



STATE OF CONNECTICUT
OFFICE OF POLICY AND MANAGEMENT
TESTIMONY SUBMITTED TO THE
PLANNING AND DEVELOPMENT COMMITTEE
March 3, 2008

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Office of Policy and Management*

Concerning Various Municipal Grant Program Proposals

Senator Coleman, Representative Feltman and distinguished members of the Planning and Development Committee, thank you for the opportunity to offer my concerns regarding several bills before you.

House Bill 5290 (AN ACT INCREASING THE STATE GRANT IN LIEU OF TAXES FOR CORRECTIONAL FACILITIES) would amend §12-19a to increase the percentage of the State Payment-in-Lieu of Tax (PILOT) for correctional facilities, from 100% to 120% of the tax loss due to the property's tax exempt status. This would result in an increase in the amount of the State PILOT calculation for the 14 municipalities that contain such facilities. As you know, all municipalities receive a proportionate PILOT reduction in any year in which there is an insufficient appropriation. If the General Assembly enacts this bill and does not appropriate additional funding to compensate for the correctional facility PILOT increase, there would be a significant adverse impact on the 155 municipalities that do not house such facilities. On the other hand, the State would reimburse municipalities for more than their tax losses for these properties if the necessary funds (which would be significant) are added to budget. Neither of these outcomes would be acceptable.

Section 1 of House Bill 5712 (AN ACT CONCERNING GRANTS TO TOWNS WHERE CORRECTIONAL FACILITIES ARE LOCATED AND PAYMENTS IN LIEU OF TAXES FOR PUBLIC HOUSING) would establish a new program under which municipalities would receive an annual grant, in a fixed dollar amount, for each correctional facility and juvenile detention center used for purposes of incarceration during the preceding fiscal year. Municipalities already receive a PILOT for these properties. OPM cannot support the concept of expending state funds to provide municipalities with another grant for the same properties.

House Bill 5672 (AN ACT ESTABLISHING A MUNICIPAL LAND USE GRANT PROGRAM) would establish a new municipal grant program that would be funded by a portion of the state's sales and use tax receipts. Section 11 of House Bill 5634 (AN ACT CONCERNING HOUSING DEVELOPMENT ZONES) would also establish a new grant program that would require the state to reimburse certain municipalities for property tax losses due to exemptions they would provide in designated areas. Additionally, Section 4 of this bill would expand the number of targeted investment communities, which would impact the state program that reimburses such communities for property tax losses due to the exemption provisions of subdivisions (59), (60) and (70) of §12-81.

Although these bills are well-intentioned, I believe we must take a conservative view about any new spending decisions given the uncertain state of the economy. As a result, OPM cannot support the expansion or creation of the grant programs for which these bills provide.

Thank you for the opportunity to submit testimony on these bills. I trust I have sufficiently explained OPM's opposition to the grant program provisions in House Bill 5290, House Bill 5712, House Bill 5672 and House Bill 5634. As always, my staff and I are available to you if you have any questions.