

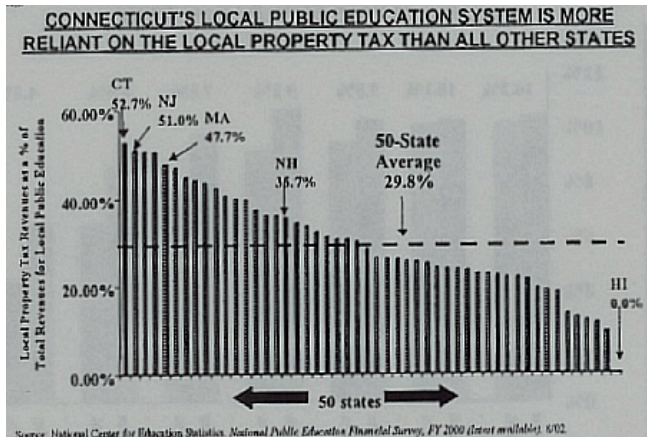
# Citizens Network of the Capital Region, Inc.



## Fair Funding: Let's Find a Better Way to Finance Local Public Education in Connecticut

From March until June of 2005 a Citizen Study Committee of the Citizens Network of the Capital Region studied the issue of local education finance in Connecticut. Following community consultation, this report was finalized. **The full report and information on the Citizens Network is at: [www.citizensnetwork.info](http://www.citizensnetwork.info)**

In Connecticut we have tied our highest public priority, public education—a major and fast growing expense item—to the slowest growing and most highly visible source of revenue—local property

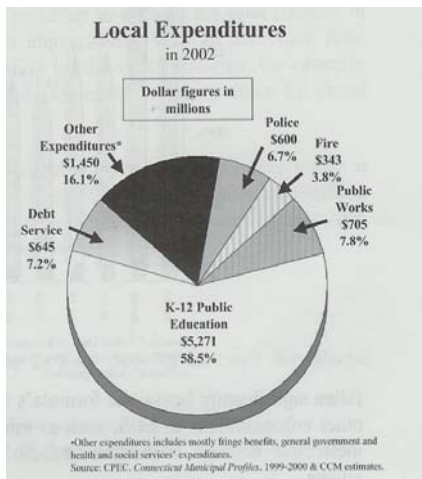


taxes. Nationally we are near the top among the states in educational expenditures, but at the bottom in the percentage of education funding coming from state revenues.

This is a prescription for problems as can be seen in failed local budget referenda, constrained educational investment, intergenerational struggles over priorities, crowding out of important non-educational needs and the increasing competition among communities for property tax funds that accelerates

consumption of irreplaceable land. After hearing a number of presentations and holding in depth discussion of issues regarding the financing of local education, the Citizens Network Study Committee with 45 members drawn from 25 towns in the region identified a number of facts and conclusions, and a recommended set of actions to fix the financing system for local education in Connecticut.

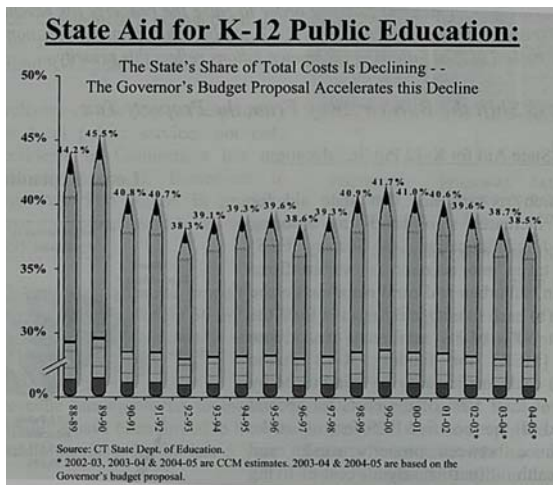
### Conclusion 1: Local Property Tax Burdens In Connecticut Are High And Increasingly Problematic In Meeting The Education Funding Challenge:



- Funding from local property taxes is by far the largest source of revenue supporting local public education in Connecticut – typically more than 60% of funding is from local property taxes.
- Local public education in Connecticut relies more heavily on funding from local property taxes than almost any other state.
- The percentage of local school budget revenues provided by property taxes had increased sharply in recent years and this trend is continuing.
- Property tax is the slowest growing of the three major sources of revenue—property taxes, incomes and sales taxes.
- There is increasing competition for property tax funds at the local level from many other local

program needs and a pressure to build the grand list “at all cost” to commercially develop available land, the so-called “fiscalization of land use.”

**Conclusion 2: State Support For Local Education Is Inadequate To Meet The State's Obligations and Local Need.**



- Connecticut ranks 42<sup>nd</sup> of 50 states in State funding for local education as a percentage of local school budgets.
- The State has never fully funded the Education Cost Sharing (ECS) formula at the statewide average 50% level originally contemplated when the law was passed.
- Increases in the level of State funding to municipalities over the past decade have not kept pace with rising education costs. The relative percentage of State funds supporting local school budgets is currently 38%, well below the national average.

Two-thirds of Connecticut's towns and cities have seen a reduction in the percentage of their municipal budgets supported by State funding over the past decade.

**Conclusion 3: The State's Tax System Is Regressive In Paying For Local Education.**

Connecticut's low- and middle-income households pay a higher share of their income in state (income and sales) and local (property) taxes than do wealthier families.

**Recommendation 1: The State should pay its fair share of local education expenditures.** The current 62% *local* educational funding share is more than double the national average of 29.8%. The current 38% *state* share for local education is very low by national standards and it is imperative to increase the State's share to rectify the imbalance between state and local contributions to support local education.



**Recommendation 2: A variety of state and local sources of revenue should be used.** Employing a balanced, diverse range of income, sales, and property taxes, with a broad base and appropriate proportionality will reduce the current heavy reliance on property taxes for education funding.

**Recommendation 3: Local control of education should be a priority and should be maintained in so far as possible.** Connecticut towns prize their local discretion and self-determination. In achieving finance reform, a balance must be struck between the need to increase the state's

share of funding (and corresponding greater state control of public education) and the need to retain local autonomy over education. Furthermore, increased state financing of education should not produce a mere shuffling of revenues at the local level with educational revenue gains offset by losses in funding for municipal services.

**Action Steps**

To advance the "fair funding" agenda of this report, a number of participants in our region and state will need to step forward to do the work of making sound decisions on local education finance. Various key stakeholder groups will be needed to carry out their part in changing the way public education is financed. Here are some suggestions.

## ***Governor and Legislative Leadership***

The Governor announced the creation of an Education Finance Commission in September 2005, charged with reviewing the current status of the ECS formula. In addition, the Governor and General Assembly should consider steps to address broader education finance issues in the state. The Governor and General Assembly need to have before them a menu of options for correcting our current over-reliance on the property tax to fund public education, a set of transition mechanisms for implementing reforms and an implementation timeframe.

## ***Business Leadership***

The business community must provide leadership if the state's share of funds for local education is to increase to at least 50 percent. A good business climate in the state requires healthy communities that cooperate with one another rather than compete against each other. Tomorrow's workforce must be well educated if it is to provide the employees needed to attract and retain business in Connecticut. Improved public education also will reduce the need for prisons and social services.

## ***Local Town Leadership***

Mayors, First Selectmen, Council members, Selectmen, Finance Committee members and Board of Education members should provide leadership in developing efforts to gain additional state resources for pre-K to grade 12 education in Connecticut. They also should support the recommendations in this report by sponsoring forums, passing resolutions and otherwise speaking out on these issues.

## ***The Citizens Network of the Capital Region, Inc.***

The Citizens Network plans to take the lead in the Capital Region to promote public discussion and understanding of the need for a new policy for funding local education. Noting that this discussion is beginning as we approach the upcoming election cycle, the Network's strategy and activities include the following:

- A strategy to heighten citizen engagement throughout the Capital region around the issue of finding a better way to fund local education *and* a citizen-based campaign to state and local elected officials urging that a better way to finance local education is in the public interest and should be adopted by the state.
- Activities to implement this strategy include: a public relations campaign involving media, including a news conference, press releases, newspaper opinion pieces, letters to the editor, public affairs television programs on network and local access; presentations to civic associations; town citizen forums across the region as done with the Connecticut MetroPatterns report; meetings with key elected officials in a bipartisan approach; and meetings with community leaders who have experience in promoting policies that are in the public interest.



**The Citizens Network of the Capital Region.** The Citizens Network ([www.citizensnetwork.info](http://www.citizensnetwork.info)) is a grassroots organization composed of citizens from across Connecticut's Capital region. Our members study pressing issues for the region and deliberate to find common ground and a collaborative agenda for the good of the region and the state. In early 2005, based on several electronic polls on issues of regional significance to over 500 residents of the region, the issue, *financing local education*, was selected for study.

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