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### Connecticut Fiscal Comparisons

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September 30, 2015

Dr. Carolyn Bourdeaux



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# Connecticut Fiscal Comparisons

# Overview

- Discussion of Caveats
- Overview of Revenue and Expenditure Profile
- Expenditures
- Revenues
- Tax Indices
  - EY/COST
  - Tax Foundation
  - ITEP

# Key Caveats

- Analyses typically consider *state and local* revenues and expenditures when comparing states.
  - When including local revenues and expenditures need to be aware of differences in wealth across a state that creates disparity
- U.S. Census expenditures and revenues focus on transactions or flow of funds into and out of government which is not going to include unfunded liabilities such as pension, OPEB, and to some degree debt burden.
- U.S. Census data is only up to date as of 2012, so does not encompass recent major policy changes.
- Governance structures themselves can affect revenues and expenditures; for example, some states have a number of publicly run hospitals which affects both overall expenditures as well as charges that appear as revenues. Other states may simply reimburse private hospitals for the provision of services through Medicaid or other health programs.
- When using U.S. Census data, the analysis provides a very high level view which can indicate areas for further investigation not answers in and of themselves.

# State and Local General Revenue and Expenditures as a Share of Personal Income

	<b>Connecticut FY 2002</b>	<b>Rank</b>	<b>National Average in FY 2002</b>	<b>Connecticut FY 2012</b>	<b>Rank</b>	<b>National Average in FY 2012</b>
Direct Expenditure	18%	47	22%	19%	47	23%
General Revenue	15%	49	18%	17%	45	19%
from Federal	3%	46	4%	3%	48	4%
from Own-Source	13%	48	14%	14%	36	15%
Taxes	10%	13	10%	12%	8	10%
Charges and Misc Revenues	2%	50	5%	2%	50	5%

Captures the experience of overall total tax revenues as a percentage of wealth.

Note the reliance of Connecticut on taxes even as a percentage of personal income, as compared to federal funds and charges and miscellaneous general revenues.

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Sources: U.S. Census Bureau Annual Surveys of State and Local Government Finances and the Bureau of Economic Analysis estimates of personal income.

# Real State and Local General Revenue and Direct Expenditures per Capita (2012 Dollars)

	CT per capita FY 2002	Rank	National Average in FY 2002	Below/Above National Average in FY 2002	CT per capita FY 2012	Rank	National Average in FY 2012	Below/Above National Average in FY 2012	% Change CT 2002-2012	% Change National 2002-2012
Direct Expenditure	\$9,865	7	\$8,802	12%	\$11,560	6	\$10,027	15%	17%	14%
General Revenue	\$8,154	6	\$7,245	13%	\$10,059	6	\$8,276	22%	23%	14%
from Federal	\$1,444	32	\$1,550	-7%	\$1,782	32	\$1,862	-4%	23%	20%
from Own-Source	\$6,710	5	\$5,694	18%	\$8,277	5	\$6,414	29%	23%	13%
Taxes	\$5,408	2	\$3,892	39%	\$6,953	4	\$4,422	57%	29%	14%
Charges and Misc Revenues	\$1,302	49	\$1,803	-28%	\$1,323	50	\$1,992	-34%	2%	11%

Connecticut is a low population, high wealth state which affects these metrics. Notably, even on a per capita basis, the state ranks *low* on federal revenues and charges and miscellaneous revenues.

Note: Expenditures and revenues will not match. Direct expenditures capture all governmental expenditures including utilities and social insurance trust, as well as expenditures financed by debt. General revenues do not capture utilities and social insurance trust and do not include proceeds from debt.

Sources: U.S. Census Bureau Annual Surveys of State and Local Government Finances and annual population estimates for applicable fiscal years.



# Expenditures

## Considerations:

- What was overall growth in expenditures over time?
- How does this compare to other states?
- Is health care putting pressure on investment in human and physical capital?

# Direct General Expenditure as a Share of Personal Income

States	Expenditures in \$m in 2012	2002		2005		2009		2012	
		% of PI	Index	% of PI	Index	% of PI	Index	% of PI	Index
United States	\$2,587,317	18.9%	100	18.9%	100	20.7%	100	18.6%	100
<b>CONNECTICUT</b>	<b>\$34,372</b>	<b>16.2%</b>	<b>85.5</b>	<b>15.1%</b>	<b>79.8</b>	<b>16.7%</b>	<b>81.0</b>	<b>15.9%</b>	<b>85.2</b>
<b>Neighboring</b>									
Delaware	\$9,043	19.0%	100.5	21.1%	111.6	22.5%	108.9	22.4%	120.1
Massachusetts	\$63,393	16.6%	87.8	17.0%	89.8	18.1%	87.8	16.8%	90.2
New Hampshire	\$10,034	14.1%	74.5	15.4%	81.3	16.2%	78.3	15.2%	81.3
New Jersey	\$83,030	15.7%	82.9	17.3%	91.6	18.6%	89.8	17.0%	91.4
New York	\$237,735	23.3%	122.9	23.1%	122.3	24.0%	116.2	22.4%	120.4
Rhode Island	\$9,292	19.4%	102.5	20.2%	106.8	20.5%	99.2	19.1%	102.5
Vermont	\$6,237	20.2%	106.9	22.0%	116.3	23.0%	111.5	22.4%	120.2
<b>Southern</b>									
Florida	\$134,653	16.8%	88.7	17.5%	92.5	19.9%	96.2	17.0%	91.1
North Carolina	\$70,264	18.8%	99.0	18.5%	97.6	19.9%	96.5	18.7%	100.3
Virginia	\$62,781	15.7%	82.8	15.4%	81.4	16.6%	80.6	15.7%	84.4
<b>Resource Rich</b>									
North Dakota	\$7,210	22.4%	118.5	21.3%	112.5	20.6%	99.5	18.3%	97.9
Wyoming	\$7,721	24.6%	129.7	25.1%	132.5	30.8%	148.9	25.5%	136.8
<b>Other</b>									
Ohio	\$91,423	19.7%	103.8	20.8%	109.7	21.8%	105.4	19.7%	105.5
Pennsylvania	\$107,002	18.5%	97.7	19.5%	103.2	19.7%	95.4	18.4%	98.6
<b>Connecticut Rank</b>		<b>46</b>		<b>49</b>		<b>48</b>		<b>48</b>	

Source: U.S. Census Bureau Annual Surveys of State and Local Government Finances and annual Population estimates for applicable fiscal years; personal income is from the Bureau of Economic Analysis



# Direct General Expenditure as a Share of Personal Income and Per Capita

States	2012 Expenditures as %PI Rank	Personal Income Per Capita	Rank	Expenditures Per Capita	Rank	State Pensions UAAL Per Capita for 2011
United States	****	\$44,194	****			
<b>CONNECTICUT</b>	48	\$60,247	1	\$9,574	7	\$5,885
<b>Neighboring</b>						
Delaware	8	\$44,029	22	\$9,860	6	\$870
Massachusetts	44	\$56,706	2	\$9,538	8	\$2,589
New Hampshire	50	\$50,091	8	\$7,597	32	\$3,252
New Jersey	40	\$54,952	4	\$9,367	9	\$4,786
New York	6	\$54,115	5	\$12,148	3	\$814
Rhode Island	24	\$46,258	15	\$8,847	15	\$4,230
Vermont	7	\$44,439	21	\$9,963	5	\$1,909
<b>Southern</b>						
Florida	42	\$41,048	28	\$6,970	44	\$1,024
North Carolina	26	\$38,523	38	\$7,205	40	\$311
Virginia	49	\$48,720	10	\$7,669	30	\$2,707
<b>Resource Rich</b>						
North Dakota	30	\$56,449	3	\$10,305	4	\$1,061
Wyoming	2	\$52,489	7	\$13,394	2	\$2,486
<b>Other</b>						
Ohio	20	\$40,261	30	\$7,919	28	\$1,496
Pennsylvania	27	\$45,581	19	\$8,383	20	\$3,264

Source: U.S. Census Bureau Annual Surveys of State and Local Government Finances and annual Population estimates for applicable fiscal years; personal income is from the Bureau of Economic Analysis; UAAL is from Morningstar Rating.

# Real Per Capita Expenditure and Percentage Distribution

Function	2002		2005		2009		2012		% Change 2002-2012	Distribution Percentage Point Change
	\$ per Capita	% Distribution	\$ per Capita	% Distribution	\$ per Capita	% Distribution	\$ per Capita	% Distribution		
Education	\$2,808	32.4%	\$2,975	35.3%	\$3,452	36.5%	\$3,413	35.7%	22%	3.2%
Highways	\$438	5.1%	\$413	4.9%	\$434	4.6%	\$474	4.9%	8%	-0.1%
Public Welfare	\$1,241	14.3%	\$1,416	16.8%	\$1,669	17.6%	\$1,801	18.8%	45%	4.5%
Health and Hospitals	\$680	7.9%	\$571	6.8%	\$666	7.0%	\$579	6.0%	-15%	-1.8%
Police and Fire	\$419	4.8%	\$412	4.9%	\$440	4.7%	\$470	4.9%	12%	0.1%
Sewage and Sanitation	\$229	2.6%	\$234	2.8%	\$262	2.8%	\$271	2.8%	18%	0.2%
Local Parks and Recreation	\$108	1.2%	\$92	1.1%	\$77	0.8%	\$79	0.8%	-27%	-0.4%
Financial Administration and General Control	\$191	2.2%	\$175	2.1%	\$176	1.9%	\$155	1.6%	-19%	-0.6%
Interest on General Debt	\$511	5.9%	\$471	5.6%	\$523	5.5%	\$531	5.5%	4%	-0.4%
Other Expenditure	\$2,027	23.4%	\$1,674	19.8%	\$1,763	18.6%	\$1,801	18.8%	-11%	-4.6%
<b>TOTAL</b>	<b>\$8,653</b>	<b>100.0%</b>	<b>\$8,436</b>	<b>100.0%</b>	<b>\$9,464</b>	<b>100.0%</b>	<b>\$9,574</b>	<b>100.0%</b>	<b>11%</b>	<b>0.0%</b>

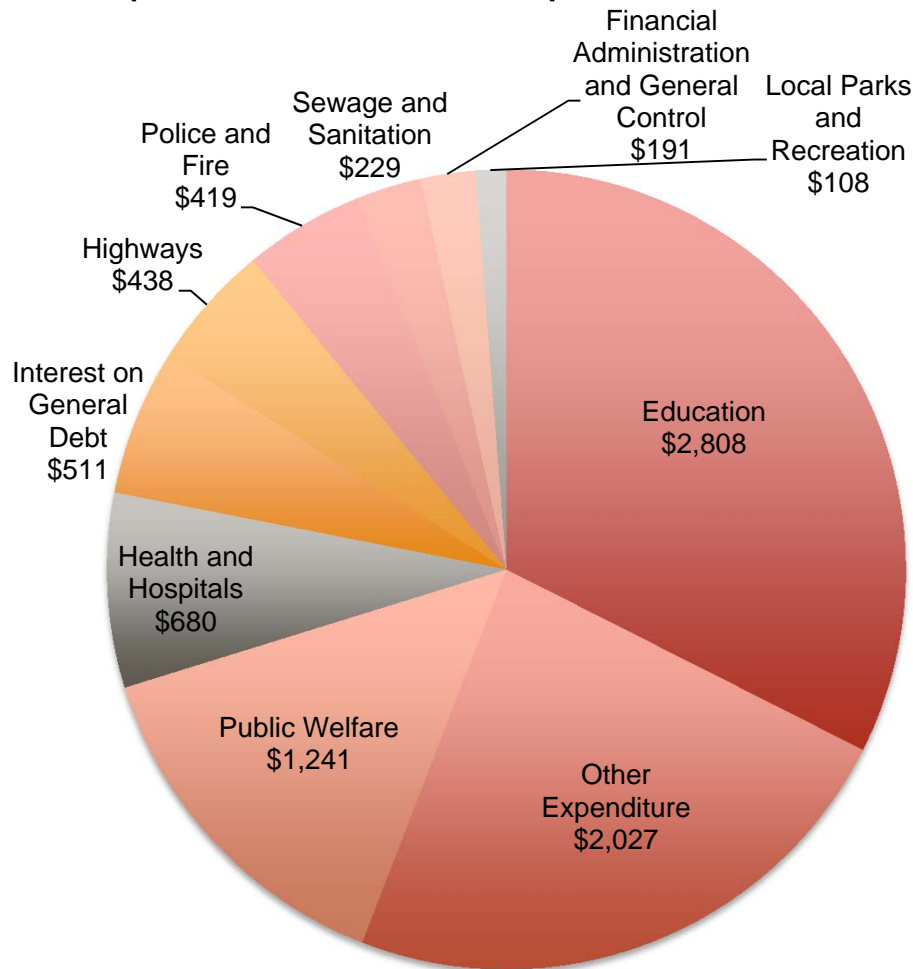
Source: U.S. Census Bureau Annual Surveys of State and Local Government Finances and annual population estimates for applicable fiscal years.

# Real Per Capita Expenditure and Percentage Distribution

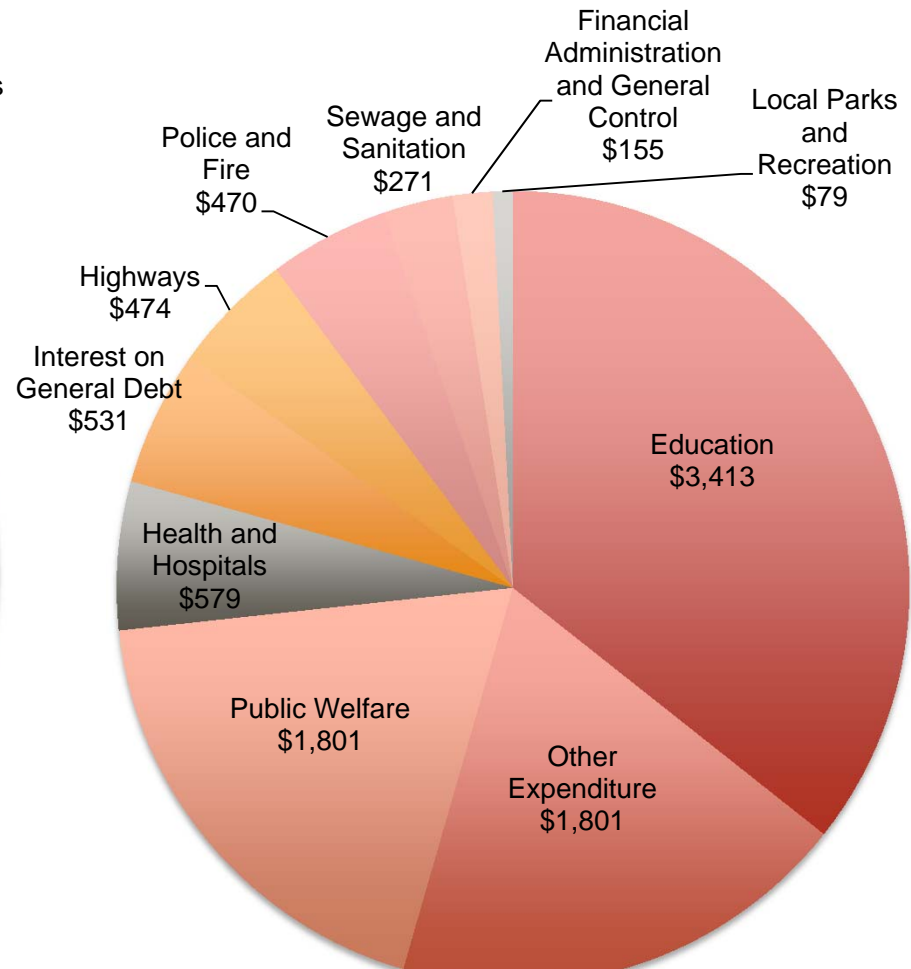
Function	2002		2005		2009		2012		Change 2002- 2012	Share of Change
	\$ per Capita	% Distribution	\$ per Capita	% Distribution	\$ per Capita	% Distribution	\$ per Capita	% Distribution		
Education	\$2,808	32.4%	\$2,975	35.3%	\$3,452	36.5%	\$3,413	35.7%	\$606	66%
Highways	\$438	5.1%	\$413	4.9%	\$434	4.6%	\$474	4.9%	\$36	4%
Public Welfare	\$1,241	14.3%	\$1,416	16.8%	\$1,669	17.6%	\$1,801	18.8%	\$560	61%
Health and Hospitals	\$680	7.9%	\$571	6.8%	\$666	7.0%	\$579	6.0%	(\$102)	-11%
Police and Fire	\$419	4.8%	\$412	4.9%	\$440	4.7%	\$470	4.9%	\$51	6%
Sewage and Sanitation	\$229	2.6%	\$234	2.8%	\$262	2.8%	\$271	2.8%	\$42	5%
Local Parks and Recreation	\$108	1.2%	\$92	1.1%	\$77	0.8%	\$79	0.8%	(\$29)	-3%
Financial Administration and General Control	\$191	2.2%	\$175	2.1%	\$176	1.9%	\$155	1.6%	(\$36)	-4%
Interest on General Debt	\$511	5.9%	\$471	5.6%	\$523	5.5%	\$531	5.5%	\$20	2%
Other Expenditure	\$2,027	23.4%	\$1,674	19.8%	\$1,763	18.6%	\$1,801	18.8%	(\$227)	-25%
<b>TOTAL</b>	<b>\$8,653</b>	<b>100.0%</b>	<b>\$8,436</b>	<b>100.0%</b>	<b>\$9,464</b>	<b>100.0%</b>	<b>\$9,574</b>	<b>100.0%</b>	<b>\$921</b>	

Source: U.S. Census Bureau Annual Surveys of State and Local Government Finances and annual population estimates for applicable fiscal years.

# Per Capita Expenditure by Functional Category (2012 dollars)



**2002**



**2012**

Source: U.S. Census Bureau Annual Surveys of State and Local Government Finances and annual population estimates for applicable fiscal years.

# Connecticut Real Per Capita Public Welfare Expenditures (2012 Dollars)

Expenditure Type	2002			2012			% Change 2002-2012	Change 2002-2012	Share of Change
	Expenditures per Capita	Rank	Share	Expenditures per Capita	Rank	Share			
<b>Public welfare</b>	<b>\$1,241</b>	<b>20</b>	<b>****</b>	<b>\$1,801</b>	<b>11</b>	<b>****</b>	<b>45%</b>	<b>\$560</b>	<b>****</b>
Cash assistance payments	\$115	10	9%	\$58	21	3%	-50%	(\$58)	-10%
Vendor payments	\$924	17	74%	\$1,447	14	80%	57%	\$523	93%
Other public welfare	\$202	37	16%	\$297	14	16%	47%	\$95	17%

Source: U.S. Census Bureau Annual Surveys of State and Local Government Finances and annual population estimates for applicable fiscal years.

# Per Capita Direct General Expenditure Indices Relative to US Average

Function	2002	2005	2009	2012	Percentage Point Change 2002-2012
Education	109.8	111.7	118.2	123.3	13.5
Local Schools	120.5	120.6	127.6	139.0	18.5
Higher Education	82.5	90.2	91.8	87.7	5.2
Other	105.2	103.2	138.5	130.9	25.7
Highways	88.3	84.5	82.1	93.8	5.5
Public Welfare	102.7	101.5	112.6	116.4	13.8
Health and Hospitals	107.6	86.7	87.0	75.7	-31.9
Police and Fire	107.7	101.6	94.5	105.8	-1.9
Sewage and Sanitation	105.8	104.6	101.8	112.1	6.3
Local Parks and Recreation	83.2	74.8	54.4	66.4	-16.9
Financial Administration and General Control	136.3	123.5	126.7	124.9	-11.4
Interest on General Debt	157.8	150.2	146.0	152.6	-5.2
Other Expenditure	149.5	123.9	117.8	130.6	-18.9
<b>TOTAL</b>	<b>116.2</b>	<b>108.6</b>	<b>110.6</b>	<b>116.2</b>	<b>0.0</b>

Source: U.S. Census Bureau Annual Surveys of State and Local Government Finances and annual population estimates for applicable fiscal years.

# Connecticut Expenditure Distribution

## Takeaways

- The state has not changed in terms of share of *overall expenditures* relative to the national average between 2002 and 2012 but the mix of services provided has changed.
- In Connecticut, spending on welfare has increased, but so has spending on education.
  - Both their share of the budget and real dollar spending per capita has increased substantially.
- The share of state and local spending on transportation and sewage and sanitation has grown slightly relative to the national average.
- The most significant declines in Connecticut are in a variety of other expenditure categories.



# Revenues

## Considerations:

- What was overall growth in revenues over time?
- How does this compare to other states?
- Is the state more or less reliant on a particular revenue source as compared to the national average and comparisons states?



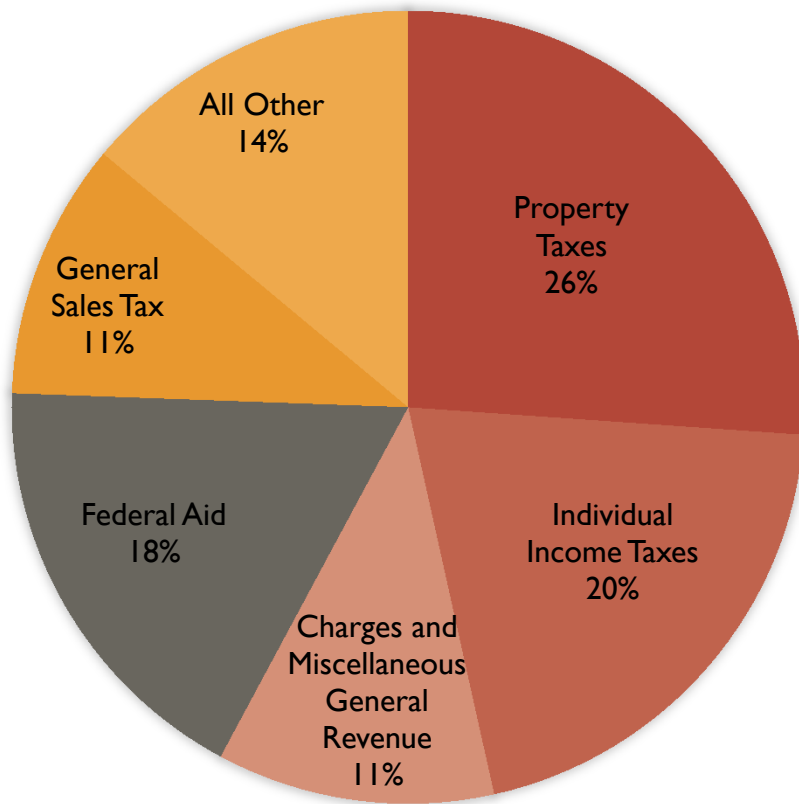
# Revenue Distributions Compared

State	Federal Aid		Property Taxes		General Sales Tax		Selective Sales Tax		Individual Income Taxes		Corporate Income Taxes		Other Taxes		Interest Earnings		Charges and Miscellaneous General Revenue		Motor Vehicle License	
	%	Index	%	Index	%	Index	%	Index	%	Index	%	Index	%	Index	%	Index	%	Index	%	Index
All States (US)	22.5%	100.0	17.2%	100.0	12.1%	100.0	6.2%	100.0	11.8%	100.0	1.9%	100.0	3.3%	100.0	2.0%	100.0	22.1%	100.0	0.9%	100.0
CONNECTICUT	17.7%	78.8	26.1%	152.0	10.5%	86.5	8.1%	129.6	20.4%	172.6	1.7%	92.3	1.7%	53.6	1.8%	93.3	11.3%	51.2	0.6%	61.7
<b>Neighboring</b>																				
Delaware	21.5%	95.5	7.9%	46.1	0.0%	0.0	5.7%	92.3	14.2%	120.0	3.0%	161.1	16.3%	497.7	1.9%	97.9	28.9%	130.6	0.6%	60.1
Massachusetts	22.6%	100.6	21.3%	123.8	7.9%	65.2	4.0%	63.5	18.6%	157.3	3.1%	165.1	2.2%	68.3	3.0%	151.3	16.8%	75.8	0.6%	62.4
New Hampshire	19.6%	87.1	36.2%	210.9	0.0%	0.0	9.3%	149.3	0.9%	7.3	5.5%	293.2	3.1%	93.4	4.5%	228.5	20.0%	90.3	1.0%	106.4
New Jersey	17.2%	76.3	30.7%	178.8	9.6%	79.3	4.8%	77.6	13.2%	111.6	2.3%	121.2	2.5%	77.4	1.6%	79.8	17.4%	78.8	0.7%	76.5
New York	21.7%	96.5	18.7%	108.8	9.8%	80.8	5.2%	83.1	18.6%	157.6	4.1%	218.9	2.5%	77.8	2.0%	102.4	16.7%	75.6	0.6%	65.5
Rhode Island	25.3%	112.6	23.8%	138.6	8.5%	70.5	6.7%	107.7	11.0%	92.7	1.2%	66.2	1.2%	36.7	3.8%	192.5	17.9%	80.8	0.6%	61.8
Vermont	31.5%	140.0	21.8%	126.9	5.6%	45.8	10.0%	161.2	9.5%	79.9	1.5%	80.9	1.4%	44.2	2.0%	103.0	15.7%	70.9	1.0%	108.3
<b>Southern</b>																				
Florida	20.4%	90.8	18.4%	107.4	15.9%	131.4	8.6%	138.5	0.0%	0.0	1.5%	79.6	3.0%	91.4	1.6%	83.9	29.5%	133.3	1.0%	104.2
North Carolina	24.1%	107.3	12.4%	72.1	10.9%	89.8	5.9%	94.9	14.5%	122.2	1.7%	90.0	1.8%	53.9	1.2%	63.7	26.7%	120.6	0.9%	93.0
Virginia	17.6%	78.1	18.5%	107.7	7.4%	61.3	6.1%	98.5	16.7%	140.8	1.4%	72.5	3.1%	93.4	2.5%	126.0	25.9%	117.0	1.0%	103.5
<b>Resource Rich</b>																				
North Dakota	19.0%	84.3	7.6%	44.3	12.3%	101.7	4.7%	76.2	4.2%	35.1	2.1%	109.8	31.8%	972.3	2.3%	116.9	15.1%	68.1	1.0%	108.7
Wyoming	26.6%	118.2	15.0%	87.4	13.7%	112.8	1.8%	29.6	0.0%	0.0	0.0%	0.0	12.3%	375.4	7.6%	388.3	22.1%	99.9	0.9%	99.9
<b>Other</b>																				
Ohio	25.1%	111.7	14.7%	85.4	10.9%	90.2	5.5%	87.9	14.5%	122.8	0.4%	20.1	3.8%	116.2	1.6%	81.2	22.6%	102.3	0.9%	94.5
Pennsylvania	22.7%	100.8	16.5%	96.1	9.5%	78.3	8.3%	132.9	13.8%	116.9	2.1%	109.8	4.1%	127.0	1.9%	98.4	20.3%	91.8	0.8%	86.3
Connecticut Rank	48		3		30		12		2		18		40		28		50		43	

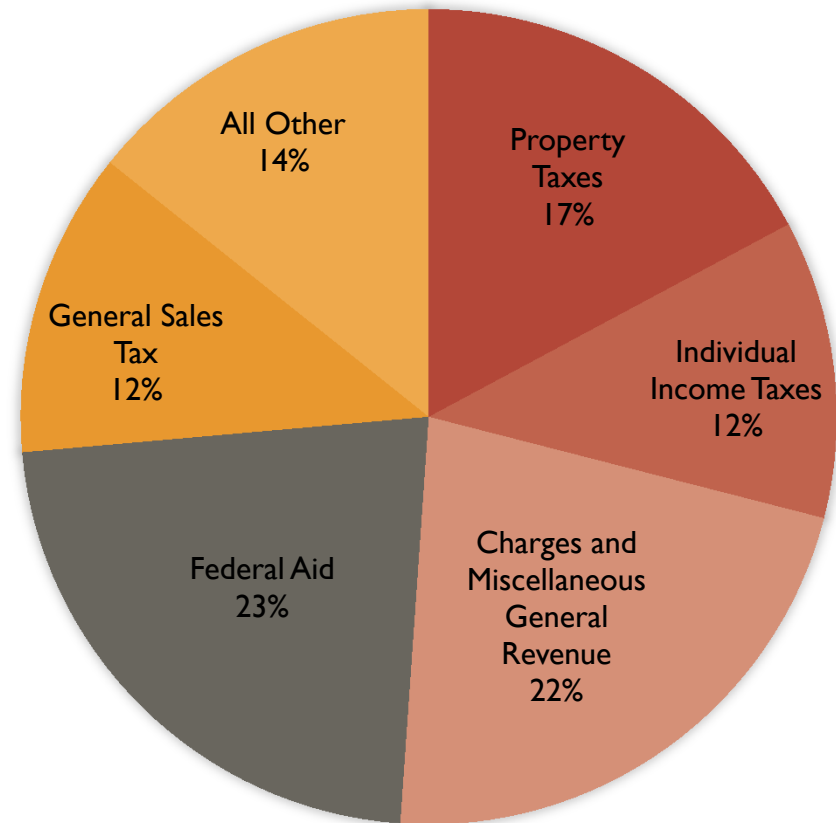
Source: U.S. Census Bureau Annual Surveys of State and Local Government Finances.

# Connecticut Revenue Shares Compared to National Average

CONNECTICUT



UNITED STATES AVERAGE



# Per Capita Revenue Compared

State	Federal Aid		Property Taxes		General Sales Tax		Selective Sales Tax		Individual Income Taxes		Corporate Income Taxes		Other Taxes		Interest Earnings		Charges and Miscellaneous General Revenue		Motor Vehicle License	
	Per Capita	Ranking	Per Capita	Ranking	Per Capita	Ranking	Per Capita	Ranking	Per Capita	Ranking	Per Capita	Ranking	Per Capita	Ranking	Per Capita	Ranking	Per Capita	Ranking	Per Capita	Ranking
All States (US)	\$1,862	***	\$1,421	***	\$1,003	***	\$515	***	\$979	***	\$156	***	\$270	***	\$162	***	\$1,830	***	\$78	***
CONNECTICUT	\$1,782	32	\$2,626	2	\$1,054	18	\$811	4	\$2,053	2	\$175	12	\$176	31	\$184	20	\$1,139	50	\$58	35
<b>Neighboring</b>																				
Delaware	\$2,061	18	\$759	45	\$0	47	\$551	18	\$1,361	8	\$292	6	\$1,559	4	\$184	19	\$2,769	3	\$54	39
Massachusetts	\$2,187	15	\$2,055	9	\$764	38	\$382	43	\$1,799	4	\$301	5	\$216	26	\$287	8	\$1,619	33	\$57	36
New Hampshire	\$1,398	48	\$2,583	3	\$0	47	\$663	12	\$62	42	\$395	3	\$218	25	\$319	5	\$1,424	44	\$71	26
New Jersey	\$1,632	40	\$2,920	1	\$914	26	\$459	29	\$1,255	9	\$218	8	\$240	20	\$149	30	\$1,657	31	\$68	28
New York	\$2,826	4	\$2,431	4	\$1,274	12	\$673	10	\$2,427	1	\$538	2	\$331	12	\$261	9	\$2,177	7	\$80	20
Rhode Island	\$2,378	11	\$2,234	6	\$802	34	\$629	14	\$1,029	19	\$117	29	\$113	45	\$354	3	\$1,677	29	\$54	38
Vermont	\$3,184	3	\$2,202	7	\$561	44	\$1,014	1	\$956	23	\$154	17	\$146	38	\$204	14	\$1,585	34	\$103	11
<b>Southern</b>																				
Florida	\$1,411	47	\$1,273	27	\$1,099	16	\$595	15	\$0	44	\$104	32	\$206	29	\$113	39	\$2,035	15	\$68	29
North Carolina	\$1,778	33	\$912	39	\$802	33	\$435	35	\$1,065	17	\$125	25	\$130	40	\$92	44	\$1,964	18	\$64	32
Virginia	\$1,317	49	\$1,385	17	\$557	45	\$459	28	\$1,248	10	\$102	34	\$229	23	\$185	17	\$1,939	21	\$73	24
<b>Resource Rich</b>																				
North Dakota	\$2,820	5	\$1,132	30	\$1,833	4	\$705	7	\$618	37	\$308	4	\$4,723	2	\$341	4	\$2,240	6	\$152	4
Wyoming	\$4,057	2	\$2,290	5	\$2,086	1	\$281	50	\$0	44	\$0	47	\$1,871	3	\$1,161	1	\$3,371	2	\$143	6
<b>Other</b>																				
Ohio	\$2,013	20	\$1,175	29	\$875	29	\$438	33	\$1,163	13	\$30	46	\$304	13	\$128	34	\$1,812	26	\$71	27
Pennsylvania	\$1,838	30	\$1,337	25	\$769	36	\$670	11	\$1,121	14	\$168	14	\$336	11	\$156	26	\$1,645	32	\$66	31

Source: U.S. Census Bureau Annual Surveys of State and Local Government Finances and annual population estimates for applicable fiscal years.

# Charges: Per Capita Revenues and Distribution

	United States	Share	US Per Capita	Connecticut	Share	CT Per Capita	Rank	Above/Below National Average
<b>Current charges</b>	<b>\$426,127,960</b>	<b>***</b>	<b>\$1,357</b>	<b>\$2,931,703</b>	<b>***</b>	<b>\$817</b>	<b>50</b>	
Institutions of higher education	\$99,135,188	23%	\$316	\$1,125,942	38%	\$314	32	-1%
School lunch sales (gross)	\$6,308,120	1%	\$20	\$117,724	4%	\$33	6	63%
Hospitals	\$123,389,520	29%	\$393	\$315,758	11%	\$88	43	-78%
Highways	\$13,285,811	3%	\$42	\$1,883	0%	\$1	49	-99%
Sewerage	\$47,013,334	11%	\$150	\$377,451	13%	\$105	38	-30%
Solid waste management	\$16,584,206	4%	\$53	\$242,735	8%	\$68	13	28%
Other charges	\$120,411,781	28%	\$384	\$750,210	26%	\$209	N/A	-46%

Source: U.S. Census Bureau Annual Surveys of State and Local Government Finances and annual population estimate.

# Revenue Distribution Compared

- Connecticut is heavily dependent on property and personal income taxes.
  - Neighboring states also tend to collect high property tax revenues per capita (and are generally somewhat dependent on property taxes).
  - Neighboring states are more varied in their income tax revenue collections per capita and dependence on the income tax.
- Connecticut in the bottom tier of states in terms of dependence on federal funds and is last in its collections of current charges and miscellaneous general revenues per capital.
  - Neighboring states vary in terms of federal funds and charges and miscellaneous revenues collected per capita as well as their relative dependence of these sources of funds.



# Tax Indices

How does CT rank on different popular tax indices and why?

# Caveats and Considerations

- With all tax indices, some common issues:
  - Some states export tax impact more than other states (e.g., severance taxes, sales taxes in high tourism areas) and this is not captured in the indices
  - Measures can be fairly rough in terms of allocation to business, particularly the expenditures (e.g., police and fire are split 50-50 between business and individuals)
  - Most measures do not capture user fees or other types of non-tax revenues
  - To date, not much success in using indices in empirical research to predict economic growth/decline

# Ernst & Young/Council on State Taxation (EY/COST) FY2013

- Measures all business tax revenues collected through the property tax, sales and excise taxes, individual and corporate income taxes, unemployment insurance, business and corporate license, public utility taxes, insurance premium taxes and a variety of other taxes
- Total Effective Business Tax Rate (TEBTR) is all of these revenues divided by private sector Gross State Product
- Also measures business benefit to tax ratio: or governmental benefits relative to business tax revenues paid.
- NOTE: Measures tax impact based on legal liability which is necessarily actual tax incidence



# Connecticut's Rank

- Overall Connecticut ranks 49<sup>th</sup> (incl. DC) on the EY/COST TEBTR, which is total tax revenues collected from businesses as a percent of private sector GSP.
  - Oregon and North Carolina are below Connecticut
- Private sector GSP is a wealth measure like personal income and the state benefits from this *but also* the state is 51<sup>st</sup> in terms of business taxes as a share of total tax revenues collected.
  - State government is 49th with business share of state taxes = 31%
  - Local government is 51<sup>st</sup> with business share of local taxes = 25%
- Connecticut also in top ten in terms of taxes per dollar of benefit
  - With 50% of education expenses allocated as benefit to business, businesses get \$1 of benefit for every \$0.80 spent in taxes

# EY/COST Estimates of Business Taxes as a Share of Total Taxes by Type

Tax Type	US Average Share	Connecticut Share	Connecticut Rank on Share	US Average as % of Private Sector GDP	Connecticut Revenues as % Private Sector GSP	Connecticut Rank
Property Tax on Business Property	36.1%	30.3%	36	1.7%	1.0%	46
General Sales Taxes on Business Inputs	20.9%	18.4%	31	1.0%	0.6%	43
Corporate Income Tax	8.0%	7.9%	22	0.4%	0.3%	34
Unemployment Insurance	7.6%	11.8%	8	0.4%	0.4%	20
Excise Taxes, Public Utility and Ins. Premium	12.3%	17.1%	7	0.6%	0.6%	19
Individual Income Tax on Business Income	5.4%	11.8%	1	0.3%	0.4%	7
All Other	9.8%	4.0%	47	0.5%	0.1%	49
Total	100.0%	100.0%	***	4.7%	3.4%	

Note that the EY/COST measure of business property tax revenues/GSP is quite different from the overall property tax revenues/personal income (CT is at 4.4%, rank 8). Income tax/personal income (CT is at 3.4%, rank 2).

Sources: Table 1. Total state and local business taxes, FY2013 (\$billions); note that CT rank includes DC (Phillips, 2014, p. 662)

# Tax Foundation: 2015 State Business Tax Climate Index

- Focuses on tax structure across 5 tax types, each with a different weight:
  - Income (32%) , Sales (22%), Property (15%), Corporate Income (21%), and Unemployment Insurance (11%)
- Thematically argue that low rate and broad base is best for business:
  - Lower score for selected tax credits, exemptions, and deductions
  - Lower score for taxes that create “double taxation” or tax pyramiding (ex/ sales taxes on business inputs)
  - Lower score for high marginal tax rates and progressive tax brackets
- Note: A key issue is that if a state doesn’t have a tax type, particularly an income tax, it will rank high

# Tax Foundation: State Business Tax Climate Index

States	Overall Index		Corporate Income Tax		Individual Income Tax		Sales Tax		Unemployment Insurance Tax		Property Tax	
	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank
<b>CONNECTICUT</b>	4.47	42	4.86	32	4.56	34	4.66	31	5.21	20	2.89	49
<b>Neighboring</b>												
Delaware	5.53	14	3.1	50	4.61	33	8.96	1	6	2	5.54	13
Massachusetts	5.08	24	4.74	37	6.49	13	4.98	21	3.67	48	3.69	45
New Hampshire	6.01	7	3.89	48	6.97	9	8.93	2	4.08	44	4.02	43
New Jersey	3.43	50	4.48	41	2.57	48	3.45	48	4.8	32	2.76	50
New York	3.62	49	5.31	20	1.88	49	4	40	4.81	31	3.61	46
Rhode Island	4.14	45	4.39	43	4.07	38	4.75	26	3.48	49	3.56	47
Vermont	4.11	46	4.41	42	3.21	44	5.1	16	5.37	17	3.27	48
<b>Southern</b>												
Florida	6.91	5	5.47	14	10	1	5.17	12	5.97	3	5.45	16
North Carolina	5.44	16	5.18	25	6.37	15	4.54	33	5.66	11	4.96	29
Virginia	5.03	27	5.84	6	4.06	39	5.92	6	4.53	37	5.1	26
<b>Resource Rich</b>												
North Dakota	5.08	25	5.33	19	4.18	36	4.99	20	5.45	16	6.56	2
Wyoming	7.58	1	10	1	10	1	5.13	13	4.65	34	4.72	35
<b>Other</b>												
Ohio	4.41	44	5.14	26	2.94	47	4.59	32	5.87	5	5.24	20
Pennsylvania	4.89	34	4.28	46	6.19	17	4.89	24	3.35	50	4.03	42

Source: (Drenkard and Henschman, 2015)

# Institute for Tax and Economic Policy Index: What is Measured

- The index number is constructed by examining income, property and sales taxes and then subtracting the average of several ratios from 1:
  - The share of after-tax to pretax income for the wealthiest 1 percent of income earners divided by that same ratio for the poorest 20 percent.
  - The share of after-tax to pre-tax income for the wealthiest 1 percent of income earners divided by that same ratio for the middle 60 percent of income earners.
  - The share of after-tax to pre-tax income for the wealthiest 20 percent of income earners divided by that same ratio for the poorest 40 percent, half-weighted.
- The resulting index number indicates the progressivity of a state's system of taxation. The more positive the number, the more the high and low income levels become more similar after state and local taxation.
- Alternatively, the more negative the index number, the more regressive a state's system of taxation; meaning it furthers income inequality

# ITEP: Taxes as Share of Family Income

	Inequality Index Score	Rank	Lowest 20%	Middle 60%	Top 1%	Lowest 20% rank	Middle 60% rank	Top 1% Rank
<b>CONNECTICUT</b>	-5.0%	26	10.5%	10.0%	5.3%	32	40	29
<b>Neighboring</b>								
Delaware	-0.5%	51	5.5%	5.3%	4.8%	1	2	21
Massachusetts	-5.2%	24	10.4%	9.2%	4.9%	27	23	24
New Hampshire	-5.2%	25	8.3%	6.7%	2.6%	8	6	7
New Jersey	-2.9%	39	10.7%	9.1%	7.1%	35	21	46
New York	-2.7%	41	10.4%	11.4%	8.1%	27	51	50
Rhode Island	-5.2%	23	12.5%	9.9%	6.3%	45	37	38
Vermont	-1.7%	46	8.9%	9.8%	7.7%	15	34	49
<b>Southern</b>								
Florida	-9.5%	2	12.9%	8.3%	1.9%	48	13	4
North Carolina	-3.9%	31	9.2%	9.1%	5.3%	19	21	29
Virginia	-3.6%	35	8.9%	8.3%	5.1%	15	13	26
<b>Resource Rich</b>								
North Dakota	-5.7%	20	9.3%	7.4%	3.0%	21	7	9
Wyoming	-6.1%	14	8.2%	5.8%	1.2%	7	3	1
<b>Other</b>								
Ohio	-5.8%	18	11.7%	10.2%	5.5%	41	44	32
Pennsylvania	-7.3%	6	12.0%	10.1%	4.2%	43	41	13

Source: (Davis et al., 2015, p. 133-135)

# Other Indices

- Small Business Tax Index: Connecticut ranks in bottom 10 (41<sup>st</sup> in 2015) having a less favorable small business tax climate
  - This index largely counts top marginal income and corporate income taxes which makes up 63% of CT overall “score.”
- Beacon Hill Institute: State Competitiveness Index
  - Connecticut was 40<sup>th</sup> lowest in competitiveness on this index in 2014. However, in other years, going back to at least 2006, the state was in the middle of the pack, scoring 24<sup>th</sup> in 2006 and 27<sup>th</sup> in 2013.
  - Connecticut scores in the top ten states in terms of openness (5<sup>th</sup>), technology (8<sup>th</sup>) and security (6<sup>th</sup>), and in the upper ranks in human resources (15<sup>th</sup>).
  - The state then scores very poorly on government and fiscal policy (47<sup>th</sup>), business incubation capacity (50<sup>th</sup>), infrastructure (41<sup>st</sup>), and environmental policy (42<sup>nd</sup>).