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NEWS RELEASE

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GOVERNOR'S PROPERTY-TAX CAP THE WRONG SOLUTION FOR CONNECTICUT, ANALYST ADVISES

Governor Rell's proposed cap on property taxes is the wrong solution for the recently rising property tax burdens faced by many Connecticut households, the deputy director of the Center on Budget on Policy Priorities told state lawmakers Friday.

In testimony before the General Assembly's Committee on Finance, Revenue and Bonding, Iris Lav explained that the proposed cap, which would limit the growth in property tax revenues to 3 percent per year, is likely to result in severe cuts in local services over time.

"Capping property-tax revenues doesn't keep the cost of public services from rising. It only makes it harder for communities to pay for the services their residents need and want," said Lav.

For example, a property-tax cap would not change the cost of providing high-quality education to Connecticut's children, Lav noted. Nor would it address rising health-related costs (which are a society-wide problem), hold down fuel costs, or reduce pension liabilities.

Moreover, Connecticut's proposed cap is exceptionally restrictive compared to other caps around the country. Only five states have fixed caps that limit property-tax growth to 3 percent per year.

Lost Revenue Unlikely to Be Made Up Through Other Sources

In general, there are three factors that could mitigate the cuts in local services under a property-tax cap, Lav explained. But none of these is likely to be effective in Connecticut:

- **Increased state aid.** The governor's proposal is accompanied by an increase in state aid for education. But evidence from other states such as Massachusetts and California suggests that state aid is rarely sustained over time at a level sufficient to compensate for a severe property-tax cap, Lav noted. In particular, state aid is likely to be cut during economic downturns and when state taxes are reduced.

- **Other revenue sources.** Connecticut municipalities cannot use other sources of revenue to compensate for lost property-tax revenues because local governments in the state cannot levy sales or income taxes. By contrast, 11 of the 13 states with caps that are potentially as restrictive as the governor's proposal *do* have local options for sales or income taxes.

- **Voter overrides of the cap.** Residents in some jurisdictions could vote to override the property-tax cap, but Lav cited troubling evidence that overrides are far more common in higher-income jurisdictions than in areas where residents have more modest means. This raises the specter that a cap could exacerbate disparities in the quality of public services in communities around the state.

"The fundamental question that needs to be asked is, What problem is the proposed cap trying to solve?," said Lav. "If cuts in state aid have caused an increase in property taxes, repairing those cuts could address the problem. Or, if the problem is inefficient local government resulting from too many jurisdictions or overlapping activities, it needs to be tackled directly; a cap probably won't help.

"Or, if some people are paying more in property taxes than they can afford, Connecticut can expand the 'circuit-breaker' mechanism it already has, which provides relief to people who are elderly or disabled, to households of all ages with low or moderate incomes. A property-tax cap doesn't target tax relief on the people who most need it."

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