



**Bart Russell, Executive Director  
Connecticut Council of Small Towns  
Testimony Before the Finance Committee  
March 15, 2010**

- **SB-435, AN ACT CONCERNING MUNICIPAL FEE INCREASES**, which authorizes increases in certain municipal fees.
- **SB-436, AN ACT CONCERNING MUNICIPAL REVENUE**, which increases sources of municipal revenue by giving municipalities local option taxing authority and allowing them to unilaterally increase fees otherwise set or limited by statute.

The Connecticut Council of Small Towns (COST) **strongly supports SB-435 and SB-436** which recognizes that towns must begin to diversify their revenue sources by providing them with opportunities to generate a steady stream of revenue and reduce the reliance on property taxes.

Clearly, Connecticut is facing an extremely challenging set of economic circumstances. Towns are facing additional pressure associated with significant increases in costs for critical services and programs, including education, road construction and repair, building construction and public safety services. Local budgets have been straining from the enormous weight of these and other costs, as is evidenced by the increasing and historically high number of multiple referenda towns went through last year. We expect this situation will only get worse.

Expanding local revenue options in the State would achieve the following goals:

- **Stability and predictability** - Increase the stability and predictability of revenues to municipalities for capital and operating budgets beyond the reliability of current State funding sources;
- **Revenue diversification** - Lessen the over-reliance on the property tax as the preponderant revenue source for municipalities;
- **Empower local preferences** - Allow the voters to decide on the level of services they wish to receive, without relying entirely on property taxes for revenues through use of local user fees and charges.

Although COST has not taken a formal Board position on the specific revenue raising options, we have discussed the following revenue options that merit further consideration:

- **Vehicle registration surcharge** - A registration surcharge of \$10 per registered vehicle, and \$30 for trucks over a certain Gross Vehicle Weight tacked onto the local property bill would yield over \$30 million dollars that could replace a shortfall in the Town Aid Road fund of \$8 million dollars funded by last year's surplus, and adjusted for inflation. These funds should be restricted to road improvements authorized by Town Aid for Roads (TAR).
- **Sales tax** - An additional ½% sales and use tax could provide much needed revenue to municipalities. Based on the fiscal year 2007 State Budget, the sales tax raises about \$3.6 billion dollars yearly. Assuming a ½% increase, approximately \$300 Million in additional revenue would be raised. Decisions must be made about how to allocate funds to cities and towns. On a municipality-to-municipality basis, there is a very wide divergence in income raised by a sales tax. One half of the revenues might go to a regional service sharing incentive pool and the second to towns on an agreed basis that could include a "floor" that would be established for low sales tax jurisdictions and the remainder to be distributed on a pro rata basis on income generated. A portion of these funds could be restricted to capital projects authorized by LoCIP, STEAP and Urban Act funds and serve as a reliable income source for infrastructure maintenance that could reduce the use of bonding by the State. This approach would support smart growth principles and relieve the pressure to grow the municipal Grand List in a quest for revenue.
- **Hotel tax** - A hotel user fee could generate \$45 million annually. Much like the Sales Tax, a formula could be devised that would share the hotel tax with neighboring communities that do not have hotel/motels, so that every community would receive some funding from this tax.
- **Fees and service charges** - Connecticut is significantly below the national average on charging fees. A framework that permits full recovery of fees across a named set of services and uses would be appropriate.
- **Motor vehicle infractions** - Fines and charges yield \$15 million annually. Instead of these funds going entirely to the State, municipalities that do the enforcement could receive some of these dollars to offset their public safety costs.
- **Local Revenues Framework** - The State should consider legislation that puts a local revenues options framework in place that would set forth permissible types of revenues (e.g. sales tax, hotel tax, car tax, rental car tax, beverage tax, fees and charges for individuals and businesses) to be used for appropriate, pre-established uses (e.g., to invest in an approved capital plan in towns); and, would require approval mechanisms at the local level, through taxpayer input, for any new or increased revenues.

Thank you for the opportunity to testify. Please contact me at 860-676-0770 if you have any questions.