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**Connecticut Council of Small Towns (COST)**  
**Before the**  
**MORE Commission Mandates Subcommittee**  
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**Mandate Relief Recommendation - Eliminate the Tax on Municipal Health Insurance Policies**

Connecticut's small towns and cities are once again facing enormous pressure to hold the line on local budget and property tax increases. State aid to municipalities has been largely flat funded for more than a decade, requiring towns to absorb the increased costs of delivering critical education, public health and safety services.

Towns are working hard to find ways do more with less. Unfortunately, unfunded state mandates continue to drive up local costs beyond the control of our small towns and cities. Connecticut must help to relieve some of the burden on our small towns and cities by providing relief from unfunded mandates and refraining from adopting any new unfunded mandates, however well-intentioned.

Included in the Connecticut Council of Small Town's (COST) mandate relief recommendations is the elimination of the state mandated tax on municipal health insurance premiums.

The skyrocketing costs of local employee and retiree health insurance represent one of the most serious fiscal challenges facing small towns. Double digit increases in health insurance costs have begun to dominate budget growth in many communities resulting in fewer resources available for other critical services, including education and public safety.

The insurance premium tax, which is a 1.75% tax on fully insured municipal premiums, is particularly onerous for Connecticut's small towns because they cannot afford to self-insure to avoid the tax and other mandated health insurance costs. Recognizing this, Governor Malloy included a proposal in his budget to eliminate this tax, which is projected to save towns close to \$9 million per year.

The towns that will benefit from the elimination of this tax include: Ansonia, Ashford, Bethany, Bethel, Bethlehem, Bolton, Bridgewater, Brooklyn, Canterbury, Chaplin, Columbia, Coventry, Cromwell, East Granby, East Haddam, East Hampton, East Windsor, Eastford, Essex, Harwinton, Killingworth, Lebanon, Litchfield, Middlefield, New Canaan, New Hartford, North Branford, North Stonington, Pomfret, Portland, Preston, Prospect, Putnam, Rocky Hill, Roxbury, Salem, Sherman, Somers, Southbury, Sprague, Stafford, Sterling, Suffield, Thompson, Trumbull, Voluntown, Weston and Willington. There are also a number of boards of education that will benefit, freeing up additional dollars for educational programs.

COST recommends the MORE Commission Mandates Subcommittee support this mandate relief measure.

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