

April 21, 2015

**Memorandum
Connecticut Tax Study Panel
April 13, 2015**

To: Members of the Connecticut Tax Study Panel

FR: William Dyson, Co-Chair, and Connecticut Tax Study Panel
William Nickerson, Co-Chair, Connecticut Tax Study Panel

RE: Connecticut Tax Panel Process, Goals and Judging the Results

Initial Comments

1. Why is a Comprehensive Review of the Connecticut State & Local Revenue Structure Merited?

Ad hoc Panels such as the Connecticut Tax Study Panel (Panel) nearly always have skeptics regarding the establishment of a study Panel. These skeptics range from the (i) its “just another report on the bookshelf” group to (ii) some legislators who see this as an encroachment on their turf.

So, from the start, it is good to address the (wholly legitimate) question of why such another tax study is merited. There are three reasons:

- *Unintended outcomes.* Periodically a close look should be taken at state and local fiscal arrangements to learn how the system is operating as a whole in order to achieve its agreed-upon normative objectives. Over the years small actions taken to address specific sort run concerns can lead to a patch-work system that has become (i) overlapping or even contradictory in its use of policy tools and (ii) unnecessarily complex in a manner that thwarts the accomplishment of originally intended objectives, including that of promoting the transparency and accountability of the public sector.
- *Connecticut’s Fiscal Architecture is (always) changing.* Policy makers must have the information as to how well the Connecticut State/Local revenue system is functioning/is likely to function as its economic base, demographics, and institutional arrangements change. Indeed, some of these “external” (economic, demographic, institutional) forces, which are beyond State policy control, may occur at a very rapid pace. Thus a study group such as the Panel needs to address the fundamental question of “what type of revenue system does Connecticut need to be able overtime ‘capture’ the fiscal benefits of these trends?”
- *A revenue system that Connecticut citizens can understand and control.* The Connecticut revenue system is more than a compendium of dry tax law and arcane economic data. Rather, it is an expression of community relationships between individuals and between the citizens of our city and their government.

2. Process and Protocols

2.1. Much of the Panel's focus will be on technical analyses of various components of the State's revenue system. But to make that all go smoothly, it is important that the Panel agrees on process\for completing its work by the February 2016 deadline.

2.2. On the matter of *process and protocols*:

- Agenda and calendar. To help accomplish this goal of agreement on process the Panel should soon set an year-long agenda and an accompanying calendar
- Materials for Panel discussions will be sent to all members of the Panel in advance a regularly scheduled meeting (unless there is Co- Chair approved, reason for not doing so).
- Panel Member participation and delegation of role. A Panel member may not delegate a person to sit in at the Panel as her/his representative.
- A Logical Sequence
 - Develop the knowledge base for framing revenue policy decisions.
 - A key first task of the Panel will be to become informed regarding the Connecticut's "fiscal architecture". Thus, rather than immediately delving into the pros and cons of tax revision proposals, the Panel Members must spend its first several meetings educating themselves on Connecticut's demographic, economic and institutional trends that will frame their deliberations.
 - Agreement on goals and principles for evaluating ways to modernize Connecticut revenue policy.
 - Early in its work the Panel should thoroughly discuss and then be asked to agree upon a set of criteria for judging a revenue system (and, too, secure agreement on the substance/meaning of each of the principles for judging).
 - Timing for voting on recommendations
 - A question will arise as to whether the Panel should vote on specific tax reforms as it works through its calendar on a topic-by-topic basis, or wait until the end of its review of the entire state/local revenue system so that it can identify how their recommendations will affect the revenue system as a whole.
 - Different State panels (Panels) have approached this somewhat differently.
 - The Minnesota Tax Study Panel deferred off all votes(other than approval of it set of criterial for evaluating a revenue and a revenue system) until the end of its year and a half term so it could recommend a "revenue package" for restructuring the state/local tax system that would "frame state/local revenue policy into the 21st

Century”. This worked well since the Panel, while representing very diverse interests, found that by working through technical content of the state/local revenue system on revenue-by-revenue basis it learned to carry out its final deliberations with consensus, trust and collegiality.

- The District of Columbia (1997-98) Panel also agreed on a final vote on a comprehensive “revenue package” at the end of its work; but, in addition, as it proceeded to work through on a tax-by-tax basis it voted on a set of “preliminary” (that is, non-binding) recommendations.
- The 2013-14 District of Columbia Panel sat through a set of presentations by experts and well as various public interest groups, and then largely deferred to the staff and the Chair to develop a set of Final Recommendations (which, with very little change, were approved)
- Majority Voting?
 - Strive for unanimity in the final set of recommendations
 - Even recognizing the controversial nature of some tax matters, unanimity may not be as hard to achieve as one might think—people do come together over time
 - Good research that lays out policy options and their pros and cons can lead to many agreements that one might not expect, thereby generating a practice of consensus.
 - Agree to allow individual Panel members to insert into the *Final Report* a *Memoranda of Comment and/or Dissent* to a Panel recommendation.
- Role of Panel Sub-Committees on Specific Taxes (personal income tax, business taxation, consumer taxation, and property taxation). Given the manageable size of this Tax Panel, on this aspect of process the Chairs recommend that the Panel operate as a Committee of the Whole
- An independent instrumentality. The Panel must be resolute a decision to not let the Panel become engaged in the day-to-day legislative debates that arise during 2015.
- Relationships with the Media. The Co-Chairs shall be the only spokespersons for the Panel
- Staff. A good working relationship between the Staff and the Co-Chairs is essential. Similarly, the Panel and its staff must work closely and well with the Connecticut Office of Fiscal analysis, the Department of Revenue, and the Office of Policy and Management. All are in this together.

3. How Will the Tax Practitioners and other Citizens Judge the Tax Study Panel's Work?

What are the criteria for judging whether the Panel will have been “successful?” (A good topic to open up to the Panel discussion—it is sure to engage people)

- A good place to start this discussion is to first explicitly note that one of the least important of criteria may be that of that of “how well the recommendations fare in the next legislative session of the Legislature” The Panel’s charge is to make recommendations in the context of long term trends and policy goals. If the Panel come forth with a technically solid and easy-to-understand set of recommendations to “modernize” the Connecticut Revenue System, its findings and recommendations will frame the policy for 2016 and beyond
- What then, might be an appropriate set of criteria for judging an *Ad Hoc* Panel’s work such as that of the Panel?
 - Did the Panel raise the knowledge level of the Connecticut fiscal (revenue) policy discussion?
 - Was the Panel given the legislative freedom to adopt its own process and procedures and to adopt its own criteria to apply evaluating the quality of the Connecticut Revenue System?
 - Did the Panel ask the “right” questions and was it transparent in its operations?
 - Did the panel explicitly recognize that the Connecticut state/local structure is part of a system for designing a revenue policy in a manner that the citizens of Connecticut can understand and control?
 - Did the Panel adequately document and publish its Findings and Recommendations?
 - Was the Panel’s Final Report written in a way that the non-technical person can understand?
 - Was the Panel adequately funded, managed, and given time to do its work?