

Testimony By Gerald Sitko
State Finance, Revenue and Bonding Committee
Monday, March 7, 2011
Legislative Office Building
HB6388

Honorable Committee Members, good morning and thank you for allowing me to address you. My name is Gerald Sitko, I am the Economic Development Coordinator for the Town of Cheshire, and I am here to speak against House Bill 6388, which would eliminate the PILOT for Manufacturing Machinery and Equipment (MME) which could result in an estimated loss of \$758,000 or .25 of a mill to the Town of Cheshire.

As the Town's Economic Development Coordinator, this property tax exemption program has been invaluable for me and our community as I, members of the Economic Development Commission and the Town's staff have endeavored to attract new manufacturing businesses to Cheshire while retaining or expanding existing manufacturing businesses. We, as public officials, have such a small arsenal of tools at the local level to incent businesses, that State programs such as this, especially during the past few years of our economic challenges, are immensely important.

To illustrate the benefit and importance of this program, I site Cheshire's experience where the value of our MME businesses in Cheshire qualifying for this program grew from \$14.749M in F.Y. 05-06 to \$38.730M in our current budget; an increase of \$23.98M or 162.5% in eligible property over a five year period.

Promoting this program was easy, as the benefits were so tangible and immediate to these eligible businesses and the outcome so measurable and successful.

Making this additionally attractive for municipalities was the fact that municipalities would be reimbursed for a large portion of the potential tax loss. A real win-win situation for the business and municipality.

However, under the Governor's current proposal, businesses would still be eligible for this property tax exemption but the PILOT payment to municipalities would be eliminated, turning a win-win program into a win-lose program, with municipalities losing.

I have vigorously promoted this program among our business community, but how can I continue to do so in good conscience knowing that it could add additional costs to our municipal services and budgets with no additional revenue derived.

We in Cheshire have worked very hard to be fiscally responsible; maintaining a strong fund balance, establishing other significant reserve accounts, having declining debt service obligations, maintaining affordable pension obligations and preserving two very high credit ratings. Yet, like other municipalities we have had to cut services and programs, eliminate positions and reduce hours in other positions, while at the same time consistently increasing the taxes on our businesses and residents.

In the face of these decisions, to lose a revenue source that was expected to provide our Town with approximately \$758,000 this year, but slightly less in F.Y. 11-12, would be very destructive to a F.Y.

11-12 proposed budget plan that is rather tenuous and which will require a tax increase just to maintain services.

As you know, eliminating this program will have a very detrimental ripple effect throughout the vast majority of municipalities in this State and will negate all of the efforts of the Governor to minimize fiscal disruption on the cities and towns of this State.

For the good of all your constituent municipalities, I urge you to defeat House Bill 6388 and preserve the current level of funding for the PILOT payment associated with the Manufacturers Machinery and Equipment Exemption.

Thank you for your consideration of my opinion and I wish you well in your deliberations during this legislative session.