



## 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. 6559, "AAC The Use Of The Mashantucket Pequot and Mohegan Fund For Property Tax Relief".

This bill would require that, in future fiscal years, any revenue from Indian Gaming above this year's revenue be used (a) to fully fund PILOT grants and (b) provide additional property tax relief under the Pequot-Mohegan grant formula.

Connecticut has struggled for years with ways to pay for real property tax relief – this proposal will not provide that relief in the short-term, but it identifies a specific and appropriate revenue stream so that the State can do so as the economy improves. It would have no fiscal impact on the upcoming biennium.

Present projections of state revenue from Native American gaming are \$387 million, but in previous years – when the economy was stronger – it was much higher. For example as recently as 2007 it was \$430 million.

In recent years state aid to municipalities for non-education grants has tumbled. PILOTs, TAR and Pequot-Mohegan grants have never returned to the levels they were in FY 01-02.

#### **History: Pequot-Mohegan Fund and Municipalities**

In 1991, the State entered into an agreement with the Mashantucket Pequot Tribal Nation that provided that the tribe pay to the State 25% of its take of slot machine revenue from its Foxwoods casino. The agreement was later amended to provide a similar contribution from the Mohegan Sun casino.

Then-Governor Weicker proposed that **all** of this newfound slot machine revenue be shared with municipalities to reimburse them for state-mandated property tax exemptions — to fully fund the PILOTs discussed above.

The General Assembly rejected that proposal for a variety of reasons, including the fact that not all municipalities would benefit equally from use of a PILOT formula. The legislature developed a new formula that used PILOT as a major formula factor, but not the only one. *Further, the new law did not provide all the revenue to towns and cities* — it provided 78%, with the rest going into the state General Fund. While 78% was a significant amount, the retreat from the 100% proposal was a precursor for what would happen from that time on — a steady shrinking of the municipal share even as state revenues from slot machine gaming rose dramatically.

The biggest hit on the fund occurred during the tough-budget year of 2002-03. The annual amount shared with municipalities had been \$135 million per year since 1997-98, but was slashed mid-year in 2003 to just \$106 million. Since then the grant has never gone above its present level of \$93 million — a cut of \$42 million from 2002, \$48 million when inflation is taken into account. The portion of the slot machine revenues going to municipalities, which was 35% in 2002, is now 21%.

### **PILOT Grants Aren't Keeping Up**

PILOT grants have also fallen behind:

- reimbursements for property tax-exempt private colleges and hospitals provided municipalities with 73% of the mandated property tax loss in FY 01-02. This year, reimbursement is just 58%, and the proposed biennial budget would provide just 54% next year -- nowhere near the statutory goal of 77%. The dollar amount -- presently at \$122 million would go down to \$115 million.
- reimbursements for property-tax exempt state property equaled 41% of the mandated tax loss in FY 01-02. This year it is just 37%, and under the proposed budget would be 32%. The statutory goal is 45%. The dollar-amount would decline from \$80 million to \$73 million.

### **HB 6559**

HB 6559 would provide that any revenue above this year's \$387 million be used to make up the shortfall in property tax relief funds – one third each for PILOT-- State property, PILOT – colleges and hospitals and Pequot-Mohegan grants. If revenue grows to such a level that the PILOTs are fully funded, any additional revenue would all go to municipalities through the Pequot-Mohegan formula.

### **Summary**

Local officials understand that the State sometimes has a difficult time finding revenue for municipal needs — but even with an expected dip this year, this revenue source has grown significantly since its inception. Despite the present economic challenges facing our state and nation, the long-term health of this revenue source is sound. At the same time, while municipal costs go up, the local share of this revenue has gone down.

It's time to reverse this trend. The State can “take advantage” of the down economy by promising growth of this revenue source for future property tax relief.

***We urge you to favorably report this bill.***

## ## ##

For more information, please contact Gian-Carl Casa, Bob Labanara or Jim Finley  
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Attachments:

Appendix A: Property Tax Exemptions: A Major Impact On Local Budgets

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

## 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.**

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

Mansfield .....58%	Meriden .....14%	Newtown.....10%
New Haven.....47%	Litchfield .....14%	Torrington .....10%
Hartford .....44%	Danbury .....13%	Thomaston .....10%
Windsor Locks.....41%	Rocky Hill .....13%	Stafford.....10%
Windham .....37%	Salisbury .....13%	Woodstock .....10%
Bridgeport.....35%	Griswold.....13%	Plainville.....10%
New London .....33%	Winchester .....13%	Fairfield .....10%
Waterbury .....32%	Ledyard .....12%	Bridgewater.....9%
New Britain.....32%	Cheshire .....12%	Haddam.....9%
Preston .....28%	West Haven .....12%	Redding.....9%
Middletown.....26%	Ansonia .....12%	Sharon .....9%
Suffield .....24%	East Haven.....12%	North Branford .....9%
Canaan .....23%	Newington .....12%	Woodbridge .....9%
East Granby .....21%	Wallingford .....12%	Lisbon .....9%
Groton.....21%	Monroe.....12%	Brooklyn .....9%
Farmington.....21%	Hamden.....12%	Tolland.....9%
Norwich .....20%	Manchester.....11%	Colchester.....9%
Somers .....19%	Ashford .....11%	Windsor.....9%
Derby .....19%	South Windsor .....11%	East Windsor .....9%
Putnam.....19%	Chaplin.....11%	Waterford .....9%
Killingly .....18%	East Lyme.....11%	Sprague .....9%
Kent .....18%	Norfolk.....11%	Madison .....8%
Pomfret.....17%	Enfield .....11%	Voluntown.....8%
Deep River .....17%	Simsbury.....11%	Cromwell.....8%
North Canaan.....16%	Washington.....11%	Cornwall.....8%
Vernon.....16%	Bristol .....11%	Warren .....8%
West Hartford .....16%	Eastford .....10%	Stonington.....8%
Stamford.....15%	Milford .....10%	Norwalk.....8%
Westport.....15%	Scotland.....10%	Columbia.....8%
Montville.....15%	Beacon Falls.....10%	Plainfield .....8%
East Hartford.....15%	Bloomfield .....10%	East Hampton .....8%
Hartland.....14%	Union .....10%	Hampton .....8%

New Milford.....8%	Bethany .....7%	Bethlehem .....5%
Lebanon.....8%	Oxford .....7%	Morris.....5%
Colebrook.....8%	Watertown .....6%	Willington .....5%
Roxbury .....8%	Southbury.....6%	Marlborough .....5%
Middlebury .....8%	Canton .....6%	Brookfield.....5%
Middlefield .....7%	Glastonbury .....6%	Sterling .....5%
Stratford .....7%	Naugatuck.....6%	Bethel.....5%
Wilton .....7%	Granby.....6%	Old Lyme.....5%
Greenwich.....7%	Westbrook .....6%	Chester .....5%
Branford .....7%	Darien .....6%	Berlin .....5%
Ridgefield.....7%	Salem .....6%	Burlington .....5%
Avon .....7%	Wolcott.....6%	New Fairfield.....4%
Plymouth.....7%	East Haddam .....6%	Barkhamsted .....4%
Hebron .....7%	Orange.....6%	Canterbury .....4%
New Canaan .....7%	New Hartford.....6%	Durham.....4%
Thompson .....7%	Killingworth .....6%	Coventry.....4%
North Haven .....7%	Clinton .....6%	Goshen .....4%
Portland.....7%	Bolton.....6%	Guilford.....4%
Franklin .....7%	North Stonington .....6%	Weston .....4%
Bozrah.....7%	Easton.....6%	Woodbury.....4%
Seymour.....7%	Andover .....6%	Prospect .....4%
Wethersfield.....7%	Ellington .....5%	Essex .....3%
Trumbull.....7%	Shelton .....5%	Sherman .....2%
Lyme .....7%	Old Saybrook.....5%	
Southington .....7%	Harwinton.....5%	

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

