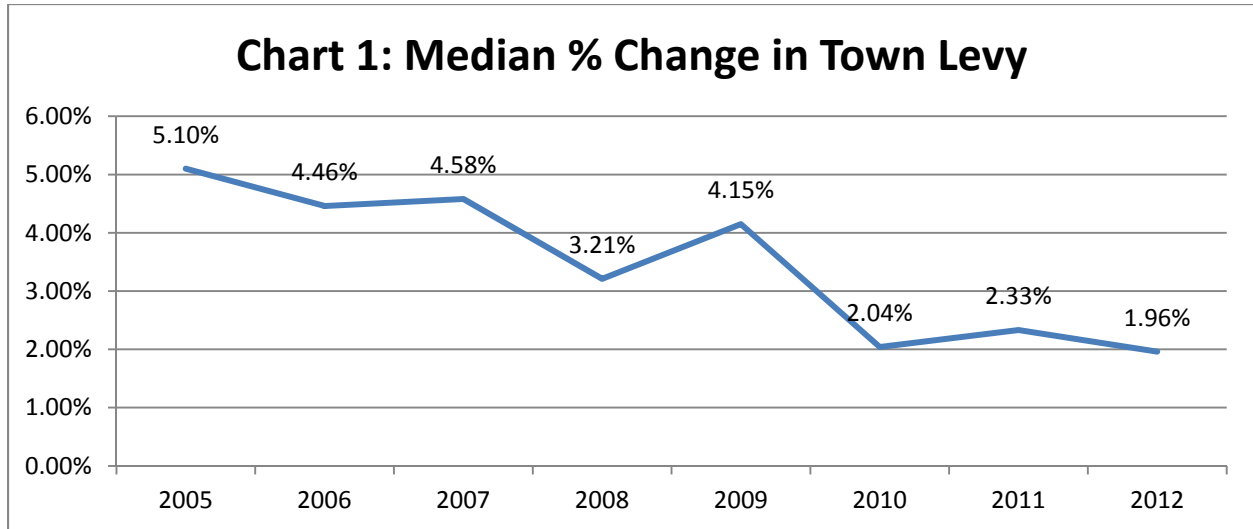


The State of Town Finances

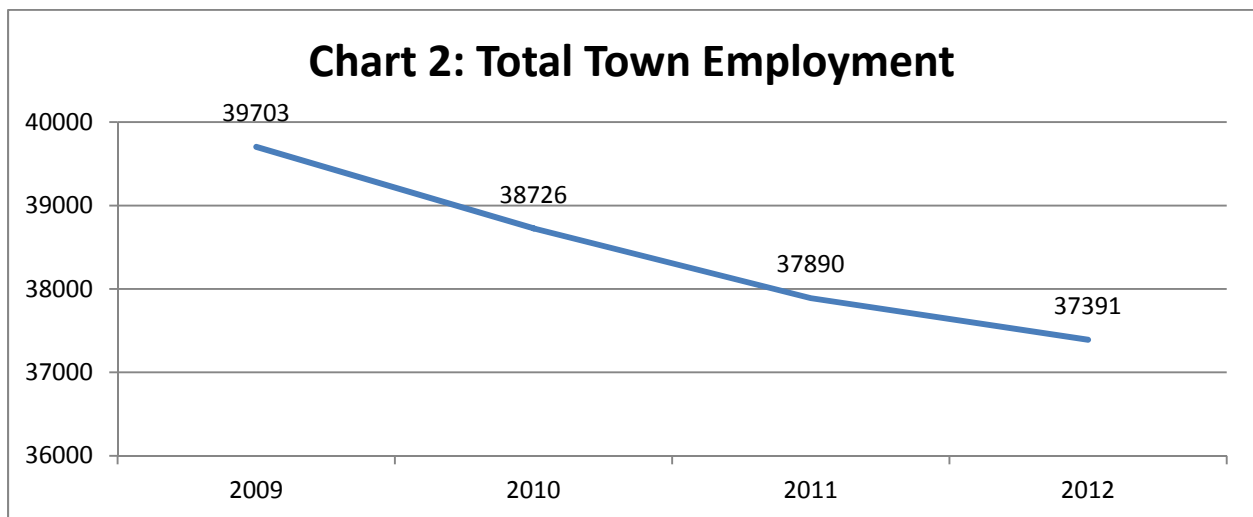
The state of town finances largely is stable. While towns have been impacted by dwindling revenues that are attributable to the prolonged recession and reduced options under the tax cap, Chart 1 illustrates that towns have been controlling their costs.



Despite the rising cost of fuel, asphalt, health care, and pension contributions, and in light of lower revenues, in 2012, 24% of towns were able to hold taxes flat or lower them. Most towns (53%) were able to keep their property tax increase at or below the rate of inflation in 2012. By comparison, 47% of towns kept such increases below the inflation rate in 2011. Despite cutting personnel costs and spending levels, 46% of towns were forced to increase taxes above the rate of inflation in 2012.

Personnel Costs

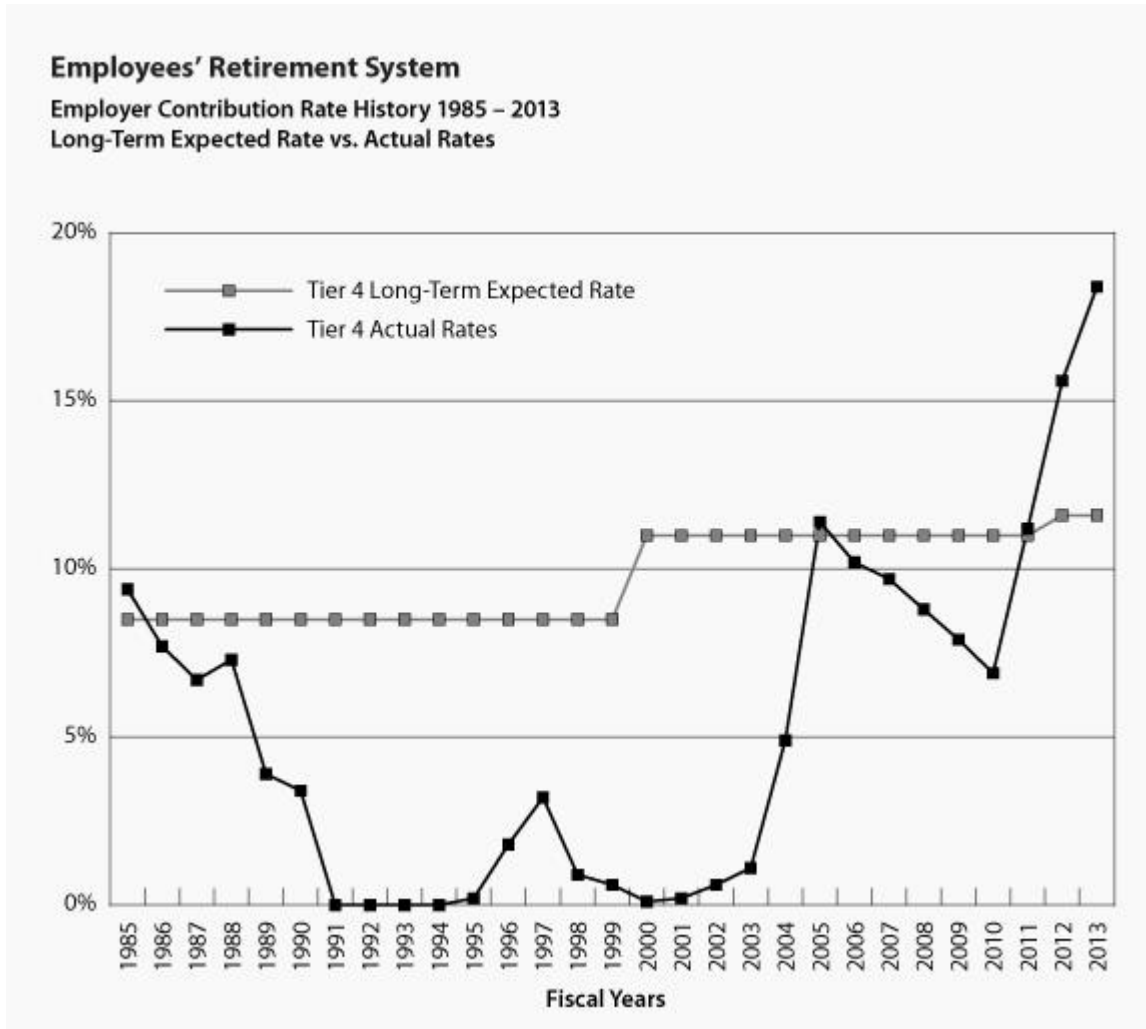
The depth of personnel reductions can be seen in Chart 2. Towns reduced total employment levels by



2.46% in 2010, 2.15% in 2011, and 1.31% in 2012. If employment is examined in terms of full-time and part-time equivalences, towns initially eliminated full-time positions and then turned to part-time reductions (2.87% FTE cut in 2010 and 3.67% PTE cut in 2011). Statewide, town payroll declined 0.35% in 2010, rose 0.78% in 2011 and rose 0.71% in 2012, which means that even as towns have been shedding positions, they have had to increase, if only slightly, the pay of those who remain.

Chart 3 illustrates another impact of reducing positions – a way to counter high ERS contributions. It

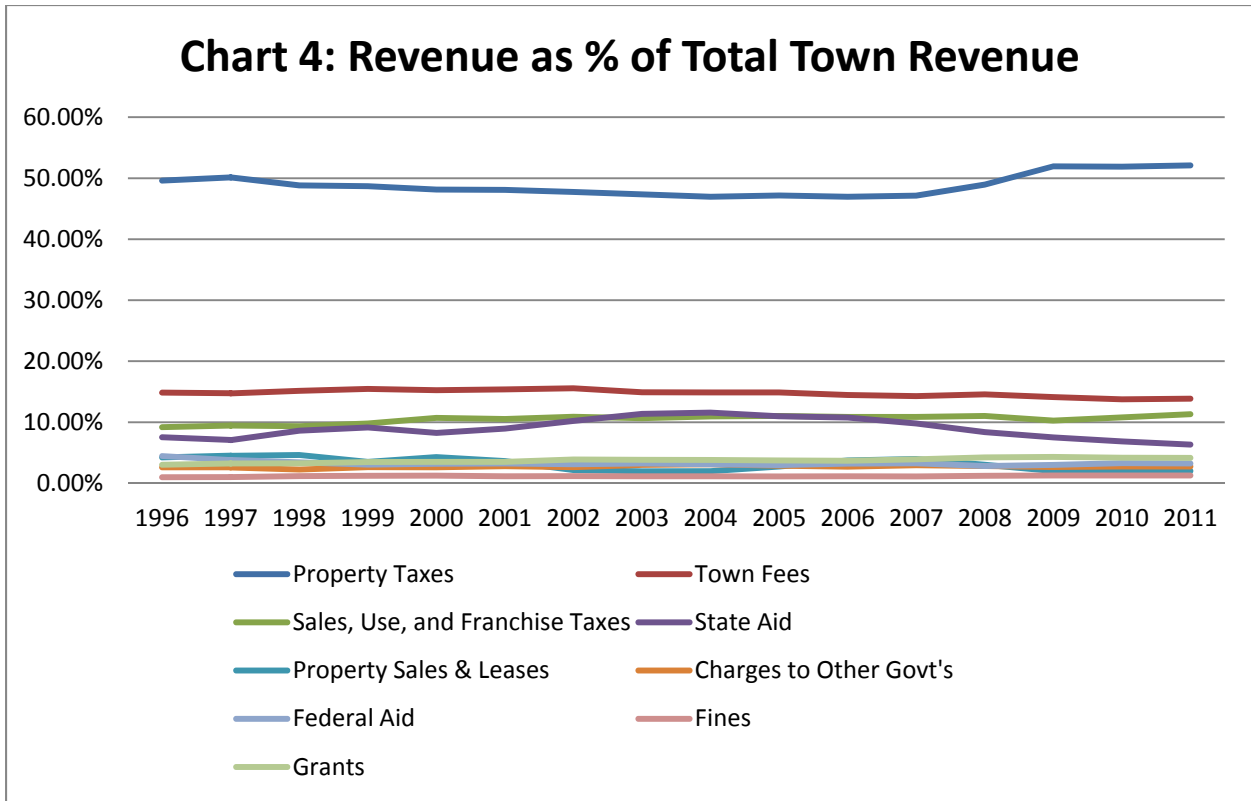
Chart 3



should be noted that the Comptroller’s office has gone on record stating that employer contribution rates will fall after the 2014 fiscal year.

Total Town Revenue

As shown in Chart 4, property taxes as a portion of total town revenue stabilized in 2009.



Since 2008, however, the other sources to town revenues have not fared as well – town fees have declined, save for a stabilization from 2010 to 2011; state aid has declined; revenue from the sales and lease of town-owned property has declined; and charges to other government have declined. Fees, fines, and grants have remained flat. The only increase in the town revenue stream was federal aid and a slight increase in sales, use and franchise taxes in 2011. It should be noted that the increase in federal aid is largely attributable to the infusion of temporary funds from the American Reinvestment and Recovery Act (ARRA) of 2009.

Conclusion

All of this is not to say that there are no hardships – several towns have reduced their total budgets and yet are still forced to exceed the tax cap due to how the law treats payments in lieu of taxes.

In conclusion, there are two quick measures that demonstrate how town finances are performing:

- In 2012, 6% fewer towns exceeded 2% in terms of levy increases;
- Town taxes have fallen from a statewide median of 5% in 2005 to 2% in 2012.