To the Honorable Members of the Planning and Development Committee:

SENATORS CASSANO, (Chair), 4th District; COLEMAN, (Vice Chair), 2nd.

SENATOR FASANO, (Ranking Member), 34th District.;

REPRESENTATIVES GENTILE, (Chair), 104th District; GROGINS, (Vice Chair), 129th; FLEXER, 44th; FRITZ, 90th; LEMAR, 96th; O'BRIEN, 61st; REED, 102nd; REYNOLDS, 42nd; RITTER, 1st; ROJAS, 9th; ROSE, 118th.

REPRESENTATIVES AMAN, (Ranking Member), 14th District; CANDELORA, 86th; DAVIS, 57th; KOKORUDA, 101st; PERILLO, 113th; SMITH, 108th; SIMANSKI, 62nd.

TESTIMONY IN FAVOR OF HB 5338 by LEE SAMOWITZ

Senator Cassano, Representative Gentile and Members of the Committee, it is a pleasure coming back before this Committee, where I had the pleasure of sitting for 18 years as a former State Representative from Bridgeport. where I struggled to figure out a way to deal with the disparity between cities and town in regards to commercial property. I fought for property tax reform because I believe this imbalance is like diabetes is silently debilitating the body and stalling this state's economic recovery. Now as a private citizen, I appear before you like Hamlet Ghost, to take care of some unfinished business so you can do some social justice. After I decided not to run anymore for public office, I had this dream, this eureka moment, this epiphany, where I woke up and figured out a way to finance the equalization of municipal property taxes which is the bases for HB 5033, but back in 2002 it was too late in the session to pass and the times were different. The Leadership was only interested in maintaining the status quo, Obama had not decided to run for President yet, and no one was ready to accept "Changes". In my dream certain voices came into my head to help me draft HB5338.

First, were the lessons taught by Former Representative Alice Meyers, who was the Republican Ranking Member of this Planning and Development Committee for many years back in the days before the LOB was built. She believed her vote should not be cast by partisan politics, but by a consistent ideology. She was a firm believer in "Home Rule" and urged the General Assembly to approve any bill that was not a mandate, like HB 5338, but was just enabling, so that the towns and cities can make their own decisions. This bill before you, H.B.5338, is consistent with home rule and empowers the towns and cities electors to decide for themselves whether to agree to dedicate yearly a grand list towards their mutual benefit by virtue of an agreement or not. If a town voluntarily enters a contract under this HB5338 program with another town and it doesn't work, next year is another grand list, so don't enter into any new agreement trading commercial mil rates.

The next voice I heard in drafting this bill was Jacky Durrell, the former Republican First Selectman from Fairfield, who I sat down with one day before she passed away when Bridgeport was faced with bankruptcy struggling with high taxes and a low tax base. This is a condition a no one in state government has really tried to tackle, except today the pain is now politically ignored. Jacky said something to me that I thought was very astounding. She said "Lee as a neighboring town to Bridgeport, I will do anything I can as long as it doesn't cost my voters any money". Now at first I thought she was being funny, but then I felt challenged. The result is HB 5338 will not cost the state any money and might even reduce dependency of municipalities upon the state coffers. If I could answer Jackie Durrell I would show her that this bill will not cost her voters anything. To the contrary, the bill is designed to lower taxes residential taxpayer in both the helper suburban town and needy urban city that enters into a compact. In this harsh economic, when many towns and cities are faced with raising taxes, the towns just to balance a budget are forced to impose higher fixed tax on homeowners who are already faced with rising bills and unlike businesses they are unable to pass the cost on to any discretionary user. HB 5338 gives the people a chance to keep the schools open and the streets safe without raising taxes. Actually the way the HB 5338 is now constructed, as part of 7-148dd, it is possible to enter into any agreement to share mil rates on non-residential property under the current law, without this bill , but I hate to test it.

After trying to craft this bill, the next leader I spoke with was Ray Baldwin, who was the former Democratic First Selectman from Trumbull. He asked me how the bill would work. I told him suppose Bridgeport's mil rate was around 40 and Trumbull's is around 20 , so if the Town of Trumbull agreed to enter into a 5338 plan an additional 20 mils worth of taxes on non-residential taxpayers would be available for distribution. Under my original vision for this bill, 50% would go to Bridgeport to reduce taxes on business and residential owners and the rest would be available for charitable community block grants or for Trumbull. Ray feared that a large tax increase might discourage business, but I think the historical economic reality is that business will go where they can make money even in the face of higher taxes because retail landlords like Trumbull Mall, cannot go anywhere and can pass the taxes onto their triple net tenants whereas a consumer might or may not absorb it The mil rate cannot be considered unfair since Bridgeport taxpayers are bearing it and the higher mil rate becomes the cap which the business community can work to bring down. Ray Baldwin liked the idea of saving the residential taxpayer from any tax increase or even lowering residential taxes, but he was concerned about the commercial tax base and preferred a smaller increase on business taxpayers even if it raised less revenue for Trumbull. Ray Baldwin said his particular town at that time did not need the significant money that this powerful bill could raise. To avoid shocking the business taxpayers with a drastic increase, he would be content with a.bill that raised less money for his town under the circumstances. He had legitimate concerns about the impact of drastic increase on the business community and he wanted Trumbull to have an economic advantage to attract businesses to Trumbull over Bridgeport. I heard what he said, I understand, and I revised my planned bill to what you now see. If Ray Baldwin had the chance to use this bill, he might still be elected First Selectman. If this bill does not passes or passes and local officials do not exercise the right to use it, political opponents will campaign saying: "Your incumbent could have lowered your taxes but chose to oppose a chance for the voters to lower your local taxes.." So my political advice is to pass this bill as amended. Under the current version Trumbull can offer Bridgeport a deal that could increase Trumbull mil rate for commercial property from let say from 20 mil to 30 mil. Under the revisions I will be proposing, the increase on Trumbull's business tax could increase only 10 mil, then 50% or 5 mils worth would go to reduce Bridgeport's taxes and 25% or 2.5 mils worth would go for community block grants approved by both communities to non-profits and other quasi governmental and other entities approved by the legislative bodies of both communities and the rest Trumbull could keep or another 2.5 mils worth.. Non-profits have been hit hard by the downturn in the economy and state and local governments need to provide them with an alternative revenue source, which this bill does. Legislators need to think of the suffering non-profits, who do a lot of public good, even when the state cannot afford to help out, legislators can at least pass a bill that can fund deserving non-profits with more money than the state could ever afford to donate. At least that is what the Amendment I will be proposing does. Attached are my proposed changes and the explanation. I can explain the changes in any questions that you may have for me, if you would please ask me after my initial presentation is done.

This brings me to the final voice I heard, actually it was a voice I heard after I proposed my first version of this bill back in 2002 and it was the voice of Ken Dixon from the Connecticut Post who said my bill could never pass because it was just too smart for the legislators back then. I hope it's not too smart for you now. Albert Einstein is credited with saying if you still continue with failed policies you get failed result. Well you don't have to be a genius to figure out that what we have been doing has failed and the time for change has come. In conclusion, this bill gives the towns an opportunity to find a new review source for both the needy towns and the giving town through a collaborative agreement. The giving town and receiving town both receive a financial benefit. This is what the towns and cities have been asking the state for in home rule and this frees them from state dependency. The tax envisioned is not unfair because in the needy towns this level of high taxation on business and residents has been tolerated and theoretically this bill will reduce the tax rate because the revenue received can only be used to reduce the level of taxes. This bill is consistent with smart growth and probably the only realistic way to currently fund that objective. Of course there will be local administrations that want to look attractive to business at any cost and will disavow participation in this program and those administrations might prefer laying off teachers to entering into this agreement, but that is fine, because that is a local decision.. Local elections will gives the voters the chance to evaluate that policy, but this bill gives the towns the opportunity for choice and that is what the state should be doing. What I am asking you to do is respect home rule and have enough faith that local officials will do the right thing for their communities.

PROPOSED AMENDMENT TO HB 5338 P&D COMMITTEE BILL 3/4/11

Section 1. (NEW) (*Effective October 1, 2011*) (a) As used in this section, "region" means a planning region designated or redesignated by the Secretary of the Office of Policy and Management pursuant to section 16a-4a of the general statutes

(b) A municipality on the list of municipalities with fiscal disparities **("needy community")** prepared pursuant to section 7-148dd of the general statutes and any other municipality located in the same region as the municipality on such list **("collecting community")** may enter into an agreement to share revenues pursuant to section 7-148bb of the general statutes whereby such other municipality located in the region may establish a mil rate on nonresidential real property not to exceed the mil rate of the municipality on such list or, **any municipality ("collecting community") may enter into a agreement with another municipality ("needy community") within the same congressional district that has the highest equalized mil rate on the list most recently reported by the Office of Policy and Management to establish a mil rate on nonresidential real property not to exceed the mil rate of that municipality with the highest equalized mil rate in that congressional district.** Any agreement shall (1) provide that revenues shared shall he be limited to revenues collected from [real] **non-residential** properties **set forth in any Agreement** subject to the mil rate established under this section, and (2) include a plan for the distribution of such revenues that **will result in reduced property taxes in the municipality with fiscal disparities and a plan approved by the legislative bodies by both municipalities that enter into the agreement to distribute community block grants to municipal, quasi governmental , Section 501 (c) organizations of the Internal Revenue Code or any entity that promotes the public good.** No agreement shall be effective unless the Secretary of the Office of Policy and Management determines that the agreement will result in a **significant** [reduced] **reduction of** property taxes in the municipality with fiscal disparities and approves such agreement **unless the agreement contains a provision that the needy municipality shall receive at least 50% of the revenue collected within 60 days pursuant to a plan for the distribution of such revenues that such funds can only used to reduce property taxes in the needy municipality and if the agreement provides for a mil rate on non-residential property in the collecting municipality that is less than the mil rate of the needy municipality, then an additional 25% of the revenue collected shall be paid within 60 days to the needy community to distribute pursuant to a plan approved by the legislative bodies of both municipalities that enter into the agreement to distribute community block grants to municipal, quasi governmental , Section 501 (c) organizations of the Internal Revenue Code or any entity that promotes the public good.** (c) The non-residential real property subject to the increased mil rate shall be eligible for the same incentives, abatements and benefits for which non-residential property in the municipality on the list of municipalities with fiscal disparities is eligible **providing the term of the agreement covers the full term of the incentive, abatement or benefit. (d) The collecting community shall provide quarterly reports of taxes owed and collected to the Office of Policy and Management and the needy community and pay to the needy community the share of the revenue owed from the revenue collected within 60 days from the date collected, otherwise if collected but not paid, the collecting community shall be treated as a delinquent taxpayer and (e) any taxpayer delinquent in paying any tax herein shall be subject to enforcement by the community or the beneficiary of the lien sold in proportion to their respective share of taxes owed herein, (f) the taxes imposed herein shall have the priority of property taxes, but be subsequent in** priority to the taxes imposed by a mil rate on all residential taxpayers and the portion owed the needy community shall have priority over the portion to the host community. (g) The Secretary of the Office of Policy and Management may arbitrate and enforce any disputes between communities or an action may be brought in the Superior Court.

Section 2. Amend the following sentence in section 7-148bb as follows: The enabling agreement shall be approved by each municipality that is a party to the agreement by resolution of the legislative body, the chief elected official or 10% of the voters in any municipality, except any budget, tax or appropriation must still be approved pursuant to the charter of the municipality, but shall take into consideration any agreement approved prior to passage or with the consent of the Office of Policy and Management any agreement likely to be anticipated may be considered.

PROPOSED AMENDMENT TO HB 5338 P&D COMMITTEE BILL 3/4/11

Purpose of Proposed Changes

1. Change Section b to expand opportunity for participation
   a. The list of the municipalities with fiscal disparities is unpublished and not all regional planning districts have fiscally disparity municipality within in it.
   b. My purpose is to equalize commercial rates as quickly as possible and congressional districts are much larger with greater opportunity for participation where OPM is focused on just making 7-148dd reality.
   c. Congressmen have the political power and leadership role to encourage municipalities to participate in an HB5338 agreement.
   d. The solution is to give municipalities OPTIONS to CHOOSE which municipalities may want to offer its Grand List to get into an agreement.
   e. A town may enter into a regional and congressional agreement so long as it sells its grand list only once. For instance Greenwich can enter into a deal with Stamford in its regional planning district from the residential level of around 10 to Stamford's 20 mils in its regional planning district and then go up to 30 mils based upon Bridgeport's 40 mil rate in the Congressional District.
   f. This gives the fiscally disparity town opportunity to enter into another agreement for the congressional district.
   g. Bottom line this change increases the chances municipalities might participate.
2. Change b (1) to allow the towns to determine the scope of the non-residential property so it may or may not include personal property or just real property.
3. Change b (2) to require the distribution take care of non-profits, quasi governmental entities or any entity, which promotes public good, by allowing community block grants approved by the legislative bodies of both towns.
4. The non-profits have suffered in these bad times and need another revenue source.
5. Currently OPM approves all agreement, but Towns need a safe harbor without OPM and that means the towns can enter into agreement themselves without waiting for OPM, if 50% is distributed to the needy community and 25% collected is distributed for community block grants, if the mil rate used is less than the needy town. These incentives are needed because OPM might delay the process and the needy towns have little bargaining power to negotiate at least 50% for using their mil rate. This bill provides additional incentives to move to a uniform commercial mil rates by encouraging the collecting town to use the needy town's non residential rate because when the agreement is at the level of the needy town, the towns themselves set the amount dedicated to the community block grant distribution.
6. The collecting town is eligible for incentives, abatements and benefits on the property tax portion that is covered by this agreement providing the phase in period is consistent with the term of the agreement. For instance an abatement that is phased in over 7 years needs to have an agreement that requires participation for at least 7 years
7. Section d through g are technical
8. Section 2 is amended to expand who is permitted to enter into this agreements to Chief elected officials (to be consistent with 7-148dd of the general statutes) and 10% of the public as well as legislative bodies, although the charter still controls who must approve the overall budget and OPM can permit an anticipated agreement to be factored into the budget if it cannot be passed prior to deadlines.