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*The vision of New Haven's children
is our city's greatest resource.™*

**Testimony of John Destefano, Jr.
Mayor
City of New Haven
Connecticut General Assembly
Finance, Revenue and Bonding Committee
March 15, 2010**

Good morning and thank you for this opportunity.

Two weeks ago today, I delivered a \$476 million general fund and a \$670 million gross budget, to the New Haven Board of Alderman.

The operating budget represents a 2.6% increase over the current year and includes a 6.1% increase in new taxes from last year – a 6.1% increase despite the fact that:

- We have cut the workforce through layoffs and position elimination. Education and sworn public safety positions have been held flat- and we now operate with 30% less city side workers than we did a decade ago. One in three filled positions have been eliminated from our budget;
- In 2009 I closed three senior centers;
- Over the last two years we have closed two schools;
- Workers have gone without pay increases and some senior management have taken pay cuts;
- We have cut library hours.

For New Haven over the last decade::

- The reimbursement rate for PILOT for college and hospitals has fallen from 75% to 47%;
- The reimbursement for PILOT for state owned property has fallen from 79% to 24%;
- The Pequot Mohegan Grant for New Haven has fallen from \$17 million to \$7million;
- Under the Governor's proposal for next year, state grants to New Haven will be cut a net of \$5.5 million from the current year;
- State aid as a percent of our operating revenues has fallen from 55% to 46%; and
- In, turn; property taxes have increased from 39% to 46% of our operating revenue.

Connecticut's centuries old 'property tax only' framework drives too deeply into households and businesses with no consideration of ability to pay. Under the existing State-local tax structure the structural imbalance in New Haven's budget cannot be resolved. Additionally, in a jurisdiction such as New Haven which is home to highly disproportionate populations in need, and, high amounts of tax exempt property, the system becomes unworkable City's and towns across Connecticut need additional options to generate revenue and relieve property tax payers.

Connecticut should pursue a balanced tax structure that offers a range of choices that spread tax authority broadly and that can then be applied more lightly.

Key features of fixing the revenue structure includes:

Options to tax sales, income and transaction activities such as room night stays;

The flexibility to implement these devices regionally;

Additionally, statewide tax revenue dedication to full funding of PILOTs and Pequot/Mohegan Grants.

Senate Bill No. 436 An Act Concerning Municipal Revenue is a step toward addressing these issues. By allowing cities and towns to diversify that way they to raise revenue rather than solely relying on the property tax much needed relief is provided to homeowners and tax burden is shared.

However, options to tax sales, income and transaction activities such as room night stays would better serve cities, towns and taxpayers if applied on a regional basis. Such a system would begin to address state aid cuts and prevent greater increases to the property tax increases and service reductions.

Connecticut State government is projecting budget deficits of \$286.7 million in FY2011, \$3.3 billion in FY2012 and in excess of \$3 billion in FY2013. These deficits will intimately have a negative impact on cities and towns

Municipalities and the state share in the responsibility to provide services stimulate economic growth and make Connecticut the best place to live, work, and raise a family. However, on half of this equation cannot do its job if the other half is in trouble. There is no denying that municipalities have experienced deterioration in their financial situation just as there is no denying that the state has experienced the same.

The viability and economic health of state and the viability and economic health of our cities are towns are directly linked. However, the state sets the rules of the game and only grants cities and towns certain powers in the area of raising revenue. The rules of the game need to change for cities and towns to remain economically viable during this time of recession and financial strain.