DOCUMENT RESUME

ED 078 587 EA 005 270

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TITLE	Revision, Relief and Redistribution of the Connecticut State and Local Tax Structure. A Research Monograph.
INSTITUTION	Connecticut Education Association, Storrs.
SPONS AGENCY	National Education Association, Washington, D.C. Research Div.
PUB DATE	Dec 72
NOTE	123p.
AVAILABLE FROM	Connecticut Education Association, 21 Oak Street, Hartford, Connecticut 06106 ($2.50)
EDRS PRICE	MF-$0.65 HC Not Available from EDRS.
DESCRIPTORS	Educational Finance; *Equal Education; *Equalization Aid; Expenditure Per Student; Financial Support; Fiscal Capacity; *Property Taxes; *Public Schools; School Support; School Taxes; Simulation; *Tax Allocation; Tax Effort; Tax Support
IDENTIFIERS	*Connecticut; Tax Revision

ABSTRACT

The study reported in this document examined Connecticut's present system for financing public education and analyzed alternative systems. On the basis of study findings, some conclusions are presented in this report concerning (1) the total fiscal system within which Connecticut finances its schools, (2) fiscal disparities in the established method of funding public education, and (3) ways that Connecticut could achieve a high degree of fiscal equity and neutrality in its school finance system. The authors first describe and interpret the overall nature of Connecticut public finance and its relationship to the State's system of educational support. They then delineate the tax and expenditure characteristics of the present system of school finance and discuss their shortcomings. Next, using simulation analysis, the authors examine the financial requirements and likely fiscal impacts of alternative funding schemes. The presentation concludes with an outline of some policy recommendations designed to guide the Connecticut Education Association in its deliberations over revision of the State's present school finance system. (Author/DN)

RESEARCH MONOGRAPH

DECEMBER 1972

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Coordinator of Research

REVISION, RELIEF AND REDISTRIBUTION OF THE CONNECTICUT STATE AND LOCAL TAX STRUCTURE

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INTRODUCTION

For the past 25 years the Connecticut Education Association has published fiscal data for Connecticut's 169 towns and various school districts. That data has been reprinted in publications called, Local Educational Finance and has included not only municipal fiscal data, but local educational expenditures as well as a broad overview of the state's wealth. Understandably concerned about the large fiscal disparities in per pupil expenditures, amounting in some cases to more than a $1,000 differential, the Connecticut Education Association initiated a further study of Connecticut's tax structure as a means of proposing legislative reform to provide equal education opportunity for every Connecticut student.

The exceptional efforts expended by William Wilken and John Callahan, Jr. are gratefully acknowledge by the Connecticut Education Association and it is hoped their work will comprise a part of the basis for implementing changes in tax reform.

The study was prepared for the Connecticut Education Association through a grant from the National Education Association's Research Division and published by the Connecticut Education Association. The views expressed herein do not necessarily reflect the position of the National Education Association, the Connecticut Education Association, the Advisory Commission on Intergovernmental Relations or Georgia State University. The author's titles are provided solely for purposes of identification.

Acknowledgement should also be extended to Paula Heilig and Ramsay Selden, graduate students respectively at Georgia State University and the University of Virginia. Gratitude is expressed to the many Connecticut citizens who consulted with the Research Office of the Connecticut Education Association in the development of the goals for the study and also to the five members of the Connecticut Education Association Funding Committee for their guidance and support: Raymond Rossomando, Chairman, Morris Nirenstein, Arthur Colley, Joseph Riccio, and Allene Kelly.

A very special debt of gratitude is due to William Wilken, for his flexibility, elasticity and expertise.

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FOREWARD

The local property tax as a means of funding education has been in question for a number of years. The Connecticut Education Association attempted to bring about an equalized grand list over a decade ago. In public statements, over the past few years, Association leaders stated that the local property tax payer has been expolited by state government. Local property taxes have "zoomed" to such a degree that local property taxpayers are overburdened. In contrast, it has been commonly known that while the State of Connecticut spends a large part of its tax income for education, it has done very little funding in relation to cost of education. With this minimal support, the state trails behind most states in percentage contribution to education and is "dead last" in providing equal opportunity among communities. Connecticut is the wealthiest state in the union, but it has not taken on its responsibility. In fact , the state has imposed higher educational costs on the local community while taking on a diminishing percentage of responsibility of the total cost. This has inspired the beginning of a local tax revolt.

Recent court cases in California, Texas, and New Jersey stimulated a new drive towards having the State of Connecticut fund education to a much higher degree, thereby relieving the unfair pressure of the property tax on the local taxpayer and local government. Connecticut has all the necessary ingredients for a judgment against the property tax. The U. S. Supreme Court heard the Texas case in October and its judgment should be made early in 1973.

The Connecticut Education Association, in cooperation with the National Education Association, instituted a comprehensive study of taxation in Connecticut and a recommended tax program for the future.

In discussions, prior to the study, with the authors, the following guidelines were presented:

1. The property tax, as a means of funding education, is regressive, with no provision for elasticity and leads to a great disparity of educational opportunity among communities in Connecticut.

2. The Sales Tax, Gasoline Tax, Business Tax, Alcohol Tax and the like are all regressive and lead to state wide tax problems.

3. The tax structure of the State of Connecticut was such that it needed to be revised so that it was more equitable and elastic.

4. The local property tax, as used for education, be eliminated.

5. Other regressive taxes, presently collected by the State, be either eliminated or reduced.

6. If an income tax were the answer, the tax would affect only those with a taxable income of over $12,000 annually.

This study has fulfilled all of these requirements in varying degrees. The Connecticut Education Association presents this document as a means to bring about equitability for taxpayers and equal opportunity for children through tax reform.

Raymond W. Rossomando

Immediate Past President, CEA
and
Chairman, Educational Finance
Committee, CEA

Summary

Introduction

Traditional ways of funding our public schools are now under challenge throughout the nation. Armed with the equal protection clause of the federal Constitution, judges are handing down decisions requiring school taxes and expenditures to reflect state wealth rather than variations in local wealth. Voters in rich and poor districts alike are threatening political reprisals for increases in property tax rates. And in a few localities, voters have been forcing schools to close by refusing to approve their budgets.

As the attack on present methods of financing schools has unfolded, attention has been focused increasingly on three issues: first, the fiscal disparities in current school finance systems; second, ways of insuring fiscal equity in restructured school finance systems; and third, the fiscal and educational consequences of substituting fiscally equitable methods for present taxing and spending practices. This report seeks to examine these issues as they apply to Connecticut.

Disparities in Connecticut School Finance

Connecticut's prevailing method of funding public education results in fiscal disparities that rival some of the worst in the United States. Nothing demonstrates this more powerfully than the fact that there is very little relationship throughout

Connecticut between implicit school tax effort and local school revenue per pupil. This means, of course, that many school districts can raise a relatively great amount of revenue at very low implicit tax rates while many other districts must impose very high implicit tax rates to raise only relatively small amounts of revenue. Greenwich, for example, raises $129 per pupil per implicit school tax mill while Canterbury raises a mere $16 per pupil per implicit school tax mill, a difference of 706 percent!

Significantly, Connecticut does almost nothing to reduce disparities between local tax effort and local revenue yield. Even when compared with other states in New England, Connecticut provides a very low share of school district revenues, on the average less than 27 percent. Moreover, most of the aid supplied comes in the form of a flat grant which is the same in rich and poor school districts alike. The principal consequences of this aid system are twofold. First, public education in Connecticut must be supported primarily by the local property tax, a revenue instrument which is both regressive and often highly selective in its impact and incidence. Second, expenditures on each child's education vary grossly and without any rational consideration of differences in educational need from one district to the next. During the 1970-71 fiscal year, for example, per pupil current expenditures ranged from a high of $1,489 in Darien to a low of $568 in Griswold.

Restructuring Connecticut School Finance

The blatant disparities and inequities of Connecticut's school funding system could be eliminated by reassigning taxing and spending responsibilities between the State and its local school districts. The alternatives for reassignment range from full State assumption of all public school costs to complete local assumption with school districts restructured in such a way that all would have essentially equal educational needs and fiscal resources. This study, however, considers a less radical alternative, one which bears limited resemblance to Connecticut's current funding system but which can meet the dual objectives of abolishing interlocal fiscal disparities and reducing dependence upon the regressive and inelastic property tax. This alternative is joint State-local funding with variable equalization (percentage equalization) of inter-district variations in fiscal conditions like tax burdens and wealth.

Under variable equalization, State aid would be distributed among school districts according to the following general formula:

$$\text{State Aid} = \begin{array}{c}\text{Benchmark}\\ \text{Expenditure}\\ \text{Level}\end{array} \times \left[1 - \left(\frac{\text{Local Fiscal Condition}}{\text{State Fiscal Condition}} \times \begin{array}{c}\text{Local}\\ \text{Support}\\ \text{Fraction}\end{array}\right)\right]$$

This means that three factors would determine the amount of State aid received by all school districts. One is the benchmark expenditure level, an expenditure base which the

State would support in varying degree in all school districts. The degree of support would be calculated by multiplying the benchmark expenditure level by two other factors, the State support fraction and some index of local fiscal condition. The State support fraction specifies the share of the benchmark expenditure level to be funded by the State in all school districts. This share, however, is increased or reduced according to an index of local fiscal condition. This index typically compares school district fiscal capacity or tax effort to the State average. Thus, all other things being equal, variable equalization will result in fiscally deficient school districts receiving more State aid than those that are fiscally sound.

It is important to recognize, however, that four conditions must be met before variable equalization can insure that local school funding reflects State wealth and meets prevailing educational needs. First, the State must control and assume full responsibility for all capital outlays and debt retirement. Second, the State must support about 90 percent of all current expenditures in fiscally average school districts. Third, the State must not allow any district to exceed some expenditure base or benchmark by more than 10 percent unless that district is willing to compensate all other districts by whatever amount it elects to surpass the ceiling. And fourth, the State must insure that its aid is distributed to students in a manner which explicitly recognizes their widely divergent educational needs.

The Impact of Variable Equalization

In order to assess the impact of variable equalization, this study analyzes nine different variable equalization aid formulas. All nine formulas assume that the State would fund 90 percent of some expenditure benchmark in all school districts of average fiscal condition. Moreover, all assume that the State would impose an expenditure ceiling at 110 percent of any benchmark expenditure level. Each formula, however, uses a unique definition of fiscal condition. Fiscal condition is defined in terms of equalized taxable property valuation per capita and per pupil; in terms of school district income per capita and per pupil; in terms of school tax effort and total local tax effort; in terms of property valuation per pupil weighted by school tax effort and by total tax effort; and, it is defined in terms of property valuation per weighted pupil unit, with Title I-eligible pupils being double-counted.

Given the two assumptions designated above, our analysis supports the following conclusions:

1. Connecticut could substantially reduce fiscal disparities among its school districts if it adopted a variable equalization aid formula, regardless of the manner in which the formula defined fiscal condition.

2. Some variable equalization formulas would work primarily to the advantage of city school districts while others would work mainly to the advantage of suburban and rural school districts. In general, city school districts would receive the greatest amount of State aid under a variable equalization aid formula which defines fiscal

condition in terms of total local tax effort or on an educational need basis. In contrast, rural school districts and school districts in rapidly growing suburban areas would receive the greatest amount of State aid under a variable aid formula which defines fiscal condition on a property valuation basis and which takes into account pupil enrollments. Importantly, socially mature suburban districts would be relatively unaffected by any variations in the definition of fiscal condition.

3. Many variable equalization formulas could be implemented in Connecticut at a remarkably low cost. Of the nine formulas tested, eight would cost about $630 million if the State funded a current expenditure benchmark set at a level equal to the 90th percentile during the 1970-71 fiscal year. This cost would exceed the total State-local current expenditure during 1970-71 by about 2 percent.

4. Assuming it funded a current expenditure benchmark equal to $1,054 per pupil, the 90th percentile level in 1970-71, a variable equalization aid system would permit most Connecticut school districts not only to raise their current expenditures over 1970-71 levels, but also to abolish all property tax levies needed to fund current expenditures.

5. It is unlikely that any variable equalization aid formula would eliminate or sharply reduce school taxes in Connecticut cities unless it included a definition of fiscal condition that gave great weight to educational need or total local tax effort.

6. If a variable equalization aid system funded a current expenditure benchmark set at $1,054 per pupil, it could be financed by a Statewide income tax having an average effective rate of about 10 percent on all federally taxable income. Obviously, it would be possible to reduce this rate by diminishing the State-funded current expenditure benchmark. This action, however, would minimize to a great extent the amount of property tax relief that variable equalization would otherwise provide.

7. Finally, it is likely that only a handful of school districts might be required to reduce their expenditures under any variable equalization system. These districts, however, could avoid having to reduce

their current expenditures if the State required them to maintain their present expenditures while phasing-in a new variable equalization aid formula over a period of about five years. In this way, the strong secular pressure for higher education expenditures almost certainly would permit low-spending districts to raise their outlays to a level not too different from the level presently found in very high spending districts.

Chapter I

Connecticut's State-Local Fiscal System

Introduction

Traditional ways of funding our public schools are now under challenge throughout the nation. Armed with the equal protection clause of the federal Constitution, judges are handing down decisions requiring school taxes and expenditures to reflect state wealth rather than variations in local wealth.[1] Voters in rich and poor districts alike are threatening political reprisals for increases in property tax rates. And in a few localities, voters have been forcing schools to close by refusing to approve their budgets.

As the attack on present methods of financing schools has unfolded, attention has been focused increasingly on three issues: first, the fiscal disparities in current school finance systems; second, ways of insuring fiscal equity in restructured school finance systems; and third, the fiscal and educational consequences of substituting fiscally equitable methods for present taxing and spending practices. This report seeks to examine these issues as they apply to Connecticut.

The report is divided into four chapters. The first describes and interprets the overall nature of Connecticut public finance and its relationship to the State's system of educational support. The second chapter delineates

the tax and expenditure characteristics of the present system of school finance and discusses their shortcomings. The third chapter uses simulation analysis to examine the financial requirements and likely fiscal impacts of alternative funding schemes. And, the fourth chapter outlines a number of policy recommendations which should guide the Connecticut Education Association in its deliberations over revision of the State's present school finance system.

1.1 School Finance: The Setting.

School finance in Connecticut and all other States occurs within the context of the total State-local fiscal system. Thus, it is important to understand the total system, its behavior and institutions. To that end, this chapter will examine a number of factors which are known to shape its operation. These include among others fiscal capacity, revenue effort, tax burden, the assignment of functional responsibilities, and the structure of intergovernmental assistance programs.

1.2 Fiscal Capacity.

Connecticut exhibits a relatively high level of fiscal capacity whether measured in a national or regional context. Measured on an income basis, Connecticut's fiscal capacity consistently exceeds that of all other New England states as well as New York. As Table I-1 notes, its per capita

TABLE I-1

PER CAPITA INCOME, SELECTED STATES
1950-1990 (1967 DOLLARS)*

State	Per Capita Income			Percentage Increase	
	1950	1969	1990	1950-69	1969-90
MASSACHUSETTS	$ 2254	$ 3723	$ 6516	65%	75%
CONNECTICUT	2587	4239	7106	64	68
Maine	1636	2789	5209	70	87
New Hampshire	1826	3171	5856	74	85
Vermont	1547	3009	5547	94	84
Rhode Island	2215	3482	6166	57	77
New York	2585	4160	7105	61	71
New Jersey	2531	3939	7030	56	78
United States	2065	3146	6166	65	81

*U.S. Dept. of Commerce, Survey of Current Business.

income in 1960 was $4,239, over $1,500 per capita greater than in the New England state with the lowest per capita income. By 1990, the State's income should be $7,106, over $1,800 more than in the poorest State in the region. Indeed, by 1990, the State's fiscal capacity is expected to be the highest in the country.

When fiscal capacity is measured by an alternative method, the "average financing" approach, Connecticut retains its prominent fiscal position. As Table I-2 shows its capacity is nearly ten percent greater than New York, New Jersey, and New Hampshire's, twenty percent greater than Massachusetts' and thirty percent greater than Maine or Vermont's.

Significantly, Connecticut not only has a great amount of fiscal capacity, but has left much of its capacity untapped. The extent of that untapped fiscal capacity is revealed in Table I-3. Using estimates derived by the Advisory Commission on Intergovernmental Relations, it can be shown that Connecticut, could raise 32 percent more tax revenue if it utilized rates comparable to those found in Vermont, the highest tax effort State in New England. Or, if it chose to have tax rates similar to those in New York State, it could raise 43 percent more tax revenue than at present.[2] Thus, it is quite clear that Connecticut, insofar as fiscal capacity is concerned, would have a great deal of latitude in constructing an alternative school

TABLE I-2

REVENUE AND TAX CAPACITY, REPRESENTATIVE TAX SYSTEM, 1967*

State	Revenue Capacity Per Capita	Tax Capacity Per Capita	Revenue Capacity Index	Tax Capacity Index
CONNECTICUT	$ 385	$ 305	97	98
MASSACHUSETTS	433	366	109	117
Maine	313	254	79	81
New Hampshire	400	343	101	110
Vermont	337	275	85	88
Rhode Island	353	284	89	91
New York	447	339	113	108
New Jersey	412	335	104	107
United States	396	313	100	100

*Advisory Commission on Intergovernmental Relations, Measuring the Fiscal Capacity and Effort of State And Local Areas: Information Report.

TABLE I-3*

UNTAPPED TAX CAPACITY, SELECTED STATES, 1970

State	Percent Increase in Taxes If:		
	A+	B++	C+++
CONNECTICUT	42.6	31.2	36.9
MASSACHUSETTS	16.9	7.6	12.2
Maine	25.0	15.0	20.0
New Hampshire	89.3	74.1	81.7
New Jersey	41.6	41.6	41.6
New York	--	--	--
Rhode Island	27.3	17.7	22.2
Vermont	8.6	--	4.3
United States	39.1	19.5	29.3

+Tax rates were similar to those levied in New York
++Tax rates were similar to those levied in Vermont
+++Average of A* and B++

*John Shannon, "State Revenue Systems - How Do They Rate?" Remarks before the Southeast Leaders' Seminar on Educational Finance, Sea Island, Georgia, June 1972.

finance system.

1.3 Tax Effort.

Connecticut exhibits a level of State-local tax effort that is consistently below national average. Its total State-local tax effort has been at least 90 percent below national average since 1957 and generally the lowest in the eight State region of New England and New York and New Jersey. Indeed, its overall tax effort has been consistently only 70 percent of that of Vermont, usually the highest tax rate State in the region. Connecticut, then, has been able to use its above-average fiscal capacity in a manner that has preserved its comparative fiscal advantage in the region.

While Connecticut's total tax effort or tax-income ratio has been much lower than national or regional averages, its school tax effort has been near the regional average and about 10 percent lower than the national norm. In interstate comparisons, Connecticut generally exhibits higher local school tax effort than either New Jersey and New Hampshire, the regional laggards, or Massachusetts and Rhode Island - States with heavy concentrations of non-public school children. However, it consistently exhibits lower school tax effort than either Maine, a poor State, or Vermont and New York, two of the highest tax effort States in the country.

Even though Connecticut has been able to maintain relatively low total and school tax effort, its property tax burden as Tables I-4 and I-5 reveal, has significantly increased between 1957 and 1970. At the outset of the period, its property tax effort was 80 percent of regional and 97 percent of national levels. By 1970, however, it was 95 percent of regional norms and 115 percent of the national average, an increase of 46.7 percent. Thus, while Connecticut was the lowest property tax effort State in the region in 1957, its property effort by 1970 exceeded Rhode Island and Vermont and was similar to that of New York. The latter three States, then, had diversified their revenue structures between 1957 and 1970 whereas Connecticut had not. Connecticut, then, is clearly in need of a program of property tax relief.

As Table I-6 suggests, Connecticut might provide substantial property tax relief by making greater use of the sales tax and/or by implementing an income tax. Though the State's nominal 7 percent sales tax rate is quite high, its sales tax effort is actually somewhat less than the national average.[3] At this time, however, it would seem more logical for the State to impose an income tax than to raise its sales tax rate. Along with Maine, Rhode Island and nine other States, Connecticut has resisted all attempts to institute an income tax for many years, though came close in 1971 when the Legislature enacted an income tax bill

TABLE I-4*

SELECTED ITEMS OF STATE AND LOCAL GOVERNMENT FINANCES,
PER $1,000 OF PERSONAL INCOME BY STATES, 1957

State	General Revenue From Own Sources	Property Taxes	General Expenditure	Education Expenditure	Local School Only
CONNECTICUT	81.38	35.72	113.36	32.64	28.86
MASSACHUSETTS	99.66	52.02	123.95	30.17	27.98
Maine	100.94	44.24	120.10	35.95	29.68
New Hampshire	95.11	51.05	127.70	38.37	30.37
New Jersey	81.43	44.64	93.72	31.44	28.86
New York	104.95	43.10	116.99	34.80	33.08
Rhode Island	85.39	38.70	106.04	30.73	24.77
Vermont	115.86	46.45	144.73	49.13	36.73
Regional Total	95.59	44.49		35.40	30.04
U.S.	98.42	36.89		40.53	34.38

*U.S. Bureau of the Census, Governmental Finances, 1957.

TABLE I-5

SELECTED ITEMS OF STATE AND LOCAL GOVERNMENT FINANCES,
PER $1,000 OF PERSONAL INCOME BY STATES, 1970*

State	General Revenue Per $1,000 Of Personal Income		General Expenditure Per $1,000 Of Personal Income		
				Education	
	All State And Local General Revenue Sources	Property Taxes	All Functions	Total	Local Schools Only
CONNECTICUT	124.26	52.46	149.22	56.58	44.71
MASSACHUSETTS	142.29	62.61	172.27	53.67	42.10
Maine	148.07	57.78	183.48	70.81	50.32
New Hampshire	121.88	61.47	159.15	66.91	43.06
New Jersey	124.94	57.20	142.83	56.00	43.89
New York	172.10	53.17	206.06	68.51	52.78
Rhode Island	129.79	44.65	166.89	61.44	40.06
Vermont	174.02	51.17	225.84	91.36	50.09
Regional Total	142.16	55.06	175.80	65.66	45.88
U.S.	142.27	45.74	176.40	70.81	50.31

*U.S. Bureau of the Census, Governmental Finances, 1970

TABLE I-6

MEASURES OF RELATIVE STATE-LOCAL TAX EFFORT IN INDIVIDUAL STATES, BY TYPE OF TAX: 1966-67 (PERCENT RELATION OF ACTUAL TAX REVENUE TO TAX CAPACITY ESTIMATED AT NATIONAL AVERAGE RATES)*

State	All Sales And Gross Receipts Taxes	All Property Taxes	Individual Income Taxes	All Other Taxes
CONNECTICUT	95	110	-	15
MASSACHUSETTS	73	141	149	29
Maine	119	129	-	61
New Hampshire	59	122	14	87
New Jersey	86	137	4	58
New York	117	125	274	43
Rhode Island	115	116	-	52
Vermont	71	140	279	135

*Same as on Table I-2

that was promptly repealed in the midst of a public uproar.

1.4 Tax Burden.

Time and again, debates over implementing an income tax in Connecticut result in heated arguments over who should bear the burden of taxation. Importantly, there are two facets to the burden problem. One concerns the interstate burden problem and the other is the intrastate burden problem. On an interstate basis, recent research has indicated that Connecticut evidently is able to "export" between 5 and 6 percent of its total State-local tax effort.[4] This is a lower export rate than either New York and Rhode Island, yet a higher export rate than the other States in the region.

Connecticut, in addition to being able to export more of its tax burden than most of its regional neighbors also relies more heavily on business taxes than most of the States in the region. In 1967, for example, 31.4 percent of all State-local taxes were levied on business, a share only exceeded by New Jersey. Yet, even with a high share of its taxes being imposed on business sources, Connecticut still does not exhibit high business tax effort. As Table I-7 discloses, business tax effort in Connecticut is substantially lower than in Massachusetts, New York and Vermont, though is somewhat higher than in New Hampshire and New Jersey.

TABLE I-7

RELATIONSHIP OF STATE AND LOCAL TAXES WITH AN IMPACT ON BUSINESS TO TOTAL STATE AND LOCAL TAXES, BY STATE, 1957, 1962, AND 1967*

State	Taxes on Business as a Percent of Total Taxes			
	1967	1962	1957	Percentage Change 1957-67
CONNECTICUT	31.4	34.3	32.6	- 3.7
MASSACHUSETTS	26.5	31.0	33.6	-21.1
Maine	25.0	26.2	28.9	-13.5
New Hampshire	25.5	28.0	31.8	-19.8
New Jersey	32.3	37.2	40.8	-20.8
New York	31.1	32.2	35.2	-11.6
Rhode Island	28.3	28.5	33.2	-14.8
Vermont	24.0	26.2	26.8	-10.4
United States	29.4	32.1	34.2	-14.0

*U.S. Advisory Commission on Intergovernmental Relations, State-Local Finances: Significant Features And Suggested Legislation (1972 edition)

Personal tax burden, again as measured by the representative taxing system, is lower than national or regional norms. Because of the State's lack of an income tax, its personal tax effort is lower than every State in the region except New Hampshire. However, as Table I-8 notes, its residential tax burden is still considerably higher than national average.

In sum, it appears that there are countervailing forces at work in Connecticut's fiscal structure as regards the distribution of tax effort between business and personal revenue sources. On the one hand, the State has low rates of personal taxes due to the lack of personal income tax. On the other hand, residential property taxes are the most utilized sources of revenue in the State-local system and business properties are markedly underassessed in relation to residential property. Consequently, personal tax burden is great because of residential property taxes, and business tax burden is above-average due to lack of the broad-based personal income tax. Any redistribution of present tax burdens, then, would most probably involve (1) raising the property tax burdens on business property, and (2) reducing residential property tax burdens but enacting a broad-based personal income tax.

1.5 Assignment of State-Local Fiscal Responsibility.

Connecticut's State-local fiscal system, like most in

TABLE I-8

NONFARM RESIDENTIAL PROPERTY TAX EFFORT AS MEASURED BY AVERAGE FINANCING METHOD, 1966-67*

State	Nonfarm Residential Property Tax Effort (Revenue Effort/Revenue Capacity)
CONNECTICUT	119
MASSACHUSETTS	166
Maine	112
New Hampshire	139
New Jersey	176
New York	127
Rhode Island	130
Vermont	142

*Advisory Commission on Intergovernmental Relations, Washington, D.C., Measuring the Fiscal Capacity and Effort of State and Local Areas: Information Report.

New England, is highly localized in nature. Consistently, it accords above-average revenue and expenditure responsibilities to its local governmental sector. What stands out about Connecticut, however, is that it has maintained its localized public sector almost unchanged over time. From 1957 to 1970 the State government increased its revenue raising responsibilities from 49.3 percent to only 50.4 percent of the State-local total. In contrast, the average increase in New York, New Jersey and the New England States was from 43.4 percent to 51.2 percent during the same period. Consider also the fact Connecticut and New Hampshire were the only States in the region that actually increased the expenditure responsibilities of their local governments. Connecticut's local governments made 49.1 percent of all State-local expenditures in 1957, but by 1970 they made 56.1 percent of all such expenditures. Admittedly, Massachusetts and New Jersey still retained heavily localized public finance systems by 1970, yet as Table I-9 demonstrates, both State governments have been assuming much greater fiscal responsibility.

As Tables I-10 and I-11 reveal, the "status quo" character of Connecticut State finance becomes even more pronounced when federal aid is taken into account. From 1957 to 1970 Connecticut and New Hampshire were the only States in the nation that actually reduced their revenue raising responsibility. Over these years, the State share

TABLE I-9

STATE GOVERNMENT PROPORTION OF SELECTED FISCAL ITEMS, 1957-1970*

State	1970		1957	
	Tax Revenues	Direct Gen. Expend.	Tax Revenues	Direct Gen. Expend.
CONNECTICUT	50.4	43.9	49.3	50.9
MASSACHUSETTS	49.2	45.7	40.6	33.1
Maine	54.9	52.0	50.2	50.7
New Hampshire	38.5	48.5	38.2	49.3
New Jersey	41.5	30.2	28.3	25.1
New York	51.4	23.1	38.7	21.2
Rhode Island	59.0	53.1	48.1	45.8
Vermont	64.5	65.1	53.8	51.2
Regional Total	51.2	45.2	43.4	40.9
United States	55.2	37.1	50.4	26.6

*U.S. Bureau of the Census, Governmental Finances, 1957 and 1970.

TABLE I-10

ORIGIN AND ALLOCATION OF STATE-LOCAL REVENUE, 1957*

State	Percent of Revenue Raised At			Percent of Revenue Spent At	
	Federal Level	State Level	Local Level	State Level	Local Level
CONNECTICUT	5.4	46.0	48.6	43.5	56.5
MASSACHUSETTS	7.2	36.4	56.3	24.1	75.9
Maine	12.1	45.6	42.4	51.0	49.0
New Hampshire	9.3	36.5	54.2	42.5	57.5
New Jersey	4.6	28.9	66.5	24.6	75.4
New York	5.5	34.3	60.2	18.8	81.2
Rhode Island	12.2	42.0	45.8	43.6	56.4
Vermont	13.1	47.5	39.4	50.2	49.8
Regional Total	8.7	39.6	51.7	37.3	62.7
United States	10.1	43.1	46.8	34.5	65.5

*U.S. Bureau of the Census, Governmental Finances, 1957.

of total revenues from State, Federal, and local sources decreased from 46.0 percent to 44.3 percent. To be sure, local revenue raising responsibility also fell as well, from 48.6 percent to 42.6 percent, but that decline was due to increased federal aid which rose from 5.4 percent of total State-local revenues in 1957 to 13.0 percent of all State-local revenues in 1970.

Significantly, the high local fiscal assignment in Connecticut creates several distinct problems for increasing school support. First, high local assignment means educational fiscal requirements are judged against the strong competing demands of other expensive, labor-intensive local services such as police and fire protection. Moreover, high local assignment is a natural precondition for the creation of fiscal disparities in school support as it aggravates variations in local fiscal ability to support education. High local support, then, reduces the redistributive qualities of educational support programs. Additionally, high local assignment also produces a natural incentive for intense local competition for taxable resources, hence a corollary tendency for such resources to gravitate from poorer to more wealthy areas, further exacerbating school finance disparities. In short, a highly localized public sector tends to create undue variation in local school support and, consequently, to result in aggregate undersupport of the education function.[5]

1.6 Connecticut's State Revenue Structure.

The State of Connecticut not only assumes limited fiscal responsibilities, but also maintains a highly inelastic revenue structure. The principal consequences of this inelastic revenue structure are twofold. First, the State has found it difficult to furnish more revenue to its local governments whether for education or other purposes. Second, the State has been forced to impose extraordinarily high "nuisance" and sales taxes. The highest in the nation, Connecticut's sales, gasoline and cigarette tax rates have the unfortunate effect of making the tax structure highly visible--so much so that it seems likely Connecticut will find it difficult to raise any more revenue from these sources.

Connecticut's revenue structure is not only quite inelastic but additionally has a base which is defined quite narrowly. Thus, its revenue structure is even more inelastic than it might appear. For example, as Table I-12 shows, the State's general sales tax base is just equal to the national average and is only about 83 percent of New York's sales tax base, 85 percent of Maine's base, and 93 percent of Rhode Island's base. Thus, broadening its sales tax base could ease some of the present rate pressure.

While the narrow base of Connecticut's tax structure

TABLE I-11

ORIGIN AND ALLOCATION OF STATE-LOCAL REVENUE, 1970*

State	Percent of Revenue Raised At			Percent of Revenue Spent At	
	Federal Level	State Level	Local Level	State Level	Local Level
CONNECTICUT	13.0	44.3	42.6	44.0	55.9
MASSACHUSETTS	15.8	40.8	43.3	44.3	55.6
Maine	18.2	46.6	35.1	53.3	46.6
New Hampshire	17.4	35.3	47.2	47.0	52.9
New Jersey	12.3	37.1	50.4	32.1	67.8
New York	13.6	42.5	43.7	23.2	76.7
Rhode Island	20.4	48.3	31.1	55.2	44.7
Vermont	22.6	51.5	25.8	64.1	35.8
Regional Total	16.7	43.3	39.9	45.4	54.5
United States	16.7	43.9	39.3	38.8	61.1

*U.S. Bureau of the Census, Governmental Finances, 1970.

is reason enough for reforms, the general regressivity of the tax structure provides still another reason for change. With the exception of the corporation income and death and gift taxes which are progressive, the main sources of State revenue--the general sales tax, the cigarette tax, and the alcohol tax--are fairly regressive in their overall incidence. The regressiveness of the sales tax, for example, can be seen by inspecting Table I-13 which shows that the effective sales tax rate drops from 1.5 percent on incomes of $3,000 to 1.1 percent on incomes over $16,000.

In sum, the State has placed itself in a severe political bind where it has over-relied in inelastic tax sources with relatively narrow bases. Consequently, the State revenue effort, while below national average, has been highly "visible." Extremely high tax rates have been levied against limited revenue sources and in a generally regressive manner at that. This combination of inelasticity and regressivity is unquestionably an important determinant of the State's limited support for public education. Therefore, to effect educational finance reform in Connecticut revisions in the State's present revenue structure are essential.

1.7 Local Revenue Structure.

Connecticut's local revenue structure is highly dependent on the property tax. As of 1970, 86 percent of all Connecticut local revenues from own sources were

TABLE I-12

RELATIVE BASES AND RATES OF STATE
GENERAL SALES TAXES*

State	Ratio of Actual to Standard Base, 1967	Nominal Rate January, 1971	"True Effective Rate, 1971
CONNECTICUT	1.00	5.0%	5.0%
MASSACHUSETTS	.57	3.0	1.7
New York	1.20	3.0	3.6
Maine	1.17	5.0	5.9
Rhode Island	1.07	5.0	5.4
New Jersey	.70	3.0	2.1

*U.S. Advisory Commission on Intergovernmental Relations, State-Local Revenue Systems and Educational Finance, 1971.

TABLE I-13

EFFECTIVE SALES TAX RATES IN CONNECTICUT BY INCOME CLASS, 1971

Income Class	Ratio of Class to Lowest Income Class	Effective Sales Tax Rate
$3,000-4,999	100	1.5%
$5,000-6,999	93	1.4
$7,000-9,999	87	1.3
$10,000-15,999	80	1.2
$16,000-19,999	73	1.1

derived from the property tax. Thus, outside of limited use of charges, assessments and license fees, Connecticut local finance is heavily dependent on the property tax. The high level of dependence on this tax raises the question of how well the property tax is administered and its consequent impact on educational finance.

On several fronts, heavy local reliance on the property tax must be considered a factor in the State's school finance problems. First, there is the simple fact of the extensive malapportionment of property wealth in the State. The extreme variation in local taxable property wealth is staggering. Witness the fact that Greenwich, the richest district in the State has property valuation of $129,060 per pupil, a tax base which is 3.65 times greater than Ridgefield, the median wealth district in the State, and 8.5 times greater wealth than Sterling, the poorest district in the State.

The extreme variation in local wealth, moreover, has also been complimented by other factors which indicate that the local property tax is poorly administered. As Table I-14 notes, unpublished Census data reveal over-assessment of residential property in 19 of 26 cases where assessment ratios for commercial and residential property were recorded. These same data, additionally, reveal overassessment of residences in relation to industrial property in 13 of 16 cases. What is especially

TABLE I-14

DIFFERENTIAL ASSESSMENTS BY PROPERTY CLASS*

	SINGLE FAMILY RESIDENCE ASSESSMENT RATIOS IN RELATIONS TO ASSESSMENTS OF:	
	Commercial Property	Industrial Property
Underassessed By:		
1-20 Percent	3	1
20 Percent or More	4	2
Overassessed By:		
1-50 Percent	8	7
50 Percent or More	11	6
Total	26	16

*U.S. Bureau of the Census, unpublished data.

This data should be interperted with some caution, due to the relatively small number of commercial and industrial property sampled in communities with population of less than 100,000.

provoking, however, is the extent of overassessment. In 11 instances residential properties exhibited assessment ratios that were 50 percent greater than commercial properties, and in 4 cases such ratios were over 100 percent greater. Looking at industrial properties a similar pattern occurs. Residential properties had assessment ratios 50 percent greater than industrial properties in 6 of 16 cases and ratios over 100 percent greater in 3 instances. In several communities, nonresidential property was assessed as a considerably higher rate than residential property.

Not only are there differential assessment practices among Connecticut communities, but also there are patterns of differential assessment among value classes of property as well. Looking at 72 Connecticut communities that exhibited data on this point, it was found that under-assessment of high value properties occurred in 34 cases or 47 percent of all instances. Similarly overassessment of low value properties occurred in 25 cases or 35 percent of all cases. Of even greater interest, however, is the extremely variable nature of value related differential assessment in the State. As Table I-15 suggests, there are "progressive" differential assessment practices in 39 percent of the 72 communities, "progressive-regressive" practices in 14 percent of all communities, "regressive-progressive" practices in 26 percent of all cases, and "regressive" differential assessments in 21 percent of all

TABLE I-15

DIFFERENTIAL ASSESSMENTS BY VALUE CLASS*

High Value Properties	N	Low Value Properties
"Overassessed"	28 (39%)	"Underassessed"
"Overassessed"	10 (14%)	"Overassessed"
"Underassessed"	19 (26%)	"Underassessed"
"Underassessed"	15 (21%)	"Overassessed"
Total	72	

*U.S. Bureau of the Census, unpublished data.

This data should be interperted with some caution, due to the relatively small number of commercial and industrial property sampled in communities with population of less than 100,000.

cases.

In short, Connecticut's local revenue structure requires substantial change. The need for general property tax relief is abundantly clear; so is the need for a greater and improved State rule in establishing property assessments. The net effects of the present local tax system are to increase residential property tax burdens as well as to further increase burdens on high or low value residential properties, depending upon their location. Left unremedied, these conditions surely will eradicate all hope of solving the State's school finance crisis.

1.8 Intergovernmental Aid Systems.

Like taxes, State aid can have a powerful effect on the operation of any State-local fiscal system. A State with an extensive system of intergovernmental aid may ease the problem of municipal overburden and thereby free local resources for education, or a State may channel most of its aid to the education function and thereby free local governments from extreme fiscal pressure in their need to meet varied educational fiscal requirements.

As Tables I-16 and I-17 indicate, Connecticut traditionally has devoted a high share of its intergovernmental aid to education purposes, but always has kept the absolute amount of intergovernmental aid very small. In 1970, the State spent $105 per capita for

TABLE I-16

SELECTED CHARACTERISTICS, STATE AID SYSTEMS, 1957*

State	Per Capita Intergovernmental Expenditure			
	Total	Education	Education as % of Total	Total as % of All State Expenditures
CONNECTICUT	16.77	13.57	80.9	9.3
MASSACHUSETTS	52.68	10.96	20.8	35.3
Maine	14.94	9.24	61.8	12.6
New Hampshire	7.81	3.67	47.0	6.2
New Jersey	22.23	14.42	64.9	27.2
New York	57.35	30.10	52.5	47.6
Rhode Island	18.73	7.75	41.4	16.3
Vermont	26.67	14.46	54.2	17.5
United States	43.16	24.12	55.9	34.7

*U.S. Bureau of the Census, Governmental Finances, 1957.

TABLE I-17

SELECTED CHARACTERISTICS, STATE AID SYSTEMS, 1970*

State	Per Capita State Intergovernmental Expenditures			
	Total	Education	Education as % of Total	Total as % of All State Expenditures
CONNECTICUT	105.64	84.68	80.15	26.17
MASSACHUSETTS	78.82	46.66	59.19	20.02
Maine	88.82	78.85	88.77	23.61
New Hampshire	25.42	16.55	65.10	8.88
New Jersey	120.84	53.77	44.49	39.79
New York	292.24	133.12	45.55	57.74
Rhode Island	86.30	63.28	73.32	20.82
Vermont	109.52	90.07	82.24	18.83
United States	142.73	84.40	59.13	37.21

*U.S. Bureau of the Census, Governmental Finances, 1970.

intergovernmental aid, 80 percent of which went for education. Its total per capita intergovernmental transfers, however, were less than 75 percent of the national average. Thus, Connecticut in 1970 ranked only 35th among all States in its level of support for local schools and has ample opportunity either to assume greater noneducational fiscal responsibilities or to spend more money for State educational aid.

Owing to the State's limited amount of aid for local government, federal aid today ranks as Connecticut's third most important source of revenue, ranking only below the general sales tax and the local property tax. The major impact of aid, however, has been in the fields of highways and welfare rather than education. Thus, as of 1970 Federal aid represented 41.5 percent of all welfare expenditures, and 27.3 percent of all highway expenditures in the State. In education, federal aid constituted only 5.6 percent of local school outlays and only 4.5 percent of health and hospital expenditures within the State.[6]

Significantly Connecticut's status as one of the highest income States in the Union results in its receiving less revenue from the Federal government than it supplies. Using estimates derived by I. M. Labovitz in 1968, it appears that Connecticut puts 8.5 percent more revenue into the federal system than it receives.

Connecticut, however, fares much better in this regard than other States which are not as wealthy. As Table I-18 shows, for example, every dollar that New York pays to the national government brings only 62 cents in return.

The net effect, then, of both federal and State intergovernmental aid systems has not been to relieve local expenditure problems. Federal aid has been offset, quite properly, by the larger Federal revenue liabilities of the State. State aid, while directed mainly to the education function, has amounted to a very limited share of local expenditures, whether for schools or noneducational functions.

1.9 Fiscal Support for Education.

State aid for Connecticut's public schools not only has remained at low levels for many years, but also has been distributed in a manner which all but ignores variations in educational need or local fiscal capacity. As of 1969, for example, Connecticut distributed 96.3 percent of its State aid in the form of a "uniform" or "flat" grant. In contrast, all States distributed only 21.3 percent of their school aid in this form. Indeed, as of 1969-70, Connecticut was only one of seven States that still retained a flat grant program.

Due to the predominance of the flat grant, Connecticut's education aid system is one of the least equalizing in the nation. As the National Educational

TABLE I-18

RATIO OF FEDERAL PAYMENTS TO FEDERAL REVENUES ORIGINATING IN THE STATE: FISCAL YEARS 1952-67 PERCENT OF TOTAL ALLOCATED EXPENDITURES DIVIDED BY PERCENT OF TOTAL ALLOCATED REVENUE*

State	1965-67	1952
CONNECTICUT	.92	.86
MASSACHUSETTS	.90	.74
Maine	1.14	.96
New Hampshire	.83	.65
New Jersey	.71	.90
New York	.62	.61
Rhode Island	1.17	.68
Vermont	1.11	.71
Wisconsin	.67	.85
Georgia	1.52	1.40
California	1.32	1.06

*U.S. Senate Committee on Government Operations, Federal Aid to States and Regions, 1965-67.

Finance Project shows, 32 States have aid systems that are at least twice as equalizing as Connecticut's. This lack of equalization, of course, is now the subject of legal challenge in courts suits not just in Connecticut, but nationwide.

1.10 Conclusion.

This brief review of the nature of the State's public finance system indicates that there is need for Connecticut to reform its educational support system. Yet it is not educational finance alone that needs revision. Clearly there have to be other basic changes in the State's overall fiscal system if there is to be popular acceptance of changing the present system of educational support. Only by viewing educational finance revision as part of this larger effort will it be possible to field a comprehensive school finance reform program.

Chapter I, Notes

1. Serrano v. Priest, 5 Cal. 3d 584, 487 P.2d 1241, 96 Cal. Rptr. 601 (1971). Robinson v. Cahill, 118 N.J. Super. 223, 287 A.2d 187 (1972).

2. Advisory Commission on Intergovernmental Relations, Measuring the Fiscal Capacity and Effort of State and Local Areas: Information Report (Washington, D.C., 1971).

3. This statement is based on the most recently available data. These data describe sales tax effort in all states during 1966-67. Though Connecticut's sales tax rate has risen since 1966-67, a check of other states indicates that the increase was not sufficient to alter the basic validity of the statement.

4. Eliott Morss, "Interstate Fiscal Comparisons" unpublished manuscript.

5. Seymour Sacks, City Schools/Suburban Schools (Syracuse, New York: Syracuse University Press, 1972).

6. Adivsory Commission on Intergovernmental Relations, State and Local Finances: Significant Features and Suggested Legislation (Washington, D.C., 1972).

Chapter II

Connecticut's School Finance System: A Detailed Analysis

Introduction

An ideal school finance system should be free from factors which distort public preferences for funding and consuming education. We will demonstrate in this chapter, however, the Connecticut's present school funding system is exceptionally endowed with features that force some localities to spend much too little on education while they allow other places to spend freely at very little tax cost. These features include, among others, skewed distributions of educational need and fiscal capacity, municipal overburdens, and biases in State aid programs. To illustrate these features, we will use both correlation analysis and a set of twenty-five "representative" school districts. School districts selected represent those from five different kinds of localities: (1) central cities, (2) rapidly growing suburbs, (3) mature or slowly growing suburbs, (4) independent cities, cities outside metropolitan areas, and (5) rural areas.

2.1 Correlation Between Wealth and Need.

Connecticut's present school funding system, by its high reliance on local districts, has the undeniable effect

of segregating fiscal wealth from educational need. Evidence of this fact is present in Table II-1 which reveals only weak and insignificant correlations between commonly used measures of wealth like property value or income and widely accepted proxies for educational need like the concentration of AFDC pupils and Negroes.

While fiscal wealth and educational need are not related to one another throughout Connecticut as a whole, it is quite evident and important that they are quite strongly and inversely associated in the State's cities. As Table II-2 shows, AFDC pupils are concentrated to a high degree in city schools. Among the set of representative school districts, the proportion of AFDC pupils in central city districts ranged from 19.3 percent in Norwich to 61.3 percent in Hartford. The share of AFDC pupils in independent city districts ranged from 6.0 percent in Winchester (Winsted) to 14.4 percent in Middletown. In contrast, the share in all suburbs went from .5 percent in Wilton to 8.5 percent in Sprague, while it ranged in rural school districts from 1.3 percent in Canterbury to 4.6 in Old Saybrook.

The high educational needs of central cities are reflected as well in the percentage of their families with below poverty level incomes. Among our representative school districts, the share ranges from 5.2 percent to 12.9 percent in central cities; from 4.0 to 8.5 percent

TABLE II-1

CORRELATION: WEALTH AND NEED

Need Measures	Wealth Measures		
	Per Pupil Equalized Net Property Value	Median House Value	Per Capita NEFP Income
Percent Negro	-.116	.001	-.041
Percent Poverty Enrollment*	-.230	-.279	-.042

*AFDC Pupils plus Pupils from Families with less than $4,000 income as a proportion of total enrollment.

TABLE II-2

SELECTED SCHOOL POPULATION CHARACTERISTICS BY SCHOOL DISTRICT TYPE, 1970

District Type And Name	No. of School-Age Inhabitants	ADM	No. of AFDC Children	AFDC Children as % of ADM
Central City				
Bridgeport	39,274	24,793	10,145	40.9
Hartford	40,460	29,657	18,193	61.3
New Haven	10,489	22,094	12,830	58.0
Norwich	10,899	8,385	1,179	14.0
Stamford	30,035	21,076	3,065	14.5
Rapid Growth Suburban				
Ellington	2,628	2,339	68	2.9
Glastonbury	6,298	5,649	137	2.4
Montville	5,121	4,377	211	4.8
Somers	1,919	1,660	51	3.0
Wilton	4,789	4,160	22	0.5
Slow Growth Suburban				
Andover	N.A.	595	12	2.0
Granby	1,913	1,754	22	1.2
Greenwich	N.A.	11,208	203	1.8
Manchester	12,683	10,248	702	6.8
Sprague	849	622	53	8.5
Independent City				
Ansonia	5,606	4,104	533	12.9
Middletown	9,640	6,273	901	14.3
Putnam	2,225	1,440	181	12.5
Torrington	8,286	5,576	382	6.8
Winchester	3,160	2,313	139	6.0
Rural				
Canterbury	857	751	10	1.3
New Hartford	1,159	1,027	30	2.9
Old Saybrook	2,682	2,226	103	4.6
Oxford	1,380	1,289	31	2.4
Salisbury	699	855	25	2.9

in rural areas and from 3.3 to 3.6 percent in fast growing suburbs. In contrast, and as Table II-3 shows, Stamford was the only central city district with over 21 percent of its families having more than $15,000 income while no rapid growth suburb had fewer than 23 percent--Wilton having a staggering 70.7 percent.

While urban school districts in the representative cross-section show clear disadvantages in terms of educational need, they also suffer disparities in the taxable wealth available to fund educacional programs. As Table II-4 indicates, Stamford fares best at $58,000 per pupil while Norwich has available only $24,800. Rapid growth suburbs are similar in wealth to central cities (though enjoying less dimensions of need), while rural areas range in property value per pupil from $22,300 (Canterbury) through $70,000 (Old Saybrook) to $108,000 (Salisbury). Topping the sample districts is Greenwich with $129,000 in equalized net property value per pupil, over twice as much as any central city district sampled.

In sum, then, the sample illustrates that urban districts suffer in both components of the educational finance problem: extraordinarily educational need requirements, and relatively lower capacity to raise funds for education. High proportions of low-income students place high educational demands on the urban

TABLE II-3

FAMILY INCOME DISPARITIES BY SCHOOL DISTRICT TYPE, 1970

District Type And Name	ADM	% Families With Revenue Less Than Poverty Level	% Families With $15,000 or More
Central City			
Bridgeport	24,793	8.6	18.3
Hartford	29,657	12.6	16.2
New Haven	22,094	12.9	18.2
Norwich	8,385	8.1	20.8
Stamford	21,076	5.2	42.7
Rapid Growth Suburban			
Ellington	2,339	3.5	28.7
Glastonbury	5,649	2.1	47.1
Montville	4,377	3.4	23.1
Somers	1,660	3.6	39.4
Wilton	4,160	3.3	70.7
Slow Growth Suburban			
Andover	595	n.a.	n.a.
Granby	1,754	2.4	38.2
Greenwich	11,208	2.9	57.9
Manchester	10,248	3.0	32.2
Sprague	622	6.7	
Independent City			
Ansonia	4,104	5.7	20.1
Middletown	6,273	6.0	25.4
Putnam	1,440	8.5	19.0
Torrington	5,576	5.4	19.3
Winchester	2,313	4.0	24.2
Rural			
Canterbury	751	4.0	20.9
New Hartford	1,027	3.5	25.2
Old Saybrook	2,226	2.9	33.9
Oxford	1,289	2.2	24.9
Salisbury	855	4.4	34.0

TABLE II-4

SELECTED TAXABLE WEALTH CHARACTERISTICS BY
SCHOOL DISTRICT TYPE, 1970

District Type And Name	ADM	Per Pupil Equalized Net Property Value	Per Capita Equalized Net Property Value	Per Capita Income
Central City				
Bridgeport	24,793	35,500	5.6	$ 3,200
Hartford	29,657	47,800	9.0	3,100
New Haven	22,094	51,800	8.3	3,200
Norwich	8,385	24,800	5.0	3,100
Stamford	21,076	58,000	11.2	4,800
Rapid Growth Suburban				
Ellington	2,339	28,600	8.7	3,400
Glastonbury	5,649	31,700	8.7	4,400
Montville	4,377	34,200	9.6	3,000
Somers	1,660	25,400	6.1	3,600
Wilton	4,160	59,700	18.3	6,100
Slow Growth Suburban				
Andover	595	18,800	5.3	
Granby	1,754	25,600	7.3	4,000
Greenwich	11,208	129,100	24.2	7,800
Manchester	10,248	37,400	8.0	4,000
Sprague	622	40,400	8.6	2,800
Independent City				
Ansonia	4,104	34,200	6.6	3,200
Middletown	6,273	52,900	9.0	3,300
Putnam	1,440	42,600	7.1	3,300
Torrington	5,576	43,600	7.6	3,300
Winchester	2,313	28,200	5.9	3,500
Rural				
Canterbury	751	22,300	6.3	2,900
New Hartford	1,027	35,600	9.2	3,500
Old Saybrook	2,226	70,000	18.4	3,900
Oxford	1,289	41,800	12.0	3,400
Salisbury	855	108,100	21.2	6,100

districts, while low-to -moderate property values per pupil make funding their programs problematical. In contrast, suburban and rural districts are blessed with relatively lower school tax rates. Rural areas and suburbs show low concentrations of educational need, yet suburbs as a class have the highest school tax rates. In terms of percentage, rural and suburban school taxes constitute approximately 60 percent of total taxes, while the average school tax percentage is 46.6 for independent cities and 40.3 percent for metropolitan central cities.

2.2 Correlation Between Wealth and Tax Effort.

While there is no general relationship between wealth and educational need, there is a strong and significant negative relationship between the school tax rate and most measures of wealth. As Table II-5 shows, for example, there is a correlation of -.567 between the school tax rate and equalized property value per capita. What this means of course, is that rich school districts generally must bear a much smaller local tax burden than poor ones. There are, however, a good number of school districts that do not fit this overall pattern. These districts, importantly, tend to be located primarily in fast growth suburbs and are characterized not only by high wealth but also high school tax effort.

It should be understood, however, that the negative relationship between tax effort and wealth does not

TABLE II-5

CORRELATION: WEALTH AND EFFORT

Effort Measures	Wealth Measures		
	Per Capita Equalized Net Property Value	Median House Value	Per Capita NEFP Income
Total Local Tax Rate	-.598	-.087	.009
School Tax Rate	-.567	-.182	.035

necessarily imply the need for a State policy which would penalize school districts not making a tax effort commensurate with their wealth. It is exactly this kind of policy, of course, that is implicit in many State aid formulas and its principle result is to penalize central city school districts more than any other type.

Central city districts tend to have very low school tax rates in relation to their taxable wealth. Central city districts, however, are located in communities having not only high educational needs but also unusually great non-educational needs. Put another way, central city school districts must compete for local tax dollars with other local governments to a degree not true elsewhere. In short, city school districts must cope with the so-called "municipal overburden" problem.

The extent of the overburden problem can be seen in Table II-6 which compares non-school and school tax rates, the latter calculated only for tax revenues expended for current purposes. As Table II-6 shows, total tax rates are by far and away the highest in central city districts, ranging from about 37 mills in Stamford to about 54 mills in Bridgeport. Despite these total tax rates, however, central cities are able to raise less for schools than suburbs which devote twice as much of their fiscal effort to school purposes and still have total tax rates that are much less than

TABLE II-6

SELECTED TAX EFFORT CHARACTERISTICS BY
SCHOOL DISTRICT TYPE, 1970

District Type And Name	ADM	School Tax Rate	Total Tax Rate	School as % of Total
Central City				
Bridgeport	24,793	12.1	53.8	22.5
Hartford	29,657	17.5	51.0	34.3
New Haven	22,094	18.6	41.1	45.3
Norwich	8,385	22.7	46.1	49.2
Stamford	21,076	18.4	36.9	49.9
Rapid Growth Suburban				
Ellington	2,339	23.6	35.1	67.2
Glastonbury	5,649	19.9	39.1	48.3
Montville	4,377	14.9	22.2	67.1
Somers	1,660	23.0	35.0	65.7
Wilton	4,160	16.7	31.2	53.5
Slow Growth Suburban				
Andover	595	32.6	53.7	60.7
Granby	1,754	22.3	36.3	61.4
Greenwich	11,208	7.5	18.9	39.7
Manchester	10,248	17.0	31.6	53.8
Sprague	622	17.7	22.8	77.6
Independent City				
Ansonia	4,104	14.6	32.8	44.5
Middletown	6,273	11.6	29.8	38.9
Putnam	1,440	10.5	26.3	39.9
Torrington	5,576	12.7	35.1	36.2
Winchester	2,313	27.3	37.1	73.6
Rural				
Canterbury	751	16.3	20.2	80.7
New Hartford	1,027	20.5	37.5	54.7
Old Saybrook	2,226	10.0	18.4	54.3
Oxford	1,289	11.6	20.2	57.4
Salisbury	855	7.4	13.9	53.2

those in the central cities.

The overburden problem becomes even more severe when central city tax burdens are considered. While central city tax effort is relatively high, central tax burdens are even greater. Hartford in 1970, for example, made a total tax effort that was 30.4 percent greater than Glastonbury's and 61.3 percent greater than Manchester's. In contrast, Hartford carried a total tax burden that was 48.1 percent greater than Glastonbury's and 103.3 percent more than Manchester's. Thus, barring extensive tax exporting, tax burden disparities among Connecticut localities are even greater than tax effort disparities. This, of course, underscores the fact that many urban areas, especially central cities, are property rich yet income poor.

2.3 Correlation Between Tax Effort and Revenue.

Just as tax effort and wealth are unrelated, so are tax effort and revenue. As Table II-7 shows, school tax effort is related randomly not only to per pupil current revenue as a whole but also to all other principal kinds of revenue, whether derived from local sources or the State. What this means, of course, is that some school districts can make a very great tax effort and raise relatively little revenue while others can make the same effort and raise a very different amount of income. Moreover, it emphasizes the point made several

TABLE II-7

CORRELATION: EFFORT AND REVENUE

Revenue Measures	Effort Measures	
	Total Local Tax Rate	School Tax Rate
Per Pupil Current Revenue	-.079	-.085
Per Pupil Local Revenue	-.116	-.097
Per Pupil State Revenue	.139	.073
Per Pupil State Aid for Operations	-.001	-.036
Per Pupil State Aid for Transportation	-.200	.221
Per Pupil State Aid for Disadvantaged	.307	-.041

times previously--that Connecticut's State aid system does almost nothing to alleviate local fiscal disparities.

2.4 Correlation Between Revenue and Other Variables.

In fact, it is quite apparent that State aid actually exacerbates interlocal revenue disparities. This can be seen by inspecting the correlation coefficients presented in Table II-8. These coefficients show that State aid overall is related to revenue from local sources in a generally random fashion. The coefficients, however, also show that State aid is associated directly and significantly with revenue from all sources. This means, of course, that as State aid is added to local revenues it has the effect of increasing interlocal revenue differences.

It is important to recognize, however, that the relationship between State aid and school district revenue is not entirely perverse. For as both Tables II-8 and II-9 indicate, one category of State aid, Aid to the Disadvantaged, flows to school districts that not only raise relatively little revenue on their own but also have relatively strong concentrations of Title I-eligible children and Negroes. The share of all State aid devoted to the educationally disadvantaged, however, is very small, amounting in 1970-71 to less than 4 percent of the total.

Owing to the nature of State aid systems and great

TABLE II-8

CORRELATION: REVENUE AND AID

Aid Measures	Revenue Measures	
	P r Pupil Curre + Revenue	Per Pupil Local Revenue
Per Pupil Current State Aid	.354	.007
Per Pupil State Aid for Operation	.356	.059
Per Pupil State Aid for Transportation	.042	.023
Per Pupil State Aid for Disadvantaged	.064	-.383

dependence on local revenue sources, Connecticut's present school funding system results in a distribution of revenue which generally is unrelated to educational need and which in the main is associated directly with local wealth. As Table II-9 indicates, school district revenues, except State Aid for the Disadvantaged, are virtually unrelated to either the proportion of pupils from poor households or to the concentration of Negroes. Similarly, as Table II-10 reveals, school revenues tend to increase with wealth, especially property values. This, of course, is not unexpected owing to Connecticut's heavy dependence upon the property tax for educational funding.

The upshot of Connecticut's school revenue system is widespread disparities in educational expenditures. Significantly, and as Table II-11 shows, school district expenditures range widely even by school district type. Among our set of representative school districts, current expenditures in central cities during 1970-71 ranged from $1,208 in Hartford to only $811 in Norwich. In suburbs, the difference between high and low extremes was even greater with Wilton having current expenditures of $1,245 per pupil and Sprague having only $719 per pupil. Of all school district types, small or independent cities tend to have the most homogeneous current expenditures. In 1970-71, for example, Ansonia made the lowest current expenditure, $772 per pupil, while Middletown made the

TABLE II-9

CORRELATION: NEED AND REVENUE

Revenue Measures	Need Measures	
	Poverty Enrollment*	Percent Negro
Per Pupil Current Revenue	.064	.262
Per Pupil Local Revenue	- .048	.169
Per Pupil State Revenue	.327	.330
Per Pupil State Aid for Operation	.081	.147
Per Pupil State Aid for Transportation	- .328	-.347
Per Pupil State Aid for Disadvantaged	1.000	.789

*AFDC Pupils plus pupils from families with less than $4,000 income as a proportion of total enrollment.

TABLE II-10

CORRELATION: WEALTH AND REVENUE

Revenue Measures	Wealth Measures		
	Per Pupil Equalized Net Property Value	Median House Median	Per Capita NEFP Income
Per Pupil Current Revenue	.555	.554	.250
Per Pupil Local Revenue	.584	.574	.259
Per Pupil State Revenue	.084	-.019	.143
Per Pupil State Aid for Operation	.191	.036	.284
Per Pupil State Aid for Transportation	.201	-.241	.118
Per Pupil State Aid for Disadvantaged	-.230	-.279	-.177

TABLE II-11

SELECTED REVENUE CHARACTERISTICS BY
SCHOOL DISTRICT TYPE, 1970

District Type And Name	ADM	Curriculum Expenditure
Central City		
Bridgeport	24,793	839
Hartford	29,657	1,208
New Haven	22,094	1,125
Norwich	8,385	811
Stamford	21,076	1,094
Rapid Growth Suburban		
Ellington	2,339	977
Glastonbury	5,649	880
Montville	4,377	750
Somers	1,660	822
Wilton	4,160	1,245
Slow Growth Suburban		
Andover	595	883
Granby	1,754	852
Greenwich	11,208	1,215
Manchester	10,248	896
Sprague	622	719
Independent City		
Ansonia	4,104	772
Middletown	6,273	903
Putnam	1,440	738
Torrington	5,576	800
Winchester	2,313	872
Rural		
Canterbury	751	608
New Hartford	1,027	979
Old Saybrook	2,226	936
Oxford	1,289	732
Salisbury	855	1,034

highest, $903 per pupil. In contrast to the small cities, however, rural school districts exhibit the widest differences in current expenditures. In 1970-71, poor Canterbury spent only $608 per pupil while wealthy Salisbury spent $1,034 per pupil. Thus, once again, the irrationality of Connecticut's present school funding system becomes evident.

2.5 Summary.

Even a short examination of Connecticut's present school finance system indicates that there are profound variations in the fiscal characteristics of its constituent school districts. These variations, importantly, are both inequitable and fiscally non-neutral. From district-to-district there are wide disparities between tax effort and revenue yield. Moreover, these disparities are not offset to any significant degree by Connecticut's State aid system. As a consequence, the supply of resources available to meet educational needs is a function of variations in local wealth rather than the wealth of the State as a whole.

Chapter III

Simulations of Fiscally Neutral Finance Systems

Introduction

Thus far it has been apparent that Connecticut's school finance system distributes the supply and cost of public education according to the affluence or poverty of cities and towns rather than in keeping with the wealth of the State as a whole. This chapter considers the ways, means and consequences of abolishing the present system in favor of one which is fundamentally equitable and fiscally neutral.

3.1 Paths to Equity and Neutrality.

There are several paths which Connecticut might take to abolish the blatant disparities and inequities of its present school finance system. Each of these paths is distinguished in part by the extent to which it divides taxing and spending responsibilities between the State and its local school districts. One extreme, commonly referred to as "full state funding," assigns all principal taxing and spending decisions to State government and at the most leaves local school districts minor administrative "housekeeping" responsibilities. The other extreme, "full local funding," assigns all main taxing and spending initiatives to local government but can eliminate disparities only if coupled with such policies

as massive on-going redrawing of school district boundaries or extensive interlocal transfer payments. Between these extremes are diverse ways and means of joint State-local funding which usually reguire the State to equalize disparities between local districts.

In principal, it would be relatively simple to determine the cost and consequences of replacing Connecticut's present school finance system with any of many possible fiscally-neutral alternatives. Important political and administrative considerations, however, make both full State funding and full local funding undesirable or impractical means of restructuring school finance in Connecticut. Full State funding patently violates Connecticut's unusually strong sentiment for local government and animus against State government. Full local funding, in contrast, conforms with the State's governmental traditions, but all available evidence suggests that it would be undesirable for two reasons. First, it would require the establishment of large regional school districts which rarely win widespread approval. Or second, it would necessitate the development of inter-local transfer arrangements which would be difficult to administer without extensive monitoring by the State or some other supra-local agency.

Insofar as Connecticut is concerned, joint State-local funding seems the most desirable method of achieving a fiscally neutral school finance system not only because

it lacks the shortcomings of full State or full local funding, but also because it has the greatest political advantage of being already extant, albeit in a form that fails to protect the fiscal neutrality concept. Joint funding, however, is only an abstract idea which is difficult to evaluate except in terms of specific policies and programs.

3.2 Policies Necessary to Equitable Joint Funding.

Joint funding could be implemented in Connecticut in many different ways. Any joint funding system, however, is likely to be inequitable and fiscally non-neutral unless the State adopts four policies. First of all, the State must agree to support a very high share, say about 90 percent, of all current expenditures. Without such a high proportion of State support, joint funding would fail to reflect State wealth, hence would be open to legal attack on the argument used successfully in several recent school finance cases, namely, that all school districts must be provided equal protection of the law.

A high share of State support, however, will not result in equitable joint funding system in and of itself. To attain this end, the State additionally must develop a set of policies which would promote a revenue distribution that meets both fiscal requirements and educational needs. Were the State adopt a funding

system that distributed revenue essentially according to fiscal criteria, it would fail to take into account the fact that community wealth and educational needs are often quite unrelated. Put another way, it would operate very much like Connecticut's present funding system in that it would condition educational opportunity mainly on wealth. Thus, the concept of equal educational opportunity would be reduced essentially to a narrow cash basis.

It is important to recognize, however, that even a high share and equitable distribution of State revenues are not sufficient to insure an equitable joint funding system. Given recent court decisions on the matter of equality in school finance as well as on a conceptually related matter, equality in legislative apportionment, there is every reason to believe that it also would be necessary to impose a limit on local school district expenditures that would restrict any local school district from exceeding some expenditure foundation or base by more than about 10 percent.

Significantly, there is absolutely no reason to presume that an expenditure ceiling would force a handful of Connecticut districts to "level-down" their very high expenditures. "Levelling-down" could be avoided in one of two ways. First, the State could require high spending districts to maintain essentia. static expenditure levels while allowing low spending di. ricts time to raise their outlays through normal secular increases. Given the State's general rate of increase in local school outlays over the last five years, it would

appear that it would take low spending districts about five years to reach the expenditure plateaus of the school districts currently having the highest outlays. Such a process, however, would require a substantial increase in local expenditures in many poor districts that presently are very fiscally pressed. Thus, it might be preferable to avoid the "levelling-down problem by "power-equalizing" all expenditures which exceed the expenditure base or foundation by more than 10 percent. Under "power-equalizing" any local district could exceed the ceiling by whatever amount that it might desire, but would be forced to raise expenditures in all other districts by a like amount. This, of course, appears to be a high price to pay for expenditure increases. What is important to recognize, however, is that the price would not be too high if "power equalizing" were implemented after low spending school districts were allowed some time to "catch-up" with high spending districts.

In order to insure an equitable joint funding system, however, the State should adopt one other policy--full assumption of all capital financing. Obviously, such a policy would be debated strenously since the costs of capital financing, whether for debt retirement or future outlays, will vary greatly from one school district to the next. Nonetheless, State assumption would be essential under a high support joint funding system. Without it school districts probably would be forced to resort to special levies, thus would disequalize whatever

fiscal parity is achieved through high State support of some current expenditure foundation.[1] To be sure, the State might turn to a variable foundation to deal with extraordinary expenditures. Unfortunately, there is no way to accomplish this except at the risk of opening a joint funding system to a plague of special interest legislation.

Importantly, we do not attempt to determine how much it would cost for the State to assume responsibility for funding capital outlays. We do not avoid the question because it is unimportant, but because it is the subject for an extensive investigation in and of itself and owing to the fact that is secondary to the main set of questions raised by the prospect of supplementing an equitable joint funding system. We turn now to consider these issues.

3.3 Mechanisms for Distributing State Aid.

Were Connecticut to adopt an equitable joint funding system, the State could distribute revenue to its school districts either through categorical grants or through a general aid formula. It is our view, however, that the State would minimize the use of categorical grants and depend primarily on a general aid formula. Categorical grants are not only relatively difficult to administer, but also are prone to reflect special interests rather than the public interest. In contrast, general aid

formulas are essentially self-executing and tend to be somewhat impervious to special interest concessions once instituted.

Under an equitable and fiscally neutral joint funding system, there are basically two ways of distributing State aid on a general formula basis. One is commonly called "power equalization," the other "variable" or "percentage equalization." Under power equalization, each school district receives in State aid whatever amount constitutes the difference between some guaranteed tax yield per levied mill and the actual tax yield per levied mill. Thus, as the President's Commission on School Finance points out, differences in school district revenues under power equalization "would not depend on . . . tax bases . . . but on /tax/ rates." Under variable equalization, however, district revenues are not equalized with respect to local tax rates, but according to the degree that some local fiscal condition, traditionally fiscal capacity, differs from the Statewide average. Put another way, the better a school district's fiscal condition relative to the State as a whole, the less State aid it is eligible to receive.

Although both power equalization and variable equalization could be used to distribute aid in an equitable fashion, it is important to recognize that each alternative has different drawbacks and advantages.

Power equalization, significantly, implies continued reliance upon the local property tax. Equally important, it does not lend itself very well to the treatment of special problems like municipal overburden on a formula basis. This inflexibility, however, makes it difficult to use power equalization in a manner that serves only special interests and not the public interest. In contrast, variable equalization can be adapted to deal with a wide range of financing problems on a formula basis. This flexibility, of course, can work both for and against the public interest. An unquestionable advantage of variable equalization, however, is that it in no way implies continued use of the local property tax. Primarily due to this fact, it is our view that Connecticut should use variable equalization as the primary means of distributing State aid under a new State-local school finance system.

3.4 Questions About Variable Equalization.

Given the disparities in Connecticut's present school finance system it is obvious that any fiscally neutral variable equalization system would require a considerable redistribution of expenditures and revenues. This prospect raises several basic questions:

(1) Would equitable variable equalization cost more tax dollars than the present system?

(2) Would variable equalization impose greater tax burdens on some cities and towns than on others?

(3) Would equalization result in increased expenditures in some school districts but reduced expenditures in others?

(4) Would it be possible to finance variable equalization through a State income tax or sales tax with rate structures which might be politically feasible?

3.5 Simulating the Effects of Variable Equalization.

Throughout the remainder of this chapter, we will address these questions using information derived from a simulation analysis of nine variable equalization aid models. All models share a basic aid formula. Familiar to all students of school finance, this formula is summarized in statistical notation as follows:

$$\text{State Aid} = \begin{array}{c}\text{Benchmark}\\ \text{Expenditure}\\ \text{Level}\end{array} \times \left[1 - \frac{\text{Local Fiscal Condition}}{\text{State Fiscal Condition}} \times \begin{array}{c}\text{Local}\\ \text{Support}\\ \text{Fraction}\end{array}\right]$$

This means that three factors would determine the amount of State aid received by all school districts. One is the benchmark or foundation expenditure level, an expenditure base which the State would support in varying degree in all school districts. The degree of support would be calculated by multiplying the benchmark or foundation expenditure level by two others factors, the State support fraction and some index of local fiscal condition. The State support fraction specifies the share of the foundation expenditure level to be funded by the State in all school districts. This share, however, is increased or reduced

according to an index of local fiscal condition. This index typically compares school district fiscal capacity or tax effort to the State average. Thus, all other things being equal, variable equalization will result in fiscally deficient school districts receiving more State aid than those that are fiscally sound.

3.6 Fiscal Condition Definitions in the Simulation Models.

In keeping with our previous discussion, all nine simulation models assume that the State support fraction is 90 percent. Each model, however, uses a different definition of fiscal condition. Every definition of fiscal condition differs in the way that it measures school district wealth and/or school district educational need. Consequently, all have inherent biases which will alter the amount of State aid received under a variable equalization finance system.

Model One defines fiscal condition as the ratio of local to State wealth per pupil in average daily membership (ADM). The principal biases of this definition are twofold. First, it assumes that property wealth is indicative of wealth in general. This is not the case, however, in school districts having an unusually great amount or an exceptionally small amount of nonresidential property wealth. A second bias of this definition is that it weights all pupils equally, thus assumes that the cost of providing equal educational opportunity is related

directly to student numbers. This, however, will not be the case in districts having relatively high fixed operating costs, in districts where the average cost curve is declining, or in districts having a relatively great number of students with severe learning disabilities.

Fiscal condition in Model Two is defined as the ratio of local to State equalized property value per capita. This definition, like the one used in Model One, will result in unequitable taxation whenever there is a significant divergence between real wealth and income. Nonetheless, it has an important bias not present in the Model One specification; namely, it makes State aid contingent upon the apparent ability of school district inhabitants to pay taxes rather than upon enrollment burdens. The great virtue of the Model Two definition, however, is that it offers no support to the idea implicit in the Model One definition that all pupils should be counted as equals in calculating State aid.

Models Three and Four define fiscal condition in a fundamentally different manner than Models One and Two. Model Three designates fiscal condition as the ratio of local to State income per pupil; Model Four measures fiscal condition as the ratio of local to State income per capita. It is self-evident, therefore, that both Models Three and Four will result in greater tax equity than Models One and Two whenever income wealth is

disproportionately high in relation to property wealth. Similarly, both will result in less equitable taxation than Models One and Two whenever income wealth is unusually low in relation to real wealth.

The definitions of fiscal condition used in Models Five and Six differ markedly from those used in Models One through Four. In Models One through Four fiscal condition is viewed as a function of wealth; in Models Five and Six, however, fiscal condition is treated as a function of tax effort. More specifically, Model Five defines fiscal condition as the ratio of State to local school tax effort; Model Six specifies fiscal condition in terms of the ratio of State to local total tax effort. Quite obviously, the fiscal condition definition employed in Model Five will work to the disadvantage of all school districts that do not make a relatively high tax effort, regardless of their taxable wealth. Similarly, the definition used in Model Six would permit the State government to channel extraordinary revenues to school districts which face relatively high municipal overburdens and would reduce the flow of funds to districts relatively free from such overburdens.

Models Seven, Eight and Nine use definitions of fiscal condition which share a common characteristic: all would have the effect of reducing some of the biases present in Models One through Six. Model Seven defines fiscal condition as the school tax effort-weighted ratio

of local to State property valuation per pupil in ADM. This definition, in short, assures that relatively great sums of State aid will be channeled only to those school districts that are both real property-poor and making a high tax effort; conversely it assures that school districts that are property rich will receive relatively low State aid, especially if they fail to tax themselves at a high rate.

Model Eight evaluates fiscal condition in a manner similar to Model Seven: as the total local tax effort-weighted ratio of local to State equalized property value per pupil in ADM. This definition of fiscal condition, however, permits us to determine the consequences of developing a variable equalization system which recognizes the so-called municipal overburden problem. Under this definition of fiscal condition, State aid is conditioned not just by school district wealth and educational need but by local tax effort for both school and non-school purposes. Thus, all other things being equal, school districts which bear a high overall local tax burden will receive more State aid than those that bear a light total local burden.

Finally, Model Nine designates fiscal condition in the same fashion as Model One but double counts all pupils from families eligible to receive E.S.E.A. Title I aid or assistance from the federal Aid to Families with

Dependent Children Program. Unlike all the other definitions of fiscal condition, this one acknowledges the fact that pupils from economically deprive households tend to be much more costly to educate than those from households of ordinary or superior affluence. The real cost of educating such pupils, of course, is debatable. Nonetheless, Model Nine's assumption that they are twice as costly is not entirely arbitrary one when considered in light of the fact that several States (New York and Minnesota, for example) have made somewhat similar assumptions in their school aid formulas.

We now turn to discuss the revenue, expenditure and tax implications of our nine variable equalization finance models. Our discussion is based on a computer simulation analysis of data pertaining to the school finances of all Connecticut school districts operating during the 1970-71 fiscal year.

3.7 Variable Equalization and School Revenue.

The revenue effects of our nine variable equalization models can be guaged, in part, through an examination of the fiscal condition indices resulting from each of their fiscal condition definitions. A summary of these indices for several different types of school districts is contained in Table III-1. This summary indicates quite clearly that the revenue effects of any variable equalization finance system would depend in large measure

TABLE III-1

SELECTED FISCAL CAPACITY INDICES BY MODEL
AND SCHOOL DISTRICT TYPE

States	Model I Index	Model II Index	Model III Index	Model IV Index	Model V Index
Central City					
Bridgeport	.84	.60	.91	.66	1.34
Hartford	1.13	.96	1.06	.85	.93
New Haven	1.22	.89	1.19	.85	.87
Norwich	.58	.54	1.10	.72	.75
Stamford	1.37	1.21	1.38	1.20	.88
Rapid Growth Suburban					
Ellington	.67	.93	.45	.47	.69
Glastonbury	.75	.93	.89	1.07	.81
Montville	.81	1.03	.54	.66	1.08
Somers	.60	.66	.78	.81	.70
Wilton	1.41	1.97	1.38	1.67	.97
Slow Growth Suburban					
Andover	.44	.57	.61	1.64	.50
Granby	.60	.78	.84	1.07	.72
Greenwich	3.04	2.60	2.50	2.10	2.15
Manchester	.88	.86	1.01	.95	.95
Sprague	.95	.93	1.21	.73	.92
Independent City					
Ansonia	.81	.71	.98	.83	1.11
Middletown	1.25	97	1.00		1.39
Putnam	1.00	.77	1.75	1.31	1.54
Torrington	1.03	.82	1.10	.86	1.28
Winchester	.66	.63	.97	.65	.59
Rural					
Canterbury	.53	.67	.71	.67	.99
New Hartford	.84	.93	1.12	.78	.79
Old Saybrook	1.65	1.98	.79	.94	1.63
Oxford	.99	1.29	.81	.67	1.39
Salisbury	2.55	2.27	1.43	.88	2.20

TABLE III-1 (continued)

SELECTED FISCAL CAPACITY INDICES BY MODEL
AND SCHOOL DISTRICT TYPE

States	Model VI Index	Model VII Index	Model VIII Index	Model IX Index
Central City				
Bridgeport	.63	1.09	.74	.66
Hartford	.67	1.03	.90	.78
New Haven	.83	1.05	1.03	.86
N[illegible]h	.74	.67	.66	.57
[illegible]d	.92	1.13	1.15	1.34
Rapid Growth Suburban				
Ellington	.97	.68	.72	.73
Glastonbury	.87	.78	.81	.82
Montville	1.54	.95	1.18	.86
Somers	.97	.65	.79	.65
Wilton	1.09	1.19	1.25	1.57
Slow Growth Suburban				
Andover	.64	.47	.54	.49
Granby	.94	.66	.77	.67
Greenwich	1.80	2.60	2.42	3.34
Manchester	1.08	.92	.98	.92
Sprague	1.50	.94	1.23	.98
Independent City				
Ansonia	1.04	.96	.93	.80
Middletown	1.14	1.32	1.20	1.22
Putnam	1.30	1.27	1.15	1.00
Torrington	.97	1.16	1.00	1.08
Winchester	.92	.63	.79	.70
Rural				
Canterbury	1.69	.76	1.11	.58
New Hartfo[illegible]	.91	.82	.88	.91
Old Saybrook	1.86	1.64	1.76	1.76
Oxford	1.69	1.19	1.34	1.08
Salisbury	2.45	2.38	2.50	2.75

upon its definition of fiscal condition. Although all the fiscal condition indices are correlated in a positive direction, it is apparent that central city districts would stand to gain the most from variable equalization if fiscal condition were defined in terms of total tax effort or in terms of the AFDC-weighted pupil wealth measure used in Model Nine. Central city districts, however, would not fare nearly as well under variable equalization in the event that fiscal condition were defined on the very commonly-used per pupil wealth basis. Rapid growth suburban districts, in contrast, would not do very well if condition were estimated on a total tax effort basis, but would do quite well if condition were defined with respect to wealth per pupil or school tax effort.

Even more than rapid growth suburban districts, independent city and rural school districts would receive relatively little State aid under a variable equalization finance system if that system defined fiscal condition in terms of total tax effort or with respect to some measure of educational need such as taxable wealth per AFDC-weighted student. Independent city and rural districts, however, would get relatively large amounts of State aid if fiscal condition were defined on any other wealth basis except income per pupil. But in marked contrast to all other kinds of school districts, slow growth suburban districts would be relatively unaffected

by variations in the definition of fiscal condition. This no doubt stems from the fact that these districts tend to be located in areas having not only a general balance between property wealth and income wealth, but also at least some of the educational need problems commonly associated with central city districts.

Thus far, we have seen that the redistributive impact of any variable equalization system would depend very much upon its definition of fiscal condition. Now, we will describe the actual amount of State aid that would be received by various kinds of school districts. Throughout our presentation, we will examine the aid effects of our nine variable equalization models. Moreover, for each model, we will show the amount of aid that would result if the State supported 90 percent of current per pupil expenditure benchmarks all set equal to the 10th, 50th, 65th, 75th and 90th percentile levels during the 1970-71 school year. These levels, respectively, are $84, $806, $855, $915 and $1,054.

As Table III-2 suggests, and as our simulation analysis proves, all nine of our variable equalization aid formulas would leave all school districts with absolutely more current revenue from State sources than they received during 1970-71. If the 10th percentile expenditure were used, the amount of State aid would increase about 75 percent under Models One through Eight and about 92 percent under Model Nine, the AFDC-weighted pupil wealth formula.

TABLE III-2

THE MEAN DIFFERENCE BETWEEN 1970-71 STATE AID AND SIMULATED STATE AID AT SELECTED 1970-71 CURRENT PER PUPIL EXPENDITURE LEVELS BY MODEL AND SCHOOL DISTRICT TYPE

District Type And Model	Additional Aid Per Pupil at Selected Current Expenditure Levels				
	10th Percentile	50th Percentile	65th Percentile	75th Percentile	90th Percentile
Central City					
I	$ 186	$ 479	$ 524	$ 578	$ 704
II	192	489	535	590	717
III	181	470	514	568	693
IV	189	484	529	584	711
V	184	476	521	575	700
VI	192	488	533	588	717
VII	185	478	523	577	702
VIII	189	484	529	583	710
IX	247	631	699	761	926
Rapid Growth Suburban					
I	195	487	532	586	711
II	186	472	516	569	692
III	193	484	529	582	708
IV	182	466	509	562	684
V	196	489	534	588	714
VI	187	473	517	570	694
VII	196	488	533	587	712
VIII	191	480	524	578	702
IX	195	494	539	595	722
Slow Growth Suburban					
I	196	487	532	586	711
II	193	483	527	581	706
III	192	481	525	579	703
IV	191	479	523	576	700
V	191	479	524	577	701
VI	187	473	517	570	693
VII	194	483	528	582	706
VIII	192	480	524	578	702
IX	197	494	540	594	722

TABLE III-2 (continued)

THE MEAN DIFFERENCE BETWEEN 1970-71 STATE AID AND SIMULATED STATE AID AT SELECTED 1970-71 CURRENT PER PUPIL EXPENDITURE BENCHMARKS BY MODEL AND SCHOOL DISTRICT TYPE

District Type And Model	Additional Aid Per Pupil at Selected Current Expenditure Levels				
	10th Percentile	50th Percentile	65th Percentile	75th Percentile	90th Percentile
Independent City					
I	$ 200	$ 491	$ 535	$ 590	$ 715
II	193	493	527	581	706
III	196	484	529	582	706
IV	207	503	548	603	730
V	187	469	512	565	686
VI	192	477	521	574	697
VII	194	480	524	578	701
VIII	196	484	528	582	706
IX	217	533	582	640	776
Rural					
I	197	490	535	589	715
II	20[illegible]	499	544	598	725
III	194	485	529	583	708
IV	197	490	535	589	715
V	192	480	525	578	702
VI	173	450	492	543	662
VII	194	485	530	584	708
VIII	185	470	514	566	688
IX	201	503	548	604	734

Assuming the 50th percentile expenditure foundation were in effect, aid would expand by about 195 percent under Models One through Eight and would increase by approximately 231 percent under Model Nine. Assuming the 65th percentile expenditure base, current revenue from State sources would grow by about 195 percent for Models One through Eight and over 252 percent for Model Nine. Given the 75th percentile base, State aid would go up 235 percent for all equalization aid formulas except the one used in Model Nine which would produce a 278 percent aid increase. And if the 90th percentile expenditure benchmark were used, aid from the State would rise about 285 percent for Models One through Eight and a substantial 338 percent for Model Nine.

Although all school districts would receive more current revenue from State sources under each model than at present, Table III-2 makes it very apparent that all of the variable equalization models tend to benefit some school district types more than others. Regardless of the expenditure ceiling, Model Nine would result in the widest variation in the additional amount of State aid received by school districts. Using the 90th percentile expenditure benchmark, for example, the AFDC-weighted equalization formula of Model Nine would give suburban districts an average State aid increase amounting to $722 per pupil but would yield central city districts an

average aid increment of $926 per pupil, a $204 gap. Much smaller but important gaps would result as well from Models Two, Four, Five and Six.

Even though some of the variable equalization models would benefit some school district types considerably more than others, it is interesting to find that two of the models would result in no more than an $11 gap between the school district types getting the greatest and smallest average State aid increments. If the per pupil expenditure benchmark were set at the 90th percentile, the per pupil property wealth-based equalization formula of Model One would channel a low average increment of $704 per pupil to central city districts and a high mean increase of $715 per pupil to both independent city and rural districts. Similarly, the school tax effort-based equalization formula of Model Seven, at one extreme, would yield an average increase of $701 per pupil to independent city school districts, and at the other extreme, would produce a mean addition of $712 per pupil for rapid growth suburban districts.

It is useful, of course, to examine the redistributional effects of the various equalization models in terms of the average State aid increases that would go to different school district types. Table III-3 indicates, however, that the averages do not provide particularly good estimates

TABLE III-3

SIMULATED STATE AID LESS PRESENT STATE AID
AT THE 90TH PERCENTILE EXPENDITURE BENCHMARK
BY MODEL AND SCHOOL DISTRICT TYPE
(Per Pupil Amounts)

District Name And Name	Model I	Model II	Model III	Model IV	Model V
Central City					
Bridgeport	$ 685	$ 709	$ 677	$ 703	$ 632
Hartford	669	686	67	698	690
New Haven	631	666	634	670	668
Norwich	746	750	692	731	728
Stamford	655	672	653	672	706
Rapid Growth Suburban					
Ellington	724	697	748	746	723
Glastonbury	740	720	724	705	733
Montville	751	727	779	767	721
Somers	747	741	728	724	607
Wilton	662	602	664	633	708
Slow Growth Suburban					
Andover	749	736	732	623	744
Granby	741	722	716	692	728
Greenwich	498	545	556	597	592
Manchester	733	736	720	726	726
Sprague	746	748	718	769	623
Independent City					
Ansonia	739	749	721	736	706
Middletown	671	700	696	776	655
Putnam	722	746	643	689	665
Torrington	709	731	702	727	683
Winchester	747	751	715	749	755
Rural					
Canterbury	763	748	744	748	714
New Hartford	731	715	701	737	736
Old Saybrook	649	615	740	724	652
Oxford	722	689	740	755	679
Salisbury	560	589	678	736	596

TABLE III-3 (continued)

SIMULATED STATE AID LESS PRESENT STATE AID
AT THE 90TH PERCENTILE EXPENDITURE BENCHMARK
BY MODEL AND SCHOOL DISTRICT TYPE
(Per Pupil Amounts)

District Name And Type	Model VI	Model VII	Model VIII	Model IX
Central City				
Bridgeport	$ 706	$ 658	$ 695	$ 1,113
Hartford	717	680	693	1,301
New Haven	672	649	652	1,277
Norwich	729	737	737	886
Stamford	701	680	678	791
Rapid Growth Suburban				
Ellington	693	723	708	746
Glastonbury	726	736	733	755
Montville	674	736	712	801
Somers	707	677	727	772
Wilton	694	684	678	649
Slow Growth Suburban				
Andover	729	747	739	765
Granby	706	735	724	747
Greenwich	629	545	563	479
Manchester	712	729	723	794
Sprague	688	684	717	823
Independent City				
Ansonia	714	723	726	866
Middletown	682	663	676	806
Putnam	690	693	706	841
Torrington	715	696	712	769
Winchester	721	751	734	803
Rural				
Canterbury	640	738	702	771
New Hartford	723	733	727	751
Old Saybrook	627	651	638	677
Oxford	647	700	684	735
Salisbury	570	578	565	588

of the State aid increments that would be received by any given school district type for any equalization model. This fact can be illustrated easily with a few examples. If the State funded the 90th percentile expenditure benchmark, one central city district, Stamford, would receive $791 per pupil in additional State aid under the AFDC-weighted formula of Model Nine, but another, Hartford, would receive about a $1,301 per pupil increment. In the same vein, one rapid growth suburban district, Montville, would gain about $778 per pupil in State aid under the per pupil income-based aid formula of Model Three, but another rapid growth suburban district, Wilton, would get only $664. And finally, under the AFDC-weighted pupil wealth formula of Model Nine, one very wealthy rural district, Salisbury, would obtain an increase of only $588 per pupil, but another rural district, Canterbury, would get about $771 per pupil.

Thus far, we have demonstrated that all school districts in Connecticut would receive absolute increases in State aid under each of the variable equalization formulas or models considered, even in the event that the State supported a current expenditure base set only at the 10th percentile level. Additionally, we have shown that all the equalization formulas would distribute more aid to some school district types than others. No doubt these facts would condition the nature of political support

available for each of these formulas. It is likely, however, that the character of political support or opposition for these formulas would be influenced more by the absolute gains or losses they would offer with respect to the present State-local finance system.

Table III-4 reveals the per pupil revenue gap or surplus between State-local revenue in 1970-71 and the amount of State aid that selected school districts would receive if the aided current expenditure benchmark were set at the 10th, 50th, 65th, 75th and 90th percentile levels. This table, though limited to a summary of Model One's effects, demonstrates an important fact which emerges from our analysis of all nine variable equalization models: namely, it would be necessary to set the State-funded per pupil expenditure base at the 90th percentile level if a majority of school districts were to receive State aid in amounts that would exceed 1970-71 State-local revenue levels. If the aided base were set at the 10th percentile level, the deficit between simulated State aid and 1970-71 State-local revenue levels would be at least $400 per pupil for most school districts. This deficit, moreover, would drop relatively little if the State-funded base were set at the 50th and 65th percentile levels, owing to the fact that the absolute difference between these plateaus and the 10th percentile level is small. In contrast, if the aided benchmark were set at

TABLE III-4

1970-71 STATE-LOCAL REVENUE LESS SIMULATED STATE AID AT SELECTED EXPENDITURE FOUNDATIONS BY SCHOOL DISTRICT TYPE FOR VARIABLE EQUALIZATION MODEL I
(Per Pupil Amounts)

District Name And Type	10th Pctile Fndation	50th Pctile Fndation	65th Pctile Fndation	75th Pctile Fndation	90th Pctile Fndation
Central City					
Bridgeport	$ -405	$ -110	$ - 65	$ - 10	$ 117
Hartford	-796	-510	-466	-413	-290
New Haven	-896	-413	-370	-317	-196
Norwich	-355	- 52	- 5	- 51	181
Stamford	-746	-468	-426	-374	-255
Rapid Growth Suburban					
Ellington	-586	-286	-240	- 84	- 55
Glastonbury	-486	-188	-143	- 87	41
Montville	-317	- 21	25	80	210
Somers	-442	-140	- 93	- 37	93
Wilton	-972	-695	-653	-601	-482
Slow Growth Suburban					
Andover	-561	-253	-206	-149	- 17
Granby	-455	-153	-106	- 50	80
Greenwich	-869	-645	-611	-569	-473
Manchester	-473	-179	-134	- 80	47
Sprague	-294	- 3	42	96	221
Independent City					
Ansonia	-299	-254	-206	-149	- 17
Middletown	-529	-247	-204	-152	- 30
Putnam	-274	15	60	114	238
Torrington	-382	- 93	- 49	5	129
Winchester	-338	- 38	8	64	194
Rural					
Canterbury	-164	141	188	244	376
New Hartford	-703	-408	-363	-308	-181
Old Saybrook	-640	-371	-330	-280	-165
Oxford	-344	- 44	1	55	179
Salisbury	-755	-506	-469	-424	-321

the 75th percentile level, deficits between the simulated State aid and present State-local revenue would begin to disappear and surpluses would begin to emerge in a fair number of districts. The deficits remaining in many districts, however, would be so substantial that they could not be raised except by relatively high local property tax rates.

Most school districts would experience revenue increases under a variable equalization formula that supported expenditures at the 90th percentile level. A few, however, would not. These districts in the main are found in suburbia or exurbia, but as Table III-5 indicates, are not located exclusively in such places. Under variable equalization Model One, for example, Hartford, New Haven and Stamford would all have revenue deficits which average to $247 per pupil. Ansonia and Middletown, both relatively small independent cities, would face deficits averaging about $24 per pupil. And finally, exurban Old Saybrook and Salisbury would be confronted with respective revenue gaps of $165 and $321 per pupil.

3.8 Variable Equalization and "Levelling-Down."

Thus far, we have considered the implications of variable equalization for current school district revenues. In the process, we intentionally have ignored the issue of expenditure ceilings and the problem of

TABLE III-5

SIMULATED STATE AID AT THE 90TH PERCENTILE EXPENDITURE LEVEL LESS 1970-71 STATE-LOCAL REVENUE BY VARIABLE EQUALIZATION MODEL AND SCHOOL DISTRICT TYPE

District Name And Type	Model I	Model II	Model III	Model IV	Model V
Central City					
Bridgeport	$ 117	$ 141	$ 109	$ 136	$ 64
Hartford	-290	-273	-283	-261	-269
New Haven	-196	-161	-193	-167	-159
Norwich	181	186	127	167	164
Stamford	-255	-237	-257	-238	-203
Rapid Growth Suburban					
Ellington	- 55	- 82	- 31	- 33	- 56
Glastonbury	41	21	25	7	34
Montville	210	184	235	223	178
Somers	93	87	74	70	82
Wilton	-482	-541	-479	-510	-436
Slow Growth Suburban					
Andover	- 17	- 31	- 35	-143	- 22
Granby	80	61	55	31	67
Greenwich	-473	-426	-415	-374	-379
Manchester	47	49	34	40	39
Sprague	221	224	194	245	225
Independent City					
Ansonia	- 17	234	207	222	192
Middletown	- 30	49	- 5	[illegible]	- 46
Putnam	238	263	160	206	182
Torrington	129	151	122	147	103
Winchester	194	197	162	195	201
Rural					
Canterbury	376	360	357	361	326
New Hartford	-181	-197	-211	-175	-176
Old Saybrook	-165	-199	- 74	- 90	-162
Oxford	179	147	198	212	136
Salisbury	-321	-292	-203	-145	-285

TABLE III-5 (continued)

SIMULATED STATE AID AT THE 90TH PERCENTILE EXPENDITURE LEVEL LESS 1970-71 STATE-LOCAL REVENUE BY VARIABLE EQUALIZATION MODEL AND SCHOOL DISTRICT TYPE

District Name And Type	Model VI	Model VII	Model VIII	Model IX
Central City				
Bridgeport	$ 138	$ 46	$ 83	$ 545
Hartford	-242	-339	-325	342
New Haven	-155	-242	-239	401
Norwich	165	142	142	322
Stamford	-208	-301	-303	-118
Rapid Growth Suburban				
Ellington	- 86	- 91	-106	- 36
Glastonbury	28	- 2	- 5	57
Montville	130	150	126	257
Somers	54	56	42	119
Wilton	-449	-533	-540	-495
Slow Growth Suburban				
Andover	- 37	- 43	- 50	- 1
Granby	44	42	30	85
Greenwich	-342	-586	-568	-491
Manchester	26	- 3	- 10	107
Sprague	164	173	142	299
Independent City				
Ansonia	200	166	170	351
Middletown	- 20	-104	- 91	105
Putnam	207	157	170	358
Torrington	135	62	78	189
Winchester	167	162	145	249
Rural				
Canterbury	253	323	287	383
New Hartford	-189	-223	-229	-161
Old Saybrook	-187	-250	-262	-137
Oxford	105	106	90	193
Salisbury	-311	-437	-450	-294

"levelling-down" school district outlays. Importantly, the amount of "levelling-down" necessary under any of our nine variable equalization models would depend mainly on two factors: first, present school district expenditure levels; and second, the manner in which the State counts pupils. This can be seen in Table III-6.

Assume, for example, that the State were to set a current expenditure ceiling at 110 percent for $1,054 per pupil, the 90th percentile per pupil expenditure level in 1970-71. Under this condition, as Table III-6 shows, only three of our representative school districts would have per pupil outlays which exceed the ceiling by 110 percent. Among the representative central cities, Hartford would exceed the ceiling by $49. Among the sample suburbs, Wilton would surpass the ceiling by $85 and Greenwich by $56.

Assume, now, that the State counted pupils on a weighted basis in order to take into account such factors as differentials in school operating costs or educational needs. Table III-6 gives some indication of what would happen if all AFDC pupils double-counted. Importantly, not one of our representative central cities would have expenditures greater than the 90th percentile foundation of $1,054 per pupil. Neither would any of our small city or rural districts. And of our suburban districts, Wilton and Greenwich would exceed the ceiling by a

TABLE III-6

PER PUPIL CURRENT EXPENDITURE AND ON AN AFDC-UNIT WEIGHTED BASIS, BY SCHOOL DISTRICT TYPE, 1970

District Type And Name	Curr. Expenditure Per Pupil	Curr. Expenditure Per AFDC-Weighted Pupil
Central City		
Bridgeport	839	596
Hartford	1,208	748
New Haven	1,125	712
Norwich	811	711
Stamford	1,094	955
Rapid Growth Suburban		
Ellington	977	949
Glastonbury	880	860
Montville	750	716
Somers	822	797
Wilton	1,244	1,238
Slow Growth Suburban		
Andover	883	866
Granby	852	841
Greenwich	1,215	1,194
Manchester	896	838
Sprague	719	662
Independent City		
Ansonia	772	684
Middletown	903	780
Putnam	727	646
Torrington	800	749
Winchester	872	822
Rural		
Canterbury	608	600
New Hartford	979	951
Old Saybrook	936	894
Oxford	732	715
Salisbury	1,035	1,005

smaller amount than if all pupils were counted equally.

In order to obtain a better idea of the "levelling-down" problem that might face Connecticut, we ranked the State's school districts according to their current expenditures per pupil during the 1970-71 fiscal year. As Table III-7 shows, only twelve of the State's school districts had per pupil current outlays which were more than 110 percent of the 90th percentile expenditure level. Moreover, only nine of the State's districts had AFDC-weighted pupil expenditures which were greater than the same level. On either basis, however, only four of the high spending districts, Darien, Westport, New Canaan and Wilton, might face an absolutely large rollback problem. The extent of this problem, of course, would depend greatly on the manner in which the State counted pupils, or put another way, on the manner in which the State normed school district wealth.

3.9 Variable Equalization and School Taxes.

Thus far we have discussed some of variable equalization's important revenue and expenditure implications. We turn now to consider the impact of these formulas upon school taxes.

Regardless of the degree to which variable equalization school finance systems meet educational needs or insure a considerable degree of fiscal equity, Connecticut taxpayers like taxpayers elsewhere will be

TABLE III-7

SCHOOL DISTRICTS IN 1970-71 WITH CURRENT EXPENDITURES PER PUPIL GREATER THAN THE 90TH PERCENTILE LEVEL CEILING

Schoool District	Curr. Expenditure Per Pupil	Curr. Expenditure Per AFDC-Weighted Pupil	Expenditure Reduction Needed to Reach Expenditure Ceiling
Darien	$ 1,489	$ 1,476	$ 287
Westport	1,351	1,342	183
New Canaan	1,344	1,331	172
Canaan	1,286	1,170	11
Wilton	1,245	1,242	83
Sharon	1,238	1,183	24
Greenwich	1,215	1,193	34
Hartford	1,208	511	0
Cornwall	1,180	1,171	12
Weston	1,178	1,173	14
West Hartford	1,175	1,159	0
Regional District 12	1,173	1,140	0

prone to judge those systems first on the basis of their effect on taxes. This is not to say that Connecticut taxpayers have low regard for educational needs or fiscal equity, but simply to underscore the fact that citizens tend to judge, evaluate any part of a public budget in terms of taxes owing to the fact that it is inherently easier to recognize public education's private tax costs than it is to identify either its private or social benefits.

Since we have assumed that Connecticut should finance public education through a joint local-State system, we can examine the tax cost of our variable equalization formulas in terms of local school districts and to the State as a whole. In any school district, the taxes necessary to support the local share of public education will vary with two factors: (1) extant variable equalization State aid formula; and, (2) the degree to which citizens elect to spend up to the maximum level allowed by law.

Table III-8 demonstrates the local property tax mill levels that would be necessary to eliminate the gap between the level of school district State-local current revenue in 1970-71 and the amount of State aid that would be obtained under each of our variable equalization models assuming that local expenditures would be aided at the 90th percentile expenditure level. In the same vein,

TABLE III-6

SIMULATED SCHOOL TAX RATE NECESSARY TO ELIMINATE THE GAP BETWEEN
1970-71 STATE-LOCAL REVENUE AND SIMULATED STATE AID
AT THE 90TH PERCENTILE EXPENDITURE LEVEL
BY VARIABLE EQUALIZATION MODEL
AND SCHOOL DISTRICT TYPE

District Name And Type	Model I	Model II	Model III	Model IV	Model V
Central City					
Bridgeport	.0	.0	.0	.0	.0
Hartford	6.1	5.7	5.9	5.5	5.6
New Haven	3.8	3.1	3.7	3.0	3.1
Norwich	.0	.0	.0	.0	.0
Stamford	4.4	4.1	4.4	4.1	3.5
Rapid Growth Suburban					
Ellington	1.9	2.9	1.1	1.2	2.0
Glastonbury	.0	.0	.0	.0	.0
Montville	.0	.0	.0	.0	.0
Somers	.0	.0	.0	.0	.0
Wilton	8.0	9.0	8.0	8.5	7.3
Slow Growth Suburban					
Andover	.9	1.6	1.8		1.2
Granby	.0	.0	.0	.0	.0
Greenwich	3.7	3.3	3.2	2.9	2.9
Manchester	.0	.0	.0	.0	.0
Sprague	.0	.0	.0	.0	.0
Independent City					
Ansonia	.0	.0	.0	.0	.0
Middletown	.6	.0	.1	.0	.9
Putnam	.0	.0	.0	.0	.0
Torrington	.0	.0	.0	.0	.0
Winchester	.0	.0	.0	.0	.0
Rural					
Canterbury	.0	.0	.0	.0	.0
New Hartford	5.1	5.5	5.9	4.9	5.0
Old Saybrook	2.4	2.8	1.1	1.3	2.3
Oxford	.0	.0	.0	.0	.0
Salisbury	3.0	2.7	1.9	1.3	2.6

TABLE III-8 (continued)

SIMULATED SCHOOL TAX RATE NECESSARY TO ELIMINATE THE GAP BETWEEN
1970-71 STATE-LOCAL REVENUE AND SIMULATED STATE AID
AT THE 90TH PERCENTILE EXPENDITURE LEVEL
BY VARIABLE EQUALIZATION MODEL
AND SCHOOL DISTRICT TYPE

District Name And Type	Model VI	Model VII	Model VIII	Model IX
Central City				
Bridgeport	.0	.0	.0	.0
Hartford	5.1	5.8	5.6	.0
New Haven	3.0	3.4	3.4	.0
Norwich	.0	.0	.0	.0
Stamford	3.6	4.0	4.0	2.0
Rapid Growth Suburban				
Ellington	3.0	2.0	2.4	1.3
Glastonbury	.0	.0	.0	.0
Montville	.0	.0	.0	.0
Somers	.0	.0	.0	.0
Wilton	7.5	7.6	7.8	8.3
Slow Growth Suburban				
Andover	2.0	1.0	1.4	0.1
Granby	.0	.0	.0	.0
Greenwich	2.6	3.3	3.2	3.8
Manchester	.0	.0	.0	.0
Sprague	.0	.0	.0	.0
Independent City				
Ansonia	.0	.0	.0	.0
Middletown	.4	.8	.5	.0
Putnam	.0	.0	.0	.0
Torrington	.0	.0	.0	.0
Winchester	.0	.0	.0	.0
Rural				
Canterbury	.0	.0	.0	.0
New Hartford	5.3	5.0	5.2	4.5
Old Saybrook	2.7	2.4	2.6	1.9
Oxford	.0	.0	.0	.0
Salisbury	2.9	2.8	3.0	2.7

Table III-9 shows that the local property tax mill rates that would be required to eliminate the difference between 110 percent of the 90th percentile expenditure ceiling and the sum of State aid that would be received under each of the nine equalization models assuming that the 90th percentile expenditure maximum were imposed. Together, these tables indicate two very important points. First and foremost, they show that any of our variable equalization finance models could permit a drastic reduction in local property tax rates. In fact, if school districts operated at their 1970-71 State-local revenue levels, the State aid received under all the equalization formulas would permit a majority of districts to abolish the local property tax. Equally important, if local districts wanted revenues capable of supporting expenditures at the 110 percent of the expenditure ceiling, almost all could obtain the necessary funds by levying a local property tax with no more than a 5 mill rate.

A second point which emerges from Table III-8 and Table III-9 is that variable equalization could be used to insure a high measure of tax relief in Connecticut's central cities, exactly where it is needed most urgently. Both exhibits indicate, however, that this high order of relief cannot be achieved under any variable equalization formula. As a matter of fact, only the AFDC-weighted pupil wealth formula of Model Nine insures that school

TABLE III-9

MILL LEVIES REQUIRED TO REACH 110 PERCENT
OF THE 90TH PLACENTILE CURRENT PER
PUPIL EXPENDITURE BENCHMARK IN 1970-71
BY SCHOOL DISTRICT TYPE
AND MODEL

District Name And Type	Model I	Model II	Model III	Model IV	Model V
Central City					
Bridgeport	5.4	4.7	5.6	4.9	6.9
Hartford	4.6	4.3	4.5	4.0	4.2
New Haven	4.5	3.8	4.4	3.7	4.8
Norwich	6.7	6.5	8.8	7.3	7.4
Stamford	4.2	4.0	4.3	4.0	3.4
Rapid Growth Suburban					
Ellington	6.1	7.1	5.3	5.4	6.2
Glastonbury	5.8	6.4	6.2	6.8	6.0
Montville	5.5	6.2	4.7	5.0	6.4
Somers	6.6	6.8	7.3	7.5	7.0
Wilton	4.2	5.2	4.1	4.7	3.4
Slow Growth Suburban					
Andover	8.0	8.8	9.0	14.7	8.3
Granby	6.6	7.3	7.5	8.5	7.0
Greenwich	3.2	2.9	2.8	2.5	2.5
Manchester	5.2	5.2	5.6	5.4	5.4
Sprague	5.0	5.0	5.7	4.5	4.9
Independent City					
Ansonia	5.5	5.2	6.0	5.6	6.5
Middletown	4.4	3.9	3.9	2.4	4.7
Putnam	4.9	4.3	6.7	5.7	6.2
Torrington	5.0	4.3	5.0	4.4	5.4
Winchester	6.2	6.0	7.3	6.1	5.9
Rural					
Canterbury	7.2	7.8	8.0	7.8	9.4
New Hartford	5.4	5.8	6.2	5.2	5.2
Old Saybrook	3.9	4.4	2.6	2.9	3.9
Oxford	5.0	5.7	4.5	4.2	6.0
Salisbury	3.4	3.1	2.3	1.8	3.1

TABLE III-9 (continued)

MILL LEVIES REQUIRED TO REACH 110 PERCENT
OF THE 90TH PERCENTILE CURRENT PER
PUPIL EXPENDITURE BENCHMARK IN 1970-71
BY SCHOOL DISTRICT TYPE
AND MODEL

District Name And Type	Model VI	Model VII	Model VIII	Model IX
Central City				
Bridgeport	4.8	6.2	5.1	.0
Hartford	3.6	4.4	4.1	.0
New Haven	3.7	4.2	4.1	.0
Norwich	7.3	7.1	7.0	1.0
Stamford	3.4	3.8	3.8	2.1
Rapid Growth Suburban				
Ellington	7.2	6.2	6.7	5.4
Glastonbury	6.2	5.9	6.0	5.3
Montville	7.8	6.0	6.7	4.1
Somers	8.1	6.8	7.4	5.6
Wilton	3.6	3.8	3.9	4.4
Slow Growth Suburban				
Andover	9.1	8.2	8.6	7.2
Granby	7.9	6.8	7.3	6.3
Greenwich	2.2	2.9	2.7	3.4
Manchester	5.8	5.3	5.5	3.7
Sprague	6.5	5.0	5.8	3.2
Independent City				
Ansonia	6.2	6.0	5.9	1.8
Middletown	4.2	4.6	4.3	1.9
Putnam	5.6	5.6	5.3	1.7
Torrington	4.7	5.2	4.9	3.5
Winchester	7.1	6.1	6.7	4.3
Rural				
Canterbury	12.7	8.3	10.0	6.7
New Hartford	5.6	5.3	5.5	4.9
Old Saybrook	4.3	3.9	4.1	3.6
Oxford	6.7	5.5	5.9	4.7
Salisbury	3.3	3.3	3.4	3.2

districts in central cities will get as much property tax relief as school districts in other sorts of locations.

Even though variable equalization offers the possibility of virtually eliminating school property levies, its high amount of State aid could not be supported without imposing one or more of the following likely alternatives: (1) a Statewide property tax, (2) a Statewide sales tax over and above the present 7 percent levy, or (3) a Statewide personal income tax. This study will inspect the implications of variable equalization for a sales tax and an income tax, but will ignore the property tax primarily upon the premise that the property tax is so politically unpopular that it would be purely academic to consider it.

Table III-10 shows the gross sales tax rates that would be necessary to finance the State-aid component of our nine variable equalization models assuming that the rates applied to non-food and drug sales. One imporant and obvious fact emerges from this table with just casual inspection: namely, that no variable equalization system could be financed through a sales tax except at rates that would be economically disastrous and politically impossible. Even if the expenditure level were set at the 10th percentile level, every variable equalization model would require sales tax rates of at least 7 percentage points over and above Connecticut's

TABLE III-10

SALES TAX RATES NECESSARY TO FINANCE STATE AID
COMPONENT OF VARIABLE EQUALIZATION ASSUMING
SELECTED EXPENDITURE BENCHMARKS

Expenditure Benchmark	Model I	Model II	Model III	Model IV	Model V	Model VI	Model VII	Model VIII	Model IX
10th Percentile	7.02	7.02	7.02	7.02	7.02	7.02	7.02	7.02	7.60
50th Percentile	11.70	11.70	11.70	11.70	11.70	11.70	11.70	11.70	13.15
65th Percentile	12.41	12.41	12.41	12.41	12.41	12.41	12.41	12.41	13.99
75th Percentile	13.30	13.30	13.30	13.30	13.30	13.30	13.30	13.30	15.02
90th Percentile	15.70	15.70	15.70	15.70	15.70	15.70	15.70	15.70	17.40

current sales, assuming that none of the current sales tax revenue goes for the purposes of funding education.

Given the political unpopularity of the property tax, the outright impossibility of a state sales tax, a statewide income tax would seem to be the last best hope as a means of financing an equitable variable equalization school finance system in Connecticut. Much to our own surprise, the personal income tax rates necessary to pay for a variable equalization finance system would be exceedingly modest. This can be seen by examining Tables III-11 and III-12.

Assuming that all federally-taxable personal income were subject to a state levey, Table III-11 shows the average income tax rates that would be necessary to fund the state aid component of our nine different variable equalization models at each level of expenditure support. These rates range from a low average rate of 3.34 percent on all federally taxable personal income to a high of 8.29 percent. Assuming that Connecticut were to support expenditures at the 10th percentile expenditure level, all of the variable equalization systems could be supported by the imposition of no more than a 3.62 average state personal income tax rate. Regardless of whether the State were to support local expenditures at the 50th, 65th, or 75th percentile levels, the necessary State income tax would have to be approximately 5 percent, depending upon the equalization model.

TABLE III-11

AVERAGE INCOME TAX RATES NECESSARY TO FINANCE STATE AID COMPONENT OF VARIABLE EQUALIZATION MODELS ASSUMING SELECTED EXPENDITURE BENCHMARKS-- ALL INCOME

Expenditure Benchmark	Model I	Model II	Model III	Model IV	Model V	Model VI	Model VII	Model VIII	Model IX
10th Percentile	3.35	3.35	3.35	3.35	3.35	3.35	3.35	3.35	3.62
50th Percentile	5.57	5.57	5.57	5.57	5.57	5.57	5.57	5.57	6.27
65th Percentile	5.92	5.92	5.92	5.92	5.92	5.92	5.92	5.92	6.67
75th Percentile	6.33	6.33	6.33	6.33	6.33	6.33	6.33	6.33	7.16
90th Percentile	7.30	7.30	7.30	7.30	7.30	7.30	7.30	7.30	8.29

TABLE III-12

AVERAGE INCOME TAX RATES NECESSARY TO FINANCE STATE AID COMPONENT OF VARIABLE EQUALIZATION MODELS ASSUMING SELECTED EXPENDITURE BENCHMARKS-- INCOME OVER $10,000

Expenditure Benchmark	Model I	Model II	Model III	Model IV	Model V	Model VI	Model VII	Model VIII	Model IX
10th Percentile	4.61	4.61	4.61	4.61	4.61	4.61	4.61	4.61	4.99
50th Percentile	7.69	7.69	7.69	7.69	7.69	7.69	7.69	7.69	8.64
65th Percentile	8.16	8.16	8.16	8.16	8.16	8.16	8.16	8.16	9.19
75th Percentile	8.72	8.72	8.72	8.72	8.72	8.72	8.72	8.72	9.87
90th Percentile	10.07	10.07	10.07	10.07	10.07	10.07	10.07	10.07	11.43

Tables III-12, like Table III-11, shows average personal income tax rates that would be necessary to support our variable equalization formulas, but it is constructed on the assumption that all individuals earning less than $10,000 in taxable income would be exempt from taxation. These rates, not surprisingly, are substantially higher than those that might be imposed if all federally taxable personal income were subject to a state personal income levy. Moreover, they are markedly greater than the average effective personal income tax rates imposed by any other states except on income over $25,000. Although we are inclined to believe that rates on this order would be politically unacceptable, they may not be entirely beyond the pale dependent upon two important factors. One is the reaction of Fairfield County residents, considerable in number, who already bear the burden of Connecticut taxes and New York State taxes owing to their journey-to-work patterns. Another factor is the degree to which individuals believe that the high tax rates would cost them less than the local property tax rates necessary to support schools. Unfortunatly, we cannot shed much light on the actual gap that might exist between present school taxes and the levies that might exist under a state personal income tax owing to the fact that there are no detailed data for Connecticut which describe property taxes paid by income

class within school districts.

It is very important to recognize, however, that funding the State share of school costs from an income tax would permit not only a massive reduction or elimination of local property taxes but also a significant cutback in present State taxes. The reason, of course, is readily apparent; a part of existing State tax revenues is used to finance State aid to education. Although this share cannot be established with pinpoint accuracy, it would appear to be about 18 percent, assuming that the State draws on its tax revenues to fund public schools in proportion to the share of its total expenditures going for State aid.

An 18 percent reduction in present State taxes would be impressive under any conditions but would be particularly visible if focused on one tax rather than spread disproportionately across all taxes. For example, an 18 percent reduction in the Sales tax would mean a 5.8 percent rate instead of the present 7.0 percent rate. However, using 1968 tax data, we find that the State might cut back the sales tax to about 3 percent if it devoted all of the freed tax revenue to sales tax reduction. We reach this figure as follows. In 1968, 18 percent of all State tax collections amounted to about $89.9 million. In the same year, the State's sales tax collections were $158.8 million.

In the event that Connecticut were to impose a statewide personal income tax, it is doubtful that it would use only one tax rate income class. Given this likelihood, we have calculated the state tax rate that would exist if a Connecticut personal income tax were levied at the same rate of class progression as the federal income tax. These rates are presented in Table III-13 and in Table III-14, the former constructed on the assumption that almost all income earners would be taxed, the latter put together on the premise that only persons with over $10,000 annual income would be taxed. Given our discussion thus far these rates need no explanation or comment.

3.10 Conclusion.

From this analysis of the simulation models, it is evident that Connecticut would be able to achieve a condition of fiscal neutrality in its school finance system through the adoption of a variable equalization system of state aid; however, the adoption of such a system is contingent upon the acceptance of a statewide personal income tax levied at modest rates to replace the local property tax as the main source of educational revenue.

TABLE III-13

AVERAGE TAX RATES WITHIN INCOME CLASSES NECESSARY TO FINANCE STATE AID COMPONENT OF VARIABLE EQUALIZATION MODELS ASSUMING SELECTED EXPENDITURE BENCHMARKS-- ALL INCOME

Income Class	Model I	Model III	Model IX
1,000-2,000	4.40	4.39	4.99
2,000-3,000	4.83	4.83	5.49
3,000-4,000	5.09	5.08	5.78
4,000-5,000	5.36	5.36	6.09
5,000-6,000	5.31	5.31	6.03
6,000-7,000	5.71	5.71	6.48
7,000-8,000	5.67	5.66	6.43
8,000-9,000	5.71	5.71	6.49
9,000-10,000	5.93	5.92	6.73
10,000-15,000	6.08	6.08	6.91
15,000-20,000	6.55	6.54	7.44
20,000-25,000	7.17	7.17	8.15
25,000-30,000	7.66	7.66	8.70
30,000-50,000	9.14	9.13	10.38
50,000-100,000	12.02	12.01	13.65
100,000-200,000	15.30	15.29	17.37
200,000-500,000	17.52	17.51	19.90
500,000-1,000,000	18.69	18.67	21.22
1,000,000 +	17.15	17.13	19.47

TABLE III-14

AVERAGE TAX RATES WITHIN INCOME CLASSES NECESSARY TO FINANCE STATE AID COMPONENT OF VARIABLE EQUALIZATION MODELS ASSUMING SELECTED EXPENDITURE BENCHMARKS-- INCOME OVER $10,000

Income Class	Model I	Model III	Model IX
10,000-15,000	7.70	7.70	8.75
15,000-20,000	8.30	8.29	9.42
20,000-25,000	9.10	9.09	10.33
25,000-30,000	9.71	9.70	11.03
30,000-50,000	11.58	11.56	13.14
50,000-100,000	15.23	15.21	17.29
100,000-200,000	19.41	19.39	22.04
200,000-500,000	22.24	22.19	25.25
500,000-1,000,000	23.61	23.58	26.81
1,000,000 +	21.85	21.83	24.81

Chapter III, Notes

1. This judgement is based largely on the recent experience of Minnesota. Though Minnesota has one of the most progressive school aid laws in the country, it has failed to include any provision for State assumption of local debt, forcing local school districts to draw from current revenues to reduce previous capital obligations--and in the process reducing the high degree of equalization otherwise implicit in the State's school aid legislation.

Chapter IV

Conclusions and Recommendations

Introduction

We have examined Connecticut's present system for financing public education and have analyzed alternative systems. On the basis of this research, we present conclusions about: (1) the total fiscal system in which Connecticut finances its schools; (2) fiscal disparities present in the established method of funding public education; and (3) ways in which Connecticut could achieve a high degree of fiscal equity and neutrality in its school finance system.

The Context of Connecticut School Finance: Conclusions.

1. Connecticut is a wealthy State having considerable fiscal capacity which could support extensive reforms in the present system of educational finance. To date, however, it has made relatively little use of this capacity, exhibiting a level of fiscal effort below the national average and considerably below regional norms.

2. Connecticut's fiscal burdens presently discriminate against both its business sector and its general population. Connecticut's business tax effort is considerably above national norms due, in part, to the State's reluctance to adopt a broad-based personal income tax. At the same time, its property taxes on business are substantially lower than residential property taxes.

3. Connecticut's system of State-local finance is highly localized. The State government has resisted greater fiscal responsibility for many years forcing all types of local governments to fend for themselves. Any reductions in local revenue raising responsibility has been due largely to an increased proportion of federal aid to Connecticut.

4. The revenue structure at the State level is markedly inelastic and regressive. Tax rates on State revenue sources are among the highest in the country and tax bases, especially the sales tax base, are rather narrowly defined. Without turning to a broad-based personal income tax, the State either can expect continued higher rates on its revenue sources or continued unresponsiveness to increasing local expenditure needs.

5. The local revenue structure results in considerable malapportionment of wealth, and substantial differential assessment practices by property class and value.

6. Intergovernmental aid systems in Connecticut, both at the State and federal level, have not substantially decreased local educational property tax pressure. Federal aid was only 5.6 percent of local school outlays in 1970 and State revenue was only 33 percent of such revenues. Thus, over 60 percent of all school expenditures were financed from local sources.

7. Connecticut has the least equalizing aid system in the country. The lack of equalization and the relatively low level of State support for local school expenditures has significantly increased local fiscal burdens as well as fiscal disparities.

Fiscal Disparities in Connecticut School Finance: Conclusions

1. There are extreme variations in fiscal capacity, educational need and tax effort among Connecticut school districts. Central cities have considerable educational need and very high total tax rates yet above average per pupil property values. Suburbs generally have moderate to high fiscal capacity but with relatively less educational need and considerably lower total tax effort. However, a number of suburbs with relatively lower per pupil tax bases are exerting very high levels of tax effort. Independent cities tend to be low in taxable wealth as well as in school and total tax effort but have above-average concentrations of educational need. Rural areas tend to be of two types, exurban areas that compare with the wealthy suburbs and poor areas that have very little fiscal capacity and incredibly low per pupil expenditure levels.

2. Wealth is a key factor in expenditure disparities among Connecticut school districts. Districts having considerable wealth generally use it to raise high levels of expenditure. To keep pace low wealth communities must exert exhorbitant tax effort. Incredibly, many high wealth communities actually receive more aid than their poorer counterparts.

3. Central cities generally are able to support high expenditure levels. Non-central cities such an Ansonia, however, face a severely constrained fiscal situation. It is probable, however, that the State's large central cities will eventually face a fiscal crisis of the first order. These poorer communities cannot presently count on any substantial relief from State revenue aid.

4. The effect of State aid is not to give high tax communities extra money either (1) as an incentive for school tax effort or (2) as compensation for tax relief. Rather, it perversely gives to the high and low tax effort alike.

5. Connecticut's State aid system not only fails to recognize variations in need, effort or capacity, but also actually supplements the revenue of high expenditure districts which, in most instances have high fiscal capacity. Thus, the aid system has two basic shortcomings. First, it does nothing to counter disparities which call for some redistribution. Second, it is a factor in the persistence of inequities. Put simply, Connecticut's school support system defies common sense. It helps those who need no help and does not aid those who are in desperate need of assistance. In total, the school support system is "ripe" for legal challenge and political reform.

Restructuring Connecticut School Finance: Conclusions

1. Connecticut can and should replace its present school finance system with one which achieves a high degree of fiscal neutrality, that is, a system which insures that there is a very high degree of correlation between revenue effort and revenue yield.

2. Of the major alternative paths to fiscal equalization, Connecticut would be well-advised to use a high support variable equalization system. Full state assumption of all school

finance is not an unattractive alternative but would be very unlikely to win much political support owing to the State's long tradition of high local autonomy and fiscal independence.

3. Many variable equalization formulas could be implemented in Connecticut at a remarkably low cost. Of the nine formulas tested, eight would cost about $630 million if the State funded a current expenditure benchmark set at a level equal to the 90th percentile during the 1970-71 fiscal year. This cost would exceed the total State-local current expenditure during 1970-71 by only 2 percent.

4. Assuming it funded a current expenditure benchmark equal to $1,054 per pupil, the 90th percentile level in 1970-71, a variable equalization aid system would permit most Connecticut school districts not only to raise their current expenditures over 1970-71 levels, but also to abolish all property tax levies needed to fund current expenditures.

5. It is unlikely that any variable equalization aid formula would eliminate or sharply reduce school taxes in Connecticut cities unless it included a definition of fiscal condition that gave great weight to educational need or total local tax effort.

6. If a variable equalization aid system funded a current expenditure benchmark set at $1,054 per pupil, it could be financed by a Statewide income tax having an average effective rate of about 10 percent on all federally taxable income. Obviously, it would be possible to reduce this rate by diminishing the State-funded current expenditure benchmark. This action, however, would minimize to a great extent the amount of property tax relief that variable equalization would otherwise provide.

7. Assuming that Connecticut funded its education support system by an income tax, it could reduce taxes presently used for this purpose. The sales tax, for example, might be reduced to as little as 3 or 4 percent.

8. Finally, it is likely that only a handful of school districts might be required to reduce their expenditures under any variable equalization system. These districts, however,

could avoid having to reduce their current expenditures if the State required them to maintain their present expenditures while phasing-in a new variable equalization aid formula over a period of about five years. In this way, the strong secular pressure for higher education expenditures almost certainly would permit low-spending districts to raise their outlays to a level not too different from the level presently found in very high spending districts.