CONNECTICUT CONFERENCE OF MUNICIPALITIES

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THE VOICE OF LOCAL GOVERNMENT

TESTIMONY

of the

CONNECTICUT CONFERENCE OF MUNICIPALITIES

to the

PUBLIC HEALTH COMMITTEE

March 10, 2008

The Connecticut Conference of Municipalities (CCM) appreciates the opportunity to testify before the Committee today on this very important issue affecting towns and cities.

CCM supports **RB 5807, *"An Act Increasing Grants to Municipalities For Colleges and Hospitals That Are Exempt From Property Taxes."***

This bill would ensure that municipalities receive full payment of state grants in lieu of taxes for private nonprofit institutions of higher learning and nonprofit hospitals by eliminating provisions in statute that permit the state to proportionately reduce grants in the event that total amount of grants exceeds amounts appropriated.

Statutes call for 77% reimbursement rate for the lost real property taxes of tax-exempt private colleges and hospitals. This year local governments will receive 55%. Under the biennial budget passed last year, and Governor Rell's proposal for FY 09, that rate will drop to 53%.

And local governments get no reimbursement whatsoever for state mandated exemptions for the personal property of those institutions.

Why PILOTs Should Be Increased

There are two primary reasons why the State should fully reimburse municipalities for state-mandated property tax exemptions:

1) ***Accountability***: State decision-makers should be accountable for the consequences of their decisions. The State, over the years, has determined that Connecticut as a whole would benefit by removing certain types of property from local taxation. Because officials of the state government mandated these exemptions, affected municipalities and local property taxpayers should not have to pay for the cost of those state decisions.

2) ***Fairness***: The state as a whole benefits from tax exemptions. Therefore the state as a whole should pay for them, not just the communities that host such properties.

- Property taxes are the primary source of revenue for financing local services in Connecticut. When individuals work in or visit hospitals, attend or work in colleges, visit museums, or attend concerts, they take advantage of the services of a host municipality. Patrons, workers, and the tax-exempt institutions enjoy police protection, use of roads and sidewalks, garbage collection, sewerage, and the entire range of services funded from local property taxes. But, because of state-mandated exemptions, no property tax dollars are available from these institutions to finance the local services that support them.

- If the State provides less than 100% reimbursement for the loss in revenue that results from these property tax exemptions, residents and businesses in the municipalities where these exempt properties are located must pay for (subsidize) the services used by others.

- Because all state residents benefit in one way or another from the existence of tax-exempt institutions and from the services provided by their host municipalities to support them, all state residents should share the cost burden. State reimbursement for these exemptions -- funded from the many sources of revenue paid to the State by individuals and businesses -- is the appropriate mechanism for ensuring that host municipalities, and their residential and business property taxpayers, are made whole.

According to a recent study of the Program Review of Investigations Committee, the grand losts of towns and cities lose $42 billion due to state mandated property tax exemptions - 16% (note that this is for all mandated tax exemptions, not just for colleges and hospitals).

Distressed municipalities -- those with the heaviest service burdens and the smallest tax bases -- have among the highest concentrations of tax-exempt property. The cities of Bridgeport, Hartford and New Haven account for one-third of the value of all exempt private colleges and hospitals in the state. In Hartford, for example, if the PILOTs for state-owned property and private colleges and hospitals were fully funded, property taxes on homeowners and businesses could be reduced by 10%.

By not fully reimbursing municipalities for these exemptions, the State is increasing the tax burden on property taxpayers, including those -- like the elderly on fixed incomes -- who often can least afford it.

A longstanding goal of Connecticut's cities and towns is to achieve full funding of Payments in Lieu of Taxes. While municipalities appreciate the progress that has been made in this effort, more remains to be done. Although full funding of the PILOTs alone will not resolve the problem of Connecticut's over-reliance on property taxes to pay for public services, it would be a big step toward restoring fairness to a system which now penalizes municipalities for hosting and supporting tax-exempt institutions.

CCM urges the committee to ***support*** this bill.

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If you have any questions, please contact Donna Hamzy or Gian-Carl Casa, at (203) 498-3000.

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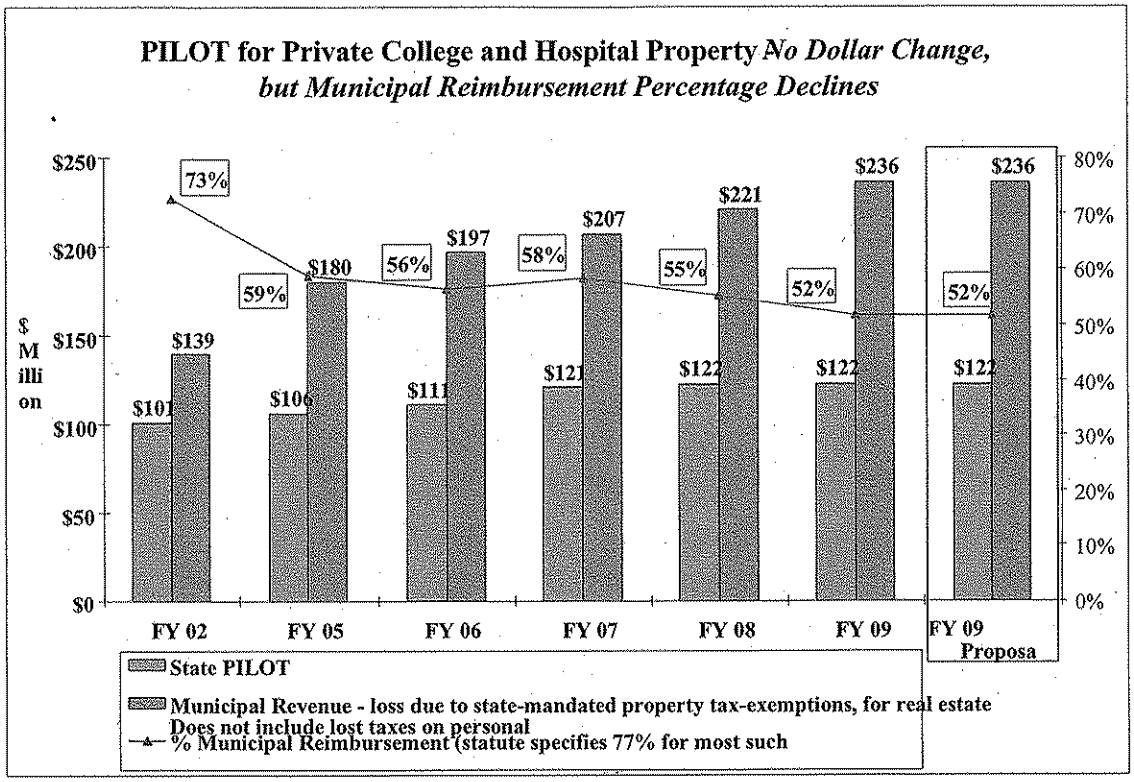

Source: CT Office of Policy and Management Estimates Book and CCM, Governor's Budget Proposal

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State Mandated Property Tax Exemptions

The following property is exempt from taxation in Connecticut (C.G.S. §12-81):

1. Property of the United States
2. State property, reservation land held in trust by the state for an Indian tribe.
3. County Property (repealed).
4. Municipal Property.
5. Property held by trustees for public purposes.
6. Property of volunteer fire companies and property devoted to public use.
7. Property used for scientific, educational, literary, historical or charitable purposes.
8. College property.
9. Personal property loaned to tax-exempt educational institutions
10. Property belonging to agricultural or horticultural societies.
11. Property held for cemetery use.
12. Personal property of religious organizations devoted to religious or charitable use.
13. Houses of religious worship.
14. Property of religious organizations used for certain purposes.
15. Houses used by officiating clergymen as dwellings.
16. Hospitals and sanatoriums.
17. Blind persons.
18. Property of veterans' organizations.
    a. Property of bona fide war veterans' organization.
    b. Property of the Grand Army the Republic.
19. Veteran's exemptions.
20. Servicemen and veterans having disability ratings.
21. Disabled veterans with severe disability.
    a. Disabilities.
    b. Exemptions hereunder additional to others. Surviving spouse's rights.
    c. Municipal option to allow total exemption for residence with respect to which veteran has received assistance for special housing under Title 38 of the United States Code.
22. Surviving spouse or minor child of serviceman or veteran.
23. Serviceman's surviving spouse receiving federal benefits.
24. Surviving spouse and minor child of veteran receiving compensation from Veteran's Administration.
25. Surviving parent of deceased serviceman or veteran. .
26. Parents of veterans.
27. Property of Grand Army Posts.
28. Property of United States Army instructors.
29. Property of the American National Red Cross.

30. Fuel and provisions.
31. Household furniture.
32. Private libraries.
33. Musical instruments.
34. Watches and jewelry.
35. Wearing apparel.
36. Commercial fishing apparatus.
37. Mechanic's tools.
38. Farming tools.
39. Farm produce.
40. Sheep, goats, and swine.
41. Dairy and beef cattle and oxen.
42. Poultry.
43. Cash.
44. Nursery products.
45. Property of units of Connecticut National Guard.
46. Watercraft owned by non-residents (repealed).
47. Carriages, wagons, and bicycles.
48. Airport improvements.
49. Nonprofit camps or recreational facilities for charitable purposes.
50. Exemption of manufacturers' inventories.
51. Water pollution control structures and equipment exempt.
52. Structures and equipment for air pollution control.
53. Motor vehicle of servicemen.
54. Wholesale and retail business inventory.
55. Property of totally disabled persons.
56. Solar energy systems.
57. Class I renewable energy sources and hydropower facilities.
58. Property leased to a charitable, religious, or nonprofit organization.
59. Manufacturing facility in a distressed municipality, targeted investment community, or enterprise zone.
60. Machinery and equipment in a manufacturing facility in a distressed municipality, targeted investment community, or enterprise zone.
61. Vessels used primarily for commercial fishing.
62. Passive solar energy systems.
63. Solar energy electricity generating and cogeneration systems.
64. Vessels.
65. Vanpool vehicles.
66. Motor vehicles leased to state agencies.
67. Beach property belonging to or held in trust for cities.
68. Any livestock used in farming or any horse or pony assessed at less than $1000.
69. Property of the Metropolitan Transportation Authority.
70. Manufacturing and equipment acquired as part of a technological upgrading of a manufacturing process in a distressed municipality or targeted investment community.
71. Any motor vehicle owned by a member of an indigenous Indian tribe or their spouse, and garaged on the reservation of the tribe (PA 89-368)

72. New machinery and equipment, applicable only in the five full assessment years following acquisition.
73. Temporary devices or structures for seasonal production, storage, or protection of plants or plant material.
74. Certain vehicles used to transport freight for hire.
75. Certain health care institutions.
76. New machinery and equipment for biotechnology, after assessment year 2011.