

Senate Bill 467  
Finance Revenue & Bonding Committee  
Public Hearing: 3/17/14

**PLEASE SUPPORT SENATE BILL 467 –  
AN ACT CONCERNING STATE GRANTS IN LIEU OF PROPERTY TAXES**

Honorable Members of the Finance, Revenue & Bonding Committee:

I am an alder representing both the poorest and richest section of New Haven running from St Ronan into Newhallville. I am also a trial lawyer and founder of Stratton Faxon where we give 10% of our fees to urban community charities. We build and fund community gardens, arts programs for kids, after school opportunities, and dozens of other grass roots programs.

I provide this testimony because there is nothing more that you could all do for our city than fully fund PILOT. We are now losing \$50M a year to benefit those not living in our city. This represents 25% of our city side budget. It makes caring for our people impossible and it created a vicious economic cycle of lowering home values and increasing taxes.

We ask for no handout, no welfare, no pity. We simply ask that the free riding on urban taxpayers ends. This is neither a Republican idea nor a Democrat one. It's one we learned in kindergarten. Pay for your fair share. Let me explain further.

Two state mandates make fully funding pilot the only way to end a gross unfairness to urban taxpayers. For example just this year alone, state underfunding of pilot meant that New Haven taxpayers paid \$50M to benefit people living outside its borders. It's probably illegal but more to the point undoubtedly immoral to saddle a city caring for so many needy with artificially high tax burdens.

History is important in seeing how the two state mandates (limiting towns to property taxes only and then the exemption of nonprofits from paying property taxes) came to create artificial incentives that hurt the cities but benefited the region around the cities.

New Haven was a thriving city in the 1950s. Then came the war on poverty and the model cities program. The city was dramatically impacted. Businesses and neighborhoods were torn down in the city to make way for a massive social program to provide services for the poor.

The city tax base was devastated, just as thousands of needy people flooded in from the region along with hundreds of nonprofit organizations to care for them.

The result was a virtuous cycle of prosperity for the region around the city. People and businesses fled New Haven to avoid high taxes, and the social problems that surround poverty. This created a high demand for suburban homes in areas free from populations of people requiring high levels of services. Taxes went down as the values rose with few nonprofits to cause a grand list reduction. Meanwhile these suburbs continued to utilize New Haven for jobs, healthcare, schooling, and the demand created by people working at the city institutions.

On the flip side, cities like New Haven entered a vicious cycle. More poor meant higher taxes and diminished quality of life as crime rose. It also meant less tax paying residences and a tax base reduced by

nonprofits to just 50% of the total grand list. Higher taxes, led to lower home values, and a cycle that continues unabated downwards today without full PILOT.

Full PILOT was instituted to rectify this problem as it was clear that New Haven was subsidizing up to 77% of this virtuous cycle. In other words, the state legislature determined that 77 percent of the benefit of nonprofit exemption of hospitals and colleges went to folks outside New Haven. Up until 2001, this program was funded and New Haven thrived.

Then it began a downwards slide into the vicious cycle when the state began cutting PILOT. The cuts today mean that New Haven residents pay 50 million more in taxes than they should. So instead of a mill rate of 32, New Haveners pay 40. Home values are plummeting and we are now looking at endless tax hikes without full funding.

So we all gave a right to choose where we want to live. But no one should be able to enjoy their lives on the backs of their neighbors. The virtuous and vicious cycles created artificially by state law must end in favor of everyone paying their fair share.

Living in a city will likely always mean having to bear additional costs like caring for the needy and dealing with higher social problems. But it should not also be a double bind where taxpayers also pay for benefits to those outside the city. It's an impossible situation and one that will likely end with a catastrophic failure of the cities and all if those social issues flooding into the region around New Haven.

Doing the right thing is moral, but it is also prudent. The benevolent city taxpayer does the work that keeps the social fabric strong enough to protect lifestyle choices throughout the state. Kill that goose and everyone loses.

Give us back our dignity and our autonomy. Allow us to budget predictably. Give us a chance to manage ourselves wisely with the money that is rightfully ours. 50% pilot is fair, but also 27% unfair. So please pass full pilot at the number that all agree is the benefit received.

Thank you for your deliberation on this extremely important matter.

Michael Stratton  
Alder, City of New Haven