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### **Report: Connecticut has greater capacity to support public investments in children**

#### ***Points to inequities in property taxes and low state fees***

As Connecticut faces projected budget deficits and a shrinking portion of the state budget targeted to children and families, a new report comparing Connecticut's state revenue system to those of other states concludes that the state has additional capacity to support public investments in young people. The analysis by the Fiscal Policy Center at Connecticut Voices for Children finds that residents of many wealthy towns enjoy property tax rates that are a fraction of those in neighboring cities and that Connecticut has the lowest charges and fees of any state.

Connecticut Voices recently released another report indicating that the share of the state budget going to programs targeted to young people and families has declined from 40% to 30% over the last two decades.

"These reports identify related trends that, seen together, reveal opportunities for reform," said Ellen Shemitz, Executive Director of Connecticut Voices for Children. "Even as state budget constraints have resulted in short-sighted cuts to child health and education funding, imbalances in our tax system have left potential revenue sources untapped."

Among the findings of the report:

- **Connecticut state spending is comparatively low and has remained so for years.** In Fiscal Year 2011, Connecticut state and local government spending as a share of personal income ranked 46<sup>th</sup> (5<sup>th</sup> lowest) among 50 states, similar to its ranking of 48<sup>th</sup> in 2000. Connecticut remained near the bottom of all 50 states in state and local spending as a share of personal income on education (45<sup>th</sup> in 2011), transportation (48<sup>th</sup>), public safety (47<sup>th</sup>), public salaries and wages (45<sup>th</sup>), housing and environment (49<sup>th</sup>), public welfare (42<sup>nd</sup>), and social services (42<sup>nd</sup>).
- **Connecticut raises less revenue than any other state in charges and fees, such as tolls, medical charges at public hospitals, and public college tuition.** Connecticut raises less from these fees as a share of personal income primarily because it enrolls comparatively few students in public colleges and has fewer public hospitals, so it earns less in tuition and medical charges than other states. As a result, Connecticut's overall state and

local revenues (combined charges, fees and taxes) are comparatively low (43<sup>rd</sup>), though its taxes alone rank fairly high (13th).

- **While Connecticut’s local property taxes are high, other state taxes are low and increasingly progressive.** Connecticut’s overall state and local taxes rank relatively high, but factoring out the property tax, Connecticut’s ranking falls from 13th to 29th highest. Moreover, the mix of taxes in Connecticut has changed in favor of progressive income taxes rather than regressive sales taxes, which fall harder on low- and middle-income families.
- **While property taxes are comparatively high overall, they are low in many wealthy towns.** Towns like Darien and Greenwich have effective property tax rates that are a fraction of those in neighboring Connecticut cities and New York suburbs.

Given these findings, the report suggests that the state’s charges and fees, as well as property taxes in many wealthy towns, are areas where additional revenues could be raised to support high-return public investments in young people and in the future of Connecticut.

“As the state considers spending and revenue reforms to improve opportunities for children and rebuild the support for children's programs that has diminished in the last two decades, we should not undermine the competitiveness of today’s revenue system,” said Wade Gibson, Director of the Fiscal Policy Center at Connecticut Voices. “By focusing on areas where Connecticut revenues are comparatively low, we can make these important investments in our future, while diminishing any negative impact on our economic well-being today.”

The report, “Where Should We Look to Fund Public Investment? Mapping Connecticut’s Revenue Landscape,” is available on the Connecticut Voices website at [www.ctvoices.org](http://www.ctvoices.org).

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