

Taxes & The Budget



Over the past 5 years, I have traveled the state listening to the concerns of Connecticut's citizens. I have heard their concerns about making ends meet while ensuring that their communities can provide quality schooling and important municipal services. Many, especially seniors on fixed incomes, wonder whether they can continue to stay in their communities, and keep their homes, as the burden of taxes increases each year.

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A New Approach

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In 2009, Connecticut's "Tax Freedom Day" (April 30) was later than in any other state. That means that taxpayers in Connecticut have to work longer each year to earn enough money to pay their federal, state, and local taxes than taxpayers in any other state.⁵

For at least the past 20 years, governor after governor in Connecticut has talked about the need for comprehensive tax reform, especially with respect to property taxes, which are more burdensome here than 47 other states in the country.⁶⁷ But this has been all talk.

Reforming our tax system will not be easy. And it will be even harder given the fiscal mess that the next governor will unfortunately inherit from the current governor.



Former Mayor Dan Malloy speaking with the Bristol Democratic Town Committee on June 22, 2009. [WATCH VIDEO](#)

We have to be committed to getting our fiscal house in order, budgeting within our means, and being better prepared for downturns in the economy. Our current tax system was born out of the recession of 1991. Since then, Connecticut's governors have acted irresponsibly. They faced fiscal challenges by taking the easy way out - they've tried to take a car that won't run and fix it with duct tape, when what it really needs is to have its engine rebuilt.

As a result, the few changes that have occurred have been based on hasty decisions in the face of fiscal crises, not a comprehensive strategy to fix a system that is unfair, ineffective, and over-reliant on inequitable property taxation.

The current budget is a perfect example of irresponsible budgeting. Remarkably, the state budget for the 2010 fiscal year was \$385 million out of balance before the ink was dry.

Why? Because this administration, once again, took the easy way out. About 15% of the current budget was balanced on phantom cuts and one-time revenues that will not be available for the next budget round. The administration also continually shortchanges pension liabilities. This year, only 56% of our State's pension liabilities are funded, down from 72% a decade ago. We are tied for dead last in funding our liabilities.

As a result, the people of Connecticut have been sold a lemon. Getting our engine humming again will take true leadership with the right kind of experience.

Sensible Budgeting

As Mayor of Stamford, I kept growth in spending on the city's budget to less than the rate of inflation during a time when population grew and city services were

expanded. We were able to do this by responsible, realistic budgeting that focused on the city's highest priorities and most productive investments. As Governor, I would bring this same sensibility to state budgeting.

In order to do this, I will focus our attention on the problem and our resources on the right solutions. I recognize that sensible state budgeting is connected to fairer local budgeting. As governor-after-governor has proven, we simply cannot fix the system without addressing this relationship.

Our cities and towns rely on an outdated property tax system that increasingly forces communities across the State to make development decisions for the wrong reasons. Our outdated property tax system results in decisions being made that run counter to the character of our communities by replacing parks and forests with parking lots and franchises. It chases businesses from our doors and, ultimately, from our shores. It pushes seniors from their homes and communities in which they've lived all their lives. It can turn the possibility of the American Dream into a homeownership nightmare. And, it provides the best educational opportunities to too few at the expense of everyone else.

Reform can only be completed with the commitment of a Governor to end our over-reliance on local property taxation. In fact, if you want a governor to address property tax reform, elect a mayor. Change starts with fixing education funding and finally meeting our State's constitutional obligation to provide a fair share to Connecticut's communities. Sensible state budgeting is connected to sensible local budgeting. The costs of providing a quality education have simply outgrown our antiquated property tax system, which was developed when land intensive farming was Connecticut's primary economic engine.

Comprehensive Reform

As Governor, I will initiate long overdue comprehensive tax reform for our State.

Establishing comprehensive tax reform will be a multi-year endeavor that I will begin pursuing immediately upon taking office. Reform will be guided by 5 key goals. Real tax reform must:

- Be sustainable, comprehensive and address the balance of state and local taxation
- Provide for a fairer and more progressive sharing of taxation
- Ensure a greater and more equitable state share of local funding for schools
- Strategically generate job growth and encourage business development
- Relieve the local property tax burden on low and middle income seniors, veterans, and individuals who are disabled

Additionally, as Governor, my administration will conduct a comprehensive evaluation of tax strategies currently used across the nation to reform our system, allowing us to learn from other states' successes, and failures, too. To that end, my administration will review and consider the following strategies:

- Joining with a number of other states that allow municipalities to tax different types of property at different rates, particularly low and moderate income housing, housing for the elderly, and housing for individuals with disabilities, as done in Minnesota.
- Allowing buildings to be taxed at a different rate than land, as is done in Pennsylvania, to encourage smart growth, reduce blight, and encourage property improvements.
- Permitting cities and towns to further diversify their revenue sources by levying limited sales and use taxes, as is done in Nevada, to pay for open space and parks.
- Instituting revenue sharing and permitting a portion of taxes generated in a municipality to be retained.
- Encouraging flexible changes that could allow cities and towns to share in the revenue generated from utility, cable, sales, and hotel taxes.
- Expanding personal income tax credits, providing homestead exemptions, or instituting property tax rebates as is done in Kansas, Minnesota, New York, South Carolina and Wisconsin.

Fiscal Responsibility and Restraint

We also cannot truly fix our system of taxation without spending more wisely. For example, Medicaid expenditures account for over 20% of the entire state budget. Medicaid costs are also growing at about 7% a year. This trend is simply unsustainable. Yet, this administration continues to block and even veto legislative proposals that could help reduce the inflationary costs of health care and Medicaid in general.⁸

Governor Rell also continues a tradition begun by her predecessor, Governor Rowland, of leaving federal tax-dollars on the table.⁹ Connecticut taxpayers pay more the federal government on a per capita basis than 47 other states. For every dollar Connecticut taxpayers send to Washington, only 69 cents is returned - much less than Massachusetts (\$0.82), Rhode Island (\$1.00) or Vermont (\$1.08).¹⁰ We need to a better job of bringing some of that money back home.

We also must reduce our reliance on debt and prioritize projects based on their ability to stimulate job growth. In our state budget, about 1 out of every \$10 goes to pay off debt. Yet debt service for the 2012 budget is already expected to jump 15.6% and the budget was balanced using \$1.3 billion borrowed against future revenue streams. Increasing debt makes responsible budgeting less possible. And, it is simply irresponsible to leave more and more debt for future generations.

One of the most fundamental budget reforms we should consider enacting is requiring state government to abide by generally accepted accounting principles (GAAP) - as local municipalities currently do - to gain a more complete and accurate picture of our budget.

Too often over the past 16 years, and especially over the past two years, Hartford's played a budget shell game; piles of money get moved around, erasers get used, and voila, there's a "balanced budget." It fools only those who want to be fooled.

Overall, and perhaps most important, we must restore the fundamental goals of state government: to protect the state's most vulnerable citizens, enhance economic security, provide educational opportunity, maximize public safety, and to promote equity, fairness, and justice.

As Governor, I will bring the same fiscal responsibility to the Capitol that I brought to Stamford as Mayor. And I will bring with me to Hartford the same priorities, leadership, and dedication that enabled the City of Stamford to live within its means.

References:

⁵Tax Foundation "2009 Facts and Figures. How does your state compare?"

⁶Property Tax Collections Surged with Housing Boom - Will Localities Respond to Housing Dip with Higher Rates? Tax Foundation (2006).

⁷New York Business Council report (2007)

⁸<http://www.cga.ct.gov/ofa/Documents/Statements/2010/FINAL%20Nov%2018%20Presentation.pdf>

⁹<http://www.cga.ct.gov/olr/2010Major%20Issues/2010-R-0029.pdf> (page 16)

¹⁰<http://www.taxfoundation.org/research/topic/17.html>