide array of other services, including management assistance, individualized inquiry service, assistance in municipal labor relations, technical assistance and training, policy development, research and analysis, publications, information programs, and service programs such as workers' compensation, liability-automobile-property, risk management, energy cost containment, and revenue collection assistance. Federal representation is provided by CCM in conjunction with the National League of Cities. CCM was founded in 1966.

CCM is governed by a Board of Directors, elected by the member municipalities, with due consideration given to geographical representation, municipalities of different sizes, and a balance of political parties. Numerous committees of municipal officials participate in the development of CCM policy and programs. CCM has offices in New Haven (the headquarters) and Hartford.

900 Chapel Street, 9th Floor  
New Haven, Connecticut 06510-2807  
Phone: (203) 498-3000  
Fax: (203) 562-6314  
E-mail: [ccm@ccm-ct.org](mailto:ccm@ccm-ct.org)  
<http://www.ccm-ct.org>

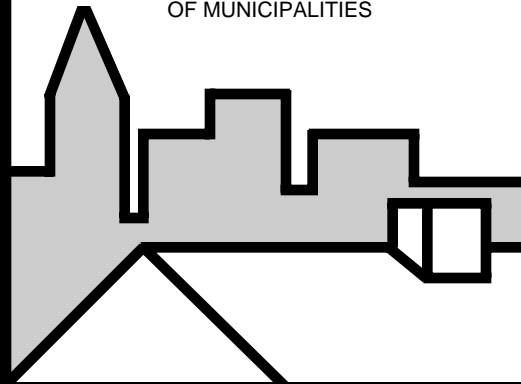


## LOCAL PROPERTY TAXES AND CONNECTICUT'S STATE GOVERNMENT

**What residents  
and businesses  
should know**



CONNECTICUT CONFERENCE  
OF MUNICIPALITIES



**Q Can't local governments hold down the cost of services?**

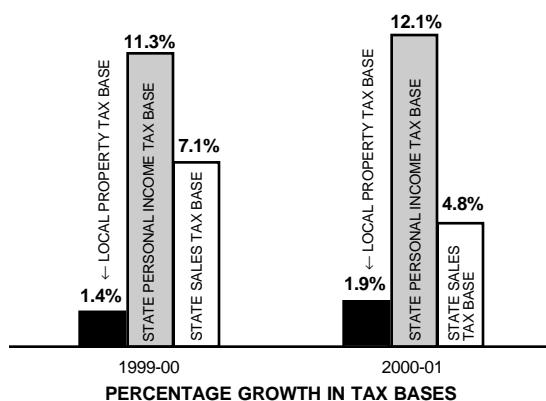
**A** Yes — and they are doing so. No public official wants to raise taxes. Municipal budgets are subjected to intense public scrutiny. Inflation alone forces cities and towns to spend more just to maintain current service levels. But aside from the general rate of inflation, municipal expenditures also are driven by demographics. Public school enrollments will have increased by 10% from 1996 to 2002. Service demands related to the elderly will also increase — the percentage of Connecticut's population over age 65 will grow by 44% between 1995 and 2025.

**Q What is the impact of insufficient state aid on property tax rates and municipal services?**

**A** Property taxes go up and service levels go down. Budgetary pressures have forced municipalities to increase mill rates by an average of 2.2% in 1998-99, 3.2% in 1999-00, 6.6% in 2000-01, and 3.3% in 2001-02. At the same time, many municipalities were forced to eliminate or reduce needed services. Furthermore, the growth in the property tax base has been meager. In each of the last five years, the average growth in grand lists has been 1.9% or less.

Contrast this to the rapid growth in the major tax bases of state government — the personal income tax and the sales tax.

**THE STATE HAS A MUCH GREATER FISCAL CAPACITY THAN MUNICIPALITIES: ECONOMIC GROWTH IN MAJOR TAX BASES OF THE STATE HAS BEEN MUCH GREATER THAN THE GROWTH IN PROPERTY TAX BASE OF CITIES AND TOWNS**



Source: Economic growth of income and sales taxes — OPM. Property tax — OPM grand list data.

**Q How can the State provide needed relief to municipalities and their property taxpayers?**

**A** There are a number of ways, such as:

- Increase state aid for local public education. After peaking at 45.5% in 1989-90, and falling to 38.3% in 1992-93, the State's share of local public education costs is now 41.7%;
- Increase state reimbursements for mandated special education costs. The State made some progress in 1998 in helping cities and towns pay for some of the most expensive cases, but more help is needed. Local governments will spend over \$900 million for special education in 2001-02, approximately 65% of the total cost of this mandated program. The successful state take over of General Assistance may provide a model for the special education system in Connecticut;
- Expand and increase payments in lieu of taxes — to more adequately reimburse local governments for money lost due to state-mandated property tax exemptions for private colleges and hospitals, and for state-owned property;
- Refuse to pile new mandates, new costs, and new responsibilities onto municipalities and property taxpayers;
- Maintain and expand state revenue sharing with cities and towns to reduce the pressure on property taxes to fund local services. Examples include continuing the \$31 million Revenue Sharing grant and increasing the municipal share of Pequot/Mohegan payments;
- Increase the amount of the property tax credit on the state personal income tax;
- Enact permanent, not one-shot, funding increases for cities and towns; and
- Conduct a thorough analysis of the state and local tax system and enact structural changes to reduce reliance on the property tax to fund local public services.

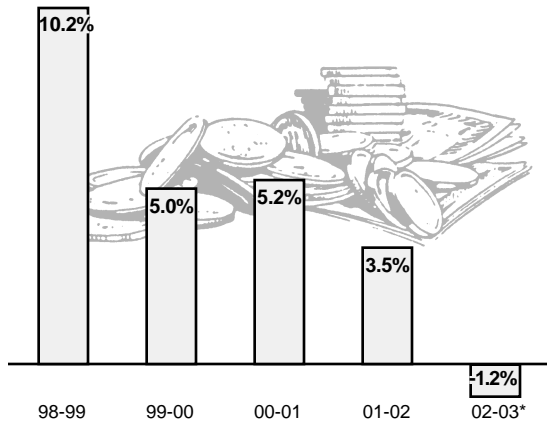
**Q Why should the State use the money raised from state taxes to help cities and towns and their local property taxpayers?**

**A** Because the State and municipalities are partners in governing Connecticut. The State has the responsibility and resources to assure that high-quality public services are available to residents of **all** communities.

Also, the need for services by residents and businesses continues to exceed the ability of most municipal governments to raise the necessary money. Local taxpayers already shoulder a huge burden. Remember, Connecticut's biggest tax is the property tax — 37% of all state and local taxes in Connecticut.

Connecticut's quality of life is largely dependent on the quantity and quality of state and local services. If this quality of life is to be maintained and improved, municipalities will require additional resources from the State. Cities and towns cannot do it alone.

**STATE AID TO MUNICIPALITIES:  
PERCENTAGE CHANGE FROM PREVIOUS YEAR  
FYs 1993-1994 THROUGH 2000-2001**



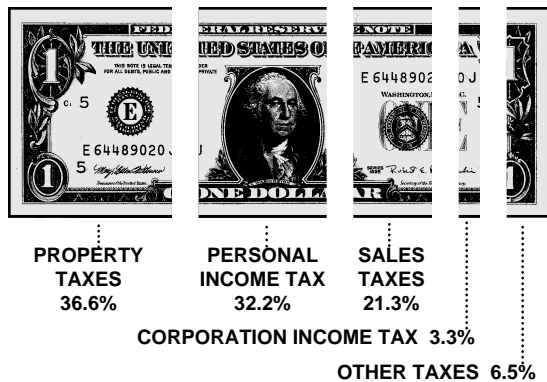
Source: CCM \*Based on Governor's proposed budget.

**Q How does state aid affect the property tax?**

**A** The property tax in Connecticut is the "tax of last resort". Property taxes have to make up for all the money a city or town needs that does not come from the State or the federal government.

In Connecticut, property taxes account for over 64% of municipal revenues.

**CONNECTICUT TAXPAYER'S DOLLAR IN 2000**

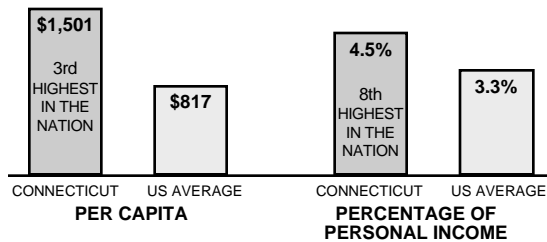


Sources: Adopted state budget 2001-03 and CCM forecast of OPM municipal fiscal indicators, 10/01.

**Q How does Connecticut's property tax burden compare to the U.S. average?**

**A** Connecticut's property tax burden far exceeds the national average. The per capita property tax burden is much higher in Connecticut than the U.S. average — \$1,501 compared to \$817. Connecticut's property tax burden as a percentage of personal income also is higher than the U.S. average — 4.5% compared to 3.3%.

**PROPERTY TAX BURDEN:  
CONNECTICUT VS. U.S. AVERAGE**



Source: Governing, State and Local Sourcebook 2001.

**Q Can't property taxes be reduced by cutting local budgets?**

**A** Connecticut's local governments make difficult choices to keep a lid on spending every year. In fact, while the State increased spending 31% between 1996 and 2001, municipalities held their increases to only 18.5%.

In the last five years, the increases in general-government non-education municipal spending have been between 1.4% and 3.8%. The increases in local education spending have ranged from 3.5% to 6.3%. This restraint has been achieved despite the fact that over half of local government spending is mandated by state law (e.g., education programs, environmental programs, health services, binding arbitration rules for teachers and other municipal employees, prevailing wage requirements for public construction, etc.), and is largely removed from local control.

Education is the single largest expenditure in every city and town. In 2000-01, education services made up 58.1% of local budgets on average.

The underlying demand for local public services (e.g., school enrollments) continues to increase, and the cost of services continues to rise with inflation. Without commensurate increases in state aid, increases in property taxes are inevitable.

**T**he amount of state aid to cities and towns — money raised from state taxes and fees that the Governor and General Assembly return to your community — directly affects the level of local services in your municipality and the amount of property taxes you pay.

When your property taxes go up and municipal services don't meet your needs, ask your state legislators and the Governor if the state government is providing your community with adequate financial aid. State aid can help pay for the local services you need and can keep your property taxes from going up — again.

---

---

**Q How is the responsibility for taxing and spending divided between the State and local governments in Connecticut?**

**A** State government and municipal governments share responsibilities and resources. Both the State and municipalities must provide a variety of important public services. But the ability of each of these two levels of government to raise money differs greatly.

Unlike the State, cities and towns have few revenue options available to pay for services. This has resulted in the continued heavy reliance on property taxation as the major source of municipal revenue. Because the value of property varies widely from municipality to municipality, many cities and towns are unable to meet local service needs.

**Q Why do Connecticut's cities and towns need state aid?**

**A** Cities and towns need enough money to pay for the many essential public services they provide. Paying for and providing many services is a joint responsibility of state government and local governments (including education, transportation, law enforcement, health and human services, solid waste disposal, environmental protection, and other services as well). But Connecticut's cities and towns are not only responsible for delivering most of these services, they also bear the primary responsibility for financing them.

In the area of education, municipalities pay most of the costs, even though the State has a constitutional obligation to provide free public schools. In 2001-02, the state share of public school expenditures is only 41.1%.

State law limits how municipalities can raise money. Other than state and federal aid, Connecticut municipalities only have user fees (charges imposed upon residents and businesses who use or receive a specific service) and local property taxes.

**Q What has happened to federal aid to cities and towns?**

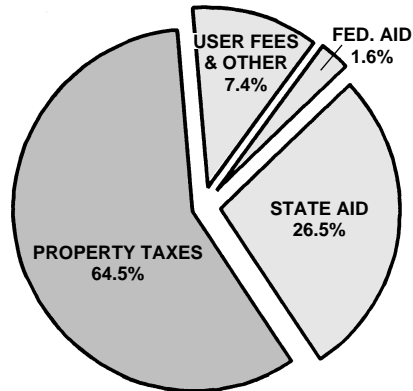
**A** Federal aid to Connecticut municipalities fell dramatically during the 1980s and into the 90s. The most recent data available shows that federal aid contributes only 1.6% of municipal revenues in Connecticut.

**Q What about user fees?**

**A** User fees and other non-tax revenue provide only 7.4% of municipal revenues in Connecticut. User fees are an option for municipalities in a few areas, such as water and sewer service. But user fees cannot pay for most services, such as police protection, snow removal, public education, or maintenance of public facilities. Furthermore, user fees may cut off services for those who cannot afford to pay.

---

**LOCAL REVENUES IN CONNECTICUT**



Source: OPM Municipal fiscal indicators, 10/01 and CCM data for FY 2000.

---

**Q That leaves state aid and property taxes. What about state aid?**

**A** In the early 1990s state aid increases were minimal. After increasing by 8.0% in 1993-94 (largely a result of the new Pequot grant), the rate of increase in state aid again dropped three years in a row — to a paltry 1.2% in 1996-97. The 1997-98 state aid increase of 7.2%, followed by the 1998-99 increase of 10.2%, shows that Connecticut was moving in the right direction. However, the gains in 2000-01 (5.2%) and 2001-02 (3.5%) show a downward trend in local aid.