



December 2013

CCM Recommendations for Consideration by MORE Tax Authority Subcommittee

1. **Education Finance Reform:** Reforming PreK-12 public education finance is a key to property tax reform in Connecticut. Chronic state underfunding of PreK-12 public education is the single largest contributor to the overreliance on the property tax in our state. The ECS grant alone is underfunded by over \$763 million. Special-education costs are now approaching \$2 billion per year and impose staggering per-pupil cost burdens on host communities. The state reimbursement program for special education is underfunded by at least \$101 million. Special-education costs should be borne collectively by the State, not individual school districts. There has been 40 years of litigation that has consistently found that state government has failed to meet its state constitutional responsibility to adequately and equitably fund PreK-12 public education. As the CT Coalition for Justice in Education Funding (CCJEF) lawsuit - which will go to trial in 2014 - makes clear, Connecticut needs a new and significantly increased education funding system.
2. **Restore State Revenue Sharing:** The Municipal Revenue Sharing Account (MRSA) was groundbreaking when it was introduced in 2011. This account was funded through part of the State Sales Tax and part of the State Real Estate Conveyance Tax. The elimination of its funding, however, is a cause for concern and will further increase the reliance on property taxes to fund municipal services. As the State's finances continue to improve, funding for the program should be restored to add to the long-standing municipal aid programs that help fund local government.
3. **Fully Fund PILOT Programs:** The State should increase and fully fund PILOTs to provide reimbursement to municipalities for 100 percent of the revenue lost due to state-mandated property tax exemptions. Funding for the PILOT MME should be restored.
4. **Municipal Needs-Capacity Gap Analysis:** The State should undertake a study to examine the needs-capacity gap in towns and cities. This study would look at the drivers of municipal-service demand, including costs that may be outside the control of each municipality. The study would also provide insight into the capacity of each municipality and region to generate its own revenue, which is currently generated almost entirely from the property tax. The results could form the basis for new municipal-aid formulas.
5. **Intermunicipal and Regional Collaboration:** State financial and technical assistance incentives for increased intermunicipal and regional collaboration should be expanded. The new Regional Performance Incentive Program (RPIP) Grant – funded through a share of the State Hotel tax and Car Rental tax – is a great foundation upon which to build stronger incentives and support for cooperative efforts, including municipal connectivity to the Nutmeg Network. It is the State's best interest to reinvest in planning and other staff to assist the new eight-COG structure in meeting the challenges facing Connecticut. Providing towns and cities with the tools and authority to deal with service delivery, revenue raising and sharing, and other issues on a regional basis would result in increased efficiencies and a reduction in dependency on single-town grand lists.
6. **Mandates Reform:** The State should eliminate or modify unfunded and underfunded mandates, beginning with the MBR. This would lower the property tax burden without adding additional costs at the state level. (More details on mandates reform will be provided in an upcoming CCM policy report.)