



**Testimony
Betsy Gara
Executive Director
Connecticut Council of Small Towns
Before the Finance, Revenue & Bonding Committee
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The Connecticut Council of Small Towns (COST) **opposes SB-1141, AN ACT CONCERNING PROPERTY TAX REFORM**, as drafted.

Connecticut is more reliant on local property taxes to fund education and other critical services than any other state in the nation, according to the U.S. Census Bureau. In fact, according to the 2014 Tax Incidence Report prepared by the state Department of Revenue Services, property taxes account for almost 45% of state and local taxes paid by residents.

Recognizing that Connecticut is too reliant on the property tax to fund critical services, COST supports efforts to diversify local revenues and provide municipalities with predictable revenue streams. However, as drafted, SB-1141 increases the sales tax by .5%, which is projected to generate approximately \$340 million, \$315 million of which will be earmarked for an estimated 60 communities to fund various economic growth initiatives.

It is questionable whether this funding will be helpful in controlling property taxes or increasing grand lists in those communities. What is certain, however, is that the bill will do nothing to address the overreliance on property taxes to fund local services in more than 100 of the state's municipalities.

We are very concerned that property taxpayers in many smaller communities are at a tipping point. Residents are concerned that increasing property tax levels are diminishing the value of their home, generally their largest investment. While we understand that the needs of other communities are great, all towns should be able to rely on predictable, adequate levels of municipal aid that will reduce reliance on the property tax to fund critical services, such as education. This "fair-share funding" ensures that every community has a stake in working together to address the state's fiscal challenges.

Moreover, in the past seven years, Connecticut has tried on two occasions to dedicate a large percentage of sales taxes to municipalities. However, sales tax receipts were swept to help address state budget deficits. Given the tremendous pressure that the state's unfunded pension liabilities are placing on the state budget, as well as municipalities which rely on state



aid to fund critical services, addressing unfunded pension liabilities should be the top priority this session.

Founded in 1975, COST is the state's only organization dedicated exclusively to advocating on behalf of the interests of Connecticut's smaller towns.