



TESTIMONY
of the
CONNECTICUT CONFERENCE OF MUNICIPALITIES
to the
FINANCE, REVENUE AND BONDING COMMITTEE

March 2, 2009

CCM is Connecticut's statewide association of towns and cities and the voice of local governments - your partners in governing Connecticut. Our members represent over 93% of Connecticut's population. We appreciate this opportunity to testify before you on issues of concern to towns and cities.

CCM supports H. B. No. 6558, "An Act Concerning The Imposition Of Service Fees By Municipalities".

This bill would allow municipalities to assess fees for services (police, fire, trash) provided to certain property-tax-exempt non-profits.

When considering this bill it is important to keep in mind that it is an option – many municipalities eligible for it may well opt not to exercise it. But it would be another tool that communities could use to help relieve residential and business property taxpayers, from subsidizing property-tax-exempt institutions. Many of our poorest cities have the highest concentration of such entities and serve as regional hubs for such services.

It would be a tool the State could provide that would help compensate for (i) mandated property tax exemptions and (ii) programs that provide payments-in-lieu-of-taxes (PILOT reimbursements) that in recent years simply have not kept up with the need.

Property Tax Exemptions: A Major Impact On Local Budgets

Over 65 types of property are exempt from local taxation in Connecticut because of state actions. These state-mandated exemptions shift a greater share of the property tax burden to local homeowners and businesses.

State mandated property tax exemptions totaled about \$41 billion in FY 2004-05 — about 13% of the total value of grand lists, statewide (most recent data available).

The State has programs that *partially* reimburse municipalities for lost property tax revenue. While appreciated, they compensate municipalities for only a fraction of the revenue that towns and cities lose to state-mandated property tax exemptions. This is because (1) PILOTs are made for only a few of the many types of tax-exempt property, and (2) existing PILOT programs are not fully funded (except for state prisons, which are supposed to be reimbursed at 100%, and certain types of manufacturing equipment, see below).

In recent years funding for these programs has not kept pace with the growing level of mandated exemptions. Moreover, when overall PILOT funding remains flat, and the assessed value of the exemptions grows, then the rate at which municipalities are being reimbursed declines.

The tax loss to municipalities that results from inadequate funding of the PILOTs for the real estate property owned by private colleges, hospitals, the State and personal property associated with those institutions, and certain other underfunded PILOTs, is at least \$437 million in FY 2008-09. [This figure does not include an estimated revenue loss of over \$450 million from property owned by religious and charitable institutions, federal and local governments, and other non-profit institutions.]

Distressed municipalities — those with the heaviest service burdens and the weakest tax bases — have among the highest concentrations of tax-exempt property. The cities of Bridgeport, Hartford and New Haven alone account for 44% of the value of all exempt private colleges and hospitals in the state.

PILOT Grants Aren't Keeping Up

Unfortunately, PILOT grants have not kept pace with the statewide need. Reimbursement rates for private colleges and hospitals, presently at \$122 million, provided municipalities for 73% of the property tax loss in FY 01-02. **This year, reimbursement is just 58%, and the proposed biennial budget would provide reimbursement of just 54% next year** -- PILOTs are simply nowhere near the statutory goal of 77%.

Summary

It is no secret that towns and cities across the state are facing property tax hikes, service cuts and employee lay-offs. With the possibility of even further cuts in municipal aid, local governments need tools and options that would allow them to make up for the losses in revenue caused by state mandated tax exemptions.

HB 6558 would not be a panacea, nor would it be a policy that would work for every community. But it is a tool that should be available as local governments and their citizens seek to find the appropriate revenue balance for their towns and cities.

We urge you to favorably report this bill.

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Attachment: Percentage of Property By Town That Is Exempt From Property Taxes Per State Mandate

**PERCENTAGE OF PROPERTY BY TOWN THAT IS EXEMPT
FROM PROPERTY TAXES PER STATE MANDATE**

Mansfield58%	Meriden14%	Newtown.....10%
New Haven.....47%	Litchfield14%	Torrington10%
Hartford44%	Danbury13%	Thomaston10%
Windsor Locks.....41%	Rocky Hill13%	Stafford.....10%
Windham37%	Salisbury13%	Woodstock10%
Bridgeport.....35%	Griswold.....13%	Plainville.....10%
New London33%	Winchester13%	Fairfield10%
Waterbury32%	Ledyard12%	Bridgewater.....9%
New Britain.....32%	Cheshire12%	Haddam.....9%
Preston28%	West Haven12%	Redding.....9%
Middletown.....26%	Ansonia12%	Sharon9%
Suffield24%	East Haven.....12%	North Branford.....9%
Canaan23%	Newington12%	Woodbridge.....9%
East Granby.....21%	Wallingford12%	Lisbon9%
Groton.....21%	Monroe.....12%	Brooklyn9%
Farmington.....21%	Hamden.....12%	Tolland.....9%
Norwich20%	Manchester.....11%	Colchester.....9%
Somers19%	Ashford11%	Windsor.....9%
Derby19%	South Windsor11%	East Windsor9%
Putnam.....19%	Chaplin.....11%	Waterford9%
Killingly18%	East Lyme.....11%	Sprague9%
Kent18%	Norfolk.....11%	Madison8%
Pomfret.....17%	Enfield11%	Voluntown.....8%
Deep River17%	Simsbury.....11%	Cromwell.....8%
North Canaan.....16%	Washington.....11%	Cornwall.....8%
Vernon.....16%	Bristol11%	Warren8%
West Hartford16%	Eastford10%	Stonington.....8%
Stamford.....15%	Milford10%	Norwalk.....8%
Westport.....15%	Scotland.....10%	Columbia.....8%
Montville.....15%	Beacon Falls.....10%	Plainfield8%
East Hartford15%	Bloomfield.....10%	East Hampton8%
Hartland14%	Union10%	Hampton8%

New Milford.....8%	Bethany7%	Bethlehem5%
Lebanon.....8%	Oxford7%	Morris.....5%
Colebrook.....8%	Watertown6%	Willington5%
Roxbury8%	Southbury.....6%	Marlborough5%
Middlebury.....8%	Canton6%	Brookfield.....5%
Middlefield7%	Glastonbury6%	Sterling5%
Stratford7%	Naugatuck.....6%	Bethel.....5%
Wilton7%	Granby.....6%	Old Lyme.....5%
Greenwich.....7%	Westbrook.....6%	Chester5%
Branford7%	Darien6%	Berlin5%
Ridgefield.....7%	Salem6%	Burlington5%
Avon7%	Wolcott.....6%	New Fairfield.....4%
Plymouth.....7%	East Haddam6%	Barkhamsted4%
Hebron7%	Orange.....6%	Canterbury4%
New Canaan7%	New Hartford.....6%	Durham.....4%
Thompson7%	Killingworth6%	Coventry.....4%
North Haven7%	Clinton6%	Goshen4%
Portland.....7%	Bolton.....6%	Guilford.....4%
Franklin7%	North Stonington6%	Weston4%
Bozrah.....7%	Easton.....6%	Woodbury.....4%
Seymour.....7%	Andover6%	Prospect4%
Wethersfield7%	Ellington.....5%	Essex3%
Trumbull.....7%	Shelton5%	Sherman2%
Lyme7%	Old Saybrook.....5%	
Southington7%	Harwinton.....5%	

Source: Connecticut Office of Policy and Management. Figures are for FY 2005, latest data available.