



# Senate

General Assembly

**File No. 489**

February Session, 2014

Substitute Senate Bill No. 467

*Senate, April 10, 2014*

The Committee on Finance, Revenue and Bonding reported through SEN. FONFARA of the 1st Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

## **AN ACT CONCERNING STATE GRANTS IN LIEU OF PROPERTY TAXES.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective July 1, 2014*) (a) For purposes of this  
2 section, "state-owned property" means all real property described in  
3 subsection (a) of section 12-19a of the general statutes, and "college and  
4 hospital property" means all real property described in subsection (a)  
5 of section 12-20a of the general statutes.

6 (b) Notwithstanding the provisions of sections 12-19a and 12-20a of  
7 the general statutes, for fiscal years commencing on and after July 1,  
8 2015, all state grants in lieu of property taxes for state-owned property  
9 and college and hospital property shall be paid to each municipality of  
10 the state in accordance with this section.

11 (c) The Secretary of the Office of Policy and Management shall list  
12 municipalities based on the percentage of real property on the grand

13 list of each municipality that is exempt from property tax under any  
14 provision of the general statutes. (1) The twenty municipalities with  
15 the highest percentage of such property shall receive a grant in lieu of  
16 taxes equal to fifty per cent of the property taxes that would have been  
17 paid to each municipality on state-owned property and on college and  
18 hospital property. (2) The twenty municipalities that follow the first  
19 twenty municipalities for the percentage of such property in such  
20 municipalities shall receive a grant in lieu of taxes equal to forty-five  
21 per cent of the property taxes that would have been paid to each  
22 municipality on state-owned property and on college and hospital  
23 property. (3) All municipalities that are not included in the grants  
24 described in subdivisions (1) and (2) of this subsection shall receive a  
25 grant in lieu of taxes equal to forty per cent of the property taxes that  
26 would have been paid to each municipality on state-owned property  
27 and on college and hospital property.

28 (d) Notwithstanding the grant percentages specified in subsection  
29 (c) of this section, the grant payable to any town under this section for  
30 the following state-owned property shall be:

31 (1) (A) Seventy-five per cent of the property taxes which would  
32 have been paid with respect to any facility designated by the  
33 Commissioner of Correction, on or before August first of each year, to  
34 be a correctional facility administered under the auspices of the  
35 Department of Correction or a juvenile detention center under  
36 direction of the Department of Children and Families that was used for  
37 incarcerative purposes during the preceding fiscal year. If a list  
38 containing the name and location of such designated facilities and  
39 information concerning their use for purposes of incarceration during  
40 the preceding fiscal year is not available from the Secretary of the State  
41 on the first day of August of any year, the Commissioner of Correction  
42 shall, on said first day of August, certify to the Secretary of the Office  
43 of Policy and Management a list containing such information, (B)  
44 seventy-five per cent of the property taxes which would have been  
45 paid with respect to that portion of the John Dempsey Hospital located  
46 at The University of Connecticut Health Center in Farmington that is

47 used as a permanent medical ward for prisoners under the custody of  
48 the Department of Correction. Nothing in this section shall be  
49 construed as designating any portion of The University of Connecticut  
50 Health Center John Dempsey Hospital as a correctional facility, and  
51 (C) seventy-five per cent of the property taxes which would have been  
52 paid on any land designated within the 1983 Settlement boundary and  
53 taken into trust by the federal government for the Mashantucket  
54 Pequot Tribal Nation on or after June 8, 1999; (2) subject to the  
55 provisions of subsection (c) of section 12-19a of the general statutes,  
56 fifty-five per cent of the property taxes which would have been paid  
57 with respect to the buildings and grounds comprising Connecticut  
58 Valley Hospital in Middletown; (3) notwithstanding the provisions of  
59 subsections (b) and (c) of section 12-19a of the general statutes, with  
60 respect to any town in which more than fifty per cent of the property is  
61 state-owned real property, seventy-five per cent of the property taxes  
62 which would have been paid with respect to such state-owned  
63 property; (4) forty per cent of the property taxes which would have  
64 been paid with respect to all municipally-owned airports. The grant  
65 provided pursuant to this section for any municipally-owned airport  
66 shall be paid to any municipality in which the airport is located, except  
67 that the grant applicable to Sikorsky Airport shall be paid half to the  
68 town of Stratford and half to the city of Bridgeport; and (5) forty per  
69 cent of the property taxes which would have been paid with respect to  
70 any land designated within the 1983 Settlement boundary and taken  
71 into trust by the federal government for the Mashantucket Pequot  
72 Tribal Nation prior to June 8, 1999, or taken into trust by the federal  
73 government for the Mohegan Tribe of Indians of Connecticut,  
74 provided the real property subject to this subdivision shall be the land  
75 only, and shall not include the assessed value of any structures,  
76 buildings or other improvements on such land. The percentages  
77 provided in this subsection shall be that percentage of property tax  
78 which would have been paid with respect to such property, except for  
79 the exemption applicable to such property, on the assessment list in  
80 such town for the assessment date two years prior to the  
81 commencement of the state fiscal year in which such grant is paid.

82 (e) The grants in lieu of taxes payable to municipalities for the fiscal  
83 years commencing July 1, 2015, to July 1, 2019, inclusive, shall be paid  
84 as follows: (1) For the fiscal year commencing July 1, 2015, the grant  
85 payable shall be equal to eighty per cent of the amounts calculated  
86 pursuant to sections 12-19a and 12-20a of the general statutes, and  
87 twenty per cent of the amounts calculated pursuant to this section; (2)  
88 for the fiscal year commencing July 1, 2016, the grant payable shall be  
89 equal to sixty per cent of the amounts calculated pursuant to sections  
90 12-19a and 12-20a of the general statutes, and forty per cent of the  
91 amounts calculated pursuant to this section; (3) for the fiscal year  
92 commencing July 1, 2017, the grant payable shall be equal to forty per  
93 cent of the amounts calculated pursuant to sections 12-19a and 12-20a  
94 of the general statutes, and sixty per cent of the amounts calculated  
95 pursuant to this section; (4) for the fiscal year commencing July 1, 2018,  
96 the grant payable shall be equal to twenty per cent of the amounts  
97 calculated pursuant to sections 12-19a and 12-20a of the general  
98 statutes, and eighty per cent of the amounts calculated pursuant to this  
99 section; and (5) for the fiscal year commencing July 1, 2019, the grant  
100 payable shall be equal to one hundred per cent of the amounts  
101 calculated pursuant to this section.

102 (f) No municipality shall receive a grant in lieu of taxes pursuant to  
103 this section that is less than that received for state-owned property and  
104 for college and hospital property in the fiscal year commencing July 1,  
105 2014, after proration is applied as provided in subsection (b) of section  
106 12-19a of the general statutes and subsection (b) of section 12-20a of the  
107 general statutes.

108 (g) The Office of Policy and Management shall report, in accordance  
109 with the provisions of section 11-4a of the general statutes, to the joint  
110 standing committee of the General Assembly having cognizance of  
111 matters relating to finance, revenue and bonding, on or before July 1,  
112 2016, and on or before July first annually thereafter until July 1, 2019,  
113 with regard to the grants distributed in accordance with this section,  
114 and shall include in such reports any recommendations for changes in  
115 the grants.

116 Sec. 2. Section 12-19b of the general statutes is repealed and the  
117 following is substituted in lieu thereof (*Effective July 1, 2014*):

118 (a) Not later than April first in any assessment year, any town or  
119 borough to which a grant is payable under the provisions of section 12-  
120 19a or section 1 of this act, as applicable, shall provide the Secretary of  
121 the Office of Policy and Management with the assessed valuation of  
122 the real property eligible therefor as of the first day of October  
123 immediately preceding, adjusted in accordance with any gradual  
124 increase in or deferment of assessed values of real property  
125 implemented in accordance with section 12-62c, which is required for  
126 computation of such grant. Any town which neglects to transmit to the  
127 secretary the assessed valuation as required by this section shall forfeit  
128 two hundred fifty dollars to the state, provided the secretary may  
129 waive such forfeiture in accordance with procedures and standards  
130 adopted by regulation in accordance with chapter 54. Said secretary  
131 may on or before the first day of August of the state fiscal year in  
132 which such grant is payable, reevaluate any such property when, in  
133 the secretary's judgment, the valuation is inaccurate and shall notify  
134 such town of such reevaluation by certified or registered mail. Any  
135 town or borough aggrieved by the action of the secretary under the  
136 provisions of this section may, not later than ten business days  
137 following receipt of such notice, appeal to the secretary for a hearing  
138 concerning such reevaluation. Such appeal shall be in writing and shall  
139 include a statement as to the reasons for such appeal. The secretary  
140 shall, not later than ten business days following receipt of such appeal,  
141 grant or deny such hearing by notification in writing, including in the  
142 event of a denial, a statement as to the reasons for such denial. Such  
143 notification shall be sent by certified or registered mail. If any town or  
144 borough is aggrieved by the action of the secretary following such  
145 hearing or in denying any such hearing, the town or borough may not  
146 later than ten business days after receiving such notice, appeal to the  
147 superior court for the judicial district wherein such town is located.  
148 Any such appeal shall be privileged.

149 (b) Notwithstanding the provisions of section 12-19a and section 1

150 of this act, or subsection (a) of this section, there shall be an amount  
151 due the municipality of Voluntown, on or before the thirtieth day of  
152 September, annually, with respect to any state-owned forest, of an  
153 additional sixty thousand dollars, which amount shall be paid from the  
154 annual appropriation, from the General Fund, for reimbursement to  
155 towns for loss of taxes on private tax-exempt property.

156 Sec. 3. Section 12-19c of the general statutes is repealed and the  
157 following is substituted in lieu thereof (*Effective July 1, 2014*):

158 The Secretary of the Office of Policy and Management shall, not  
159 later than September fifteenth, certify to the Comptroller the amount  
160 due each town or borough under the provisions of section 12-19a or  
161 section 1 of this act, as applicable, or under any recomputation  
162 occurring prior to said September fifteenth which may be effected as  
163 the result of the provisions of section 12-19b, as amended by this act,  
164 and the Comptroller shall draw an order on the Treasurer on or before  
165 the fifth business day following September fifteenth and the Treasurer  
166 shall pay the amount thereof to such town on or before the thirtieth  
167 day of September following. If any recomputation is effected as the  
168 result of the provisions of section 12-19b, as amended by this act, on or  
169 after the August first following the date on which the town has  
170 provided the assessed valuation in question, any adjustments to the  
171 amount due to any town for the period for which such adjustments  
172 were made shall be made in the next payment the Treasurer shall  
173 make to such town pursuant to this section.

174 Sec. 4. Subsection (a) of section 12-20b of the general statutes is  
175 repealed and the following is substituted in lieu thereof (*Effective July*  
176 *1, 2014*):

177 (a) Not later than April first in each year, any municipality to which  
178 a grant is payable under the provisions of section 12-20a or section 1 of  
179 this act, as applicable, shall provide the Secretary of the Office of Policy  
180 and Management with the assessed valuation of the tax-exempt real  
181 property as of the immediately preceding October first, adjusted in  
182 accordance with any gradual increase in or deferment of assessed

183 values of real property implemented in accordance with section 12-62c,  
184 which is required for computation of such grant. Any municipality  
185 which neglects to transmit to the Secretary of the Office of Policy and  
186 Management the assessed valuation as required by this section shall  
187 forfeit two hundred fifty dollars to the state, provided the secretary  
188 may waive such forfeiture in accordance with procedures and  
189 standards adopted by regulation in accordance with chapter 54. Said  
190 secretary may, on or before the first day of August of the state fiscal  
191 year in which such grant is payable, reevaluate any such property  
192 when, in his or her judgment, the valuation is inaccurate and shall  
193 notify such municipality of such reevaluation. Any municipality  
194 aggrieved by the action of said secretary under the provisions of this  
195 section may, not later than ten business days following receipt of such  
196 notice, appeal to the secretary for a hearing concerning such  
197 reevaluation, provided such appeal shall be in writing and shall  
198 include a statement as to the reasons for such appeal. The secretary  
199 shall, not later than ten business days following receipt of such appeal,  
200 grant or deny such hearing by notification in writing, including in the  
201 event of a denial, a statement as to the reasons for such denial. If any  
202 municipality is aggrieved by the action of the secretary following such  
203 hearing or in denying any such hearing, the municipality may not later  
204 than two weeks after such notice, appeal to the superior court for the  
205 judicial district in which the municipality is located. Any such appeal  
206 shall be privileged. Said secretary shall certify to the Comptroller the  
207 amount due each municipality under the provisions of section 12-20a  
208 or section 1 of this act, as applicable, or under any recomputation  
209 occurring prior to September fifteenth which may be effected as the  
210 result of the provisions of this section, and the Comptroller shall draw  
211 his or her order on the Treasurer on or before the fifth business day  
212 following September fifteenth and the Treasurer shall pay the amount  
213 thereof to such municipality on or before the thirtieth day of  
214 September following. If any recomputation is effected as the result of  
215 the provisions of this section on or after the January first following the  
216 date on which the municipality has provided the assessed valuation in  
217 question, any adjustments to the amount due to any municipality for

218 the period for which such adjustments were made shall be made in the  
219 next payment the Treasurer shall make to such municipality pursuant  
220 to this section.

221 Sec. 5. Subsection (a) of section 12-63h of the 2014 supplement to the  
222 general statutes is repealed and the following is substituted in lieu  
223 thereof (*Effective July 1, 2014*):

224 (a) The Secretary of the Office of Policy and Management shall  
225 establish a pilot program in up to three municipalities whereby the  
226 selected municipalities shall develop a plan for implementation of land  
227 value taxation that (1) classifies real estate included in the taxable  
228 grand list as (A) land or land exclusive of buildings, or (B) buildings on  
229 land; and (2) establishes a different mill rate for property tax purposes  
230 for each class, provided the higher mill rate shall apply to land or land  
231 exclusive of buildings. The different mill rates for taxable real estate in  
232 each class shall not be applicable to any property for which a grant is  
233 payable under section 12-19a, [or] 12-20a or section 1 of this act, as  
234 applicable.

235 Sec. 6. Subsection (b) of section 12-64 of the 2014 supplement to the  
236 general statutes is repealed and the following is substituted in lieu  
237 thereof (*Effective July 1, 2014*):

238 (b) Except as provided in subsection (c) of this section, any land,  
239 buildings or easement to use air rights belonging to or held in trust for  
240 the state, not used for purposes attributable to functions of the state  
241 government or any other governmental purpose but leased to a person  
242 or organization for use unrelated to any such purpose, exclusive of any  
243 such lease with respect to which a binding agreement is in effect on  
244 June 25, 1985, shall be separately assessed in the name of the lessee and  
245 subject to local taxation annually in the name of the lessee having  
246 immediate right to occupancy of such land or building, by the town  
247 wherein situated as of the assessment day next following the date of  
248 leasing pursuant to section 4b-38. If such property or any portion  
249 thereof is leased to any organization which, if the property were  
250 owned by or held in trust for such organization, would not be liable

251 for taxes with respect to such property under any of the subdivisions  
252 of section 12-81, such organization shall be entitled to exemption from  
253 property taxes as the lessee under such lease, provided such property  
254 is used exclusively for the purposes of such organization as stated in  
255 the applicable subdivision of [said] section 12-81 and the portion of  
256 such property so leased to such exempt organization shall be eligible  
257 for a grant in lieu of taxes pursuant to section 12-19a or section 1 of this  
258 act, as applicable. Whenever the lessee of such property is required to  
259 pay property taxes to the town in which such property is situated as  
260 provided in this subsection, the assessed valuation of such property  
261 subject to the interest of the lessee shall not be included in the annual  
262 list of assessed values of state-owned real property in such town as  
263 prepared for purposes of state grants in accordance with [said] section  
264 12-19a or section 1 of this act, as applicable and the amount of grant to  
265 such town under [said] section 12-19a or section 1 of this act, as  
266 applicable, shall be determined without consideration of such assessed  
267 value.

268 Sec. 7. Subsections (a) to (d), inclusive, of section 3-55j of the general  
269 statutes are repealed and the following is substituted in lieu thereof  
270 (*Effective July 1, 2014*):

271 (a) Twenty million dollars of the moneys available in the  
272 Mashantucket Pequot and Mohegan Fund established by section 3-55i  
273 shall be paid to municipalities eligible for a state grant in lieu of taxes  
274 pursuant to section 12-19a, or section 1 of this act, as applicable, in  
275 addition to the grants payable to such municipalities pursuant to  
276 section 12-19a, or section 1 of this act, as applicable, subject to the  
277 provisions of subsection (b) of this section. Such grant shall be  
278 calculated under the provisions of section 12-19a, or section 1 of this  
279 act, as applicable, and shall equal one-third of the additional amount  
280 which such municipalities would be eligible to receive if the total  
281 amount available for distribution were eighty-five million two  
282 hundred five thousand eighty-five dollars and the percentage of  
283 reimbursement set forth in section 12-19a, or section 1 of this act, as  
284 applicable, were increased to reflect such amount. Any eligible special

285 services district shall receive a portion of the grant payable under this  
286 subsection to the town in which such district is located. The portion  
287 payable to any such district under this subsection shall be the amount  
288 of the grant to the town under this subsection which results from  
289 application of the district mill rate to exempt property in the district.  
290 As used in this subsection and subsection (c) of this section, "eligible  
291 special services district" means any special services district created by a  
292 town charter, having its own governing body and for the assessment  
293 year commencing October 1, 1996, containing fifty per cent or more of  
294 the value of total taxable property within the town in which such  
295 district is located.

296 (b) No municipality shall receive a grant pursuant to subsection (a)  
297 of this section which, when added to the amount of the grant payable  
298 to such municipality pursuant to section 12-19a, or section 1 of this act,  
299 as applicable, would exceed one hundred per cent of the property  
300 taxes which would have been paid with respect to all state-owned real  
301 property, except for the exemption applicable to such property, on the  
302 assessment list in such municipality for the assessment date two years  
303 prior to the commencement of the state fiscal year in which such grants  
304 are payable, except that, notwithstanding the provisions of said  
305 subsection (a), no municipality shall receive a grant pursuant to said  
306 subsection which is less than one thousand six hundred sixty-seven  
307 dollars.

308 (c) Twenty million one hundred twenty-three thousand nine  
309 hundred sixteen dollars of the moneys available in the Mashantucket  
310 Pequot and Mohegan Fund established by section 3-55i shall be paid to  
311 municipalities eligible for a state grant in lieu of taxes pursuant to  
312 section 12-20a, or section 1 of this act, as applicable, in addition to and  
313 in the same proportion as the grants payable to such municipalities  
314 pursuant to section 12-20a, or section 1 of this act, as applicable, subject  
315 to the provisions of subsection (d) of this section. Any eligible special  
316 services district shall receive a portion of the grant payable under this  
317 subsection to the town in which such district is located. The portion  
318 payable to any such district under this subsection shall be the amount

319 of the grant to the town under this subsection which results from  
320 application of the district mill rate to exempt property in the district.

321 (d) Notwithstanding the provisions of subsection (c) of this section,  
322 no municipality shall receive a grant pursuant to said subsection  
323 which, when added to the amount of the grant payable to such  
324 municipality pursuant to section 12-20a, or section 1 of this act, as  
325 applicable, would exceed one hundred per cent of the property taxes  
326 which, except for any exemption applicable to any private nonprofit  
327 institution of higher education, nonprofit general hospital facility or  
328 freestanding chronic disease hospital under the provisions of section  
329 12-81, would have been paid with respect to such exempt real property  
330 on the assessment list in such municipality for the assessment date two  
331 years prior to the commencement of the state fiscal year in which such  
332 grants are payable.

333 Sec. 8. Subsection (g) of section 4b-38 of the general statutes is  
334 repealed and the following is substituted in lieu thereof (*Effective July*  
335 *1, 2014*):

336 (g) Notwithstanding the provisions of this section, the board of  
337 trustees of a constituent unit of the state system of higher education  
338 may lease land or buildings, or both, and facilities under the control  
339 and supervision of such board when such land, buildings or facilities  
340 are otherwise not used or needed for use by the constituent unit and  
341 such action seems desirable to produce income or is otherwise in the  
342 public interest, provided the Treasurer has determined that such action  
343 will not affect the status of any tax-exempt obligations issued or to be  
344 issued by the state of Connecticut. Upon executing any such lease, said  
345 board shall forward a copy to the assessor or board of assessors of the  
346 municipality in which the leased property is located. The proceeds  
347 from any lease or rental agreement pursuant to this subsection shall be  
348 retained by the constituent unit. Any land so leased for private use and  
349 the buildings and appurtenances thereon shall be subject to local  
350 assessment and taxation annually in the name of the lessee, assignee or  
351 sublessee, whichever has immediate right to occupancy of such land or

352 building, by the town wherein situated as of the assessment day of  
353 such town next following the date of leasing. Such land and the  
354 buildings and appurtenances thereon shall not be included as property  
355 of the constituent unit for the purpose of computing a grant in lieu of  
356 taxes pursuant to section 12-19a or section 1 of this act, as applicable,  
357 provided, if such property is leased to an organization which, if the  
358 property were owned by or held in trust for such organization would  
359 not be liable for taxes with respect to such property under section 12-  
360 81, such organization shall be entitled to exemption from property  
361 taxes as the lessee under such lease, and the portion of such property  
362 exempted and leased to such organization shall be eligible for a grant  
363 in lieu of taxes pursuant to [said] section 12-19a or section 1 of this act,  
364 as applicable.

365 Sec. 9. Section 4b-39 of the general statutes is repealed and the  
366 following is substituted in lieu thereof (*Effective July 1, 2014*):

367 Land, buildings or facilities leased pursuant to section 4b-35 and  
368 section 4b-36 shall be exempt from municipal taxation. The value of  
369 such land, buildings or facilities shall be used for computation of  
370 grants in lieu of taxes pursuant to section 12-19a or section 1 of this act,  
371 as applicable.

372 Sec. 10. Section 4b-46 of the general statutes is repealed and the  
373 following is substituted in lieu thereof (*Effective July 1, 2014*):

374 On and after July 1, 1995, any property which is subject to an  
375 agreement entered into by the Commissioner of Administrative  
376 Services for the purchase of such property through a long-term  
377 financing contract shall be exempt from taxation by the municipality in  
378 which such property is located, during the term of such contract. The  
379 assessed valuation of such property shall be included with the  
380 assessed valuation of state-owned land and buildings for purposes of  
381 determining the state grant in lieu of taxes under the provisions of  
382 section 12-19a or section 1 of this act, as applicable.

383 Sec. 11. Section 10a-90 of the general statutes is repealed and the

384 following is substituted in lieu thereof (*Effective July 1, 2014*):

385       The Board of Trustees for the Connecticut State University System,  
386 with the approval of the Governor and the Secretary of the Office of  
387 Policy and Management, may lease state-owned land under its care,  
388 custody or control to private developers for construction of dormitory  
389 buildings, provided such developers agree to lease such buildings to  
390 such board of trustees with an option to purchase and provided  
391 further that any such agreement to lease is subject to the provisions of  
392 section 4b-23, prior to the making of the original lease by the board of  
393 trustees. The plans for such buildings shall be subject to approval of  
394 such board, the Commissioner of Administrative Services and the State  
395 Properties Review Board and such leases shall be for the periods and  
396 upon such terms and conditions as the Commissioner of  
397 Administrative Services determines, and such buildings, while  
398 privately owned, shall be subject to taxation by the town in which they  
399 are located. The Board of Trustees for the Connecticut State University  
400 System may also deed, transfer or lease state-owned land under its  
401 care, custody or control to the State of Connecticut Health and  
402 Educational Facilities Authority for financing or refinancing the  
403 planning, development, acquisition and construction and equipping of  
404 dormitory buildings and student housing facilities and to lease or  
405 sublease such dormitory buildings or student housing facilities and  
406 authorize the execution of financing leases of land, interests therein,  
407 buildings and fixtures in order to secure obligations to repay any loan  
408 from the State of Connecticut Health and Educational Facilities  
409 Authority from the proceeds of bonds issued thereby pursuant to the  
410 provisions of chapter 187 made by the authority to finance or refinance  
411 the planning, development, acquisition and construction of dormitory  
412 buildings. Any such financing lease shall not be subject to the  
413 provisions of section 4b-23 and the plans for such dormitories shall be  
414 subject only to the approval of the board. Such financing leases shall be  
415 for such periods and upon such terms and conditions that the board  
416 shall determine. Any state property so leased shall not be subject to  
417 local assessment and taxation and such state property shall be  
418 included as property of the Connecticut State University System for

419 the purpose of computing a grant in lieu of taxes pursuant to section  
420 12-19a, or section 1 of this act, as applicable.

421 Sec. 12. Subsection (b) of section 10a-91 of the general statutes is  
422 repealed and the following is substituted in lieu thereof (*Effective July*  
423 *1, 2014*):

424 (b) Any land so leased to a private developer for rental housing or  
425 commercial establishments and the buildings and appurtenances  
426 thereon shall be subject to local assessment and taxation annually in  
427 the name of the lessee, assignee or sublessee, whichever has immediate  
428 right to occupancy of such land or building, by the town wherein  
429 situated as of the assessment day of such town next following the date  
430 of leasing. Such land shall not be included as property of the  
431 Connecticut State University System for the purpose of computing a  
432 grant in lieu of taxes pursuant to section 12-19a or section 1 of this act,  
433 as applicable.

434 Sec. 13. Section 15-101dd of the general statutes is repealed and the  
435 following is substituted in lieu thereof (*Effective July 1, 2014*):

436 Whenever any lessee is required to pay property taxes under this  
437 chapter, the assessed valuation of such property subject to the interest  
438 of the lessee shall not be included in the annual list of assessed values  
439 of state-owned real property in such town as prepared for purposes of  
440 state grants in accordance with section 12-19a or section 1 of this act, as  
441 applicable, and the amount of grant to such town under [said] section  
442 12-19a or section 1 of this act, as applicable, shall be determined  
443 without consideration of such assessed value.

444 Sec. 14. Subsection (c) of section 22-26jj of the general statutes is  
445 repealed and the following is substituted in lieu thereof (*Effective July*  
446 *1, 2014*):

447 (c) The commissioner may lease all or part of one property acquired  
448 by him under this section as part of a demonstration project, in  
449 accordance with subsection (d) of this section, provided such project is

450 approved by the Secretary of the Office of Policy and Management.  
451 Such property may be leased to one or more agricultural users for a  
452 period not to exceed five years. Such lease may be renewed for periods  
453 not to exceed five years. Any property leased under such  
454 demonstration project shall be exempt from taxation by the  
455 municipality in which the property is located. The assessed valuation  
456 of the property shall be included with the assessed valuation of state-  
457 owned land and buildings for purposes of determining the state's  
458 grant in lieu of taxes under the provisions of section 12-19a or section 1  
459 of this act, as applicable.

460 Sec. 15. Subsection (c) of section 22-2600 of the 2014 supplement to  
461 the general statutes is repealed and the following is substituted in lieu  
462 thereof (*Effective July 1, 2014*):

463 (c) The Commissioner of Agriculture may lease, permit or license all  
464 or part of said farm to one or more persons for the purpose of  
465 engaging in agriculture, as defined in section 1-1. Any such lease,  
466 permit or license shall be for a period not to exceed fifteen years and  
467 shall contain, as a condition thereof, compliance with the provisions of  
468 the permanent conservation easement granted pursuant to subsection  
469 (b) of this section. Any such lease, permit or license may be renewed  
470 for a period not to exceed fifteen years. Any property leased, permitted  
471 or licensed pursuant to this subsection shall be exempt from taxation  
472 by the municipality in which said property is located. The assessed  
473 valuation of said property shall be included in the assessed valuation  
474 of state-owned land and buildings for purposes of determining the  
475 state's grant in lieu of taxes pursuant to the provisions of section 12-19a  
476 or section 1 of this act, as applicable. Any such lease, permit or license  
477 shall be subject to the review and approval of the State Properties  
478 Review Board. The State Properties Review Board shall complete a  
479 review of each lease, permit or license not later than thirty days after  
480 receipt of a proposed lease, permit or license from the Commissioner  
481 of Agriculture.

482 Sec. 16. Section 22a-282 of the general statutes is repealed and the

483 following is substituted in lieu thereof (*Effective July 1, 2014*):

484 The Connecticut Resources Recovery Authority, notwithstanding  
485 the provisions of subsection (b) of section 22a-208a concerning the  
486 right of any local body to regulate, through zoning, land usage for  
487 solid waste disposal and section 22a-276, may use and operate as a  
488 solid waste disposal area, pursuant to a permit issued under sections  
489 22a-208, 22a-208a and 22a-430, any real property owned by said  
490 authority on or before May 11, 1984, any portion of which has been  
491 operated as a solid waste disposal area, and the authority shall not be  
492 subject to regulation by any such body, except that the authority shall  
493 pay to the municipality in which such property is located one dollar  
494 per ton of unprocessed solid waste received from outside of such  
495 municipality and disposed of at the solid waste disposal area by the  
496 authority. Any payment shall be in addition to any other agreement  
497 between the municipality and the authority. The provisions of section  
498 12-19a and section 1 of this act, as applicable, shall not be construed to  
499 apply to any such real property.

500 Sec. 17. Section 23-30 of the general statutes is repealed and the  
501 following is substituted in lieu thereof (*Effective July 1, 2014*):

502 The Commissioner of Energy and Environmental Protection may,  
503 for the purposes specified in section 23-29, lease, for a period of not  
504 less than ninety-nine years, any lands within the state, title to which  
505 has been acquired by the resettlement administration or other agency  
506 of the government of the United States, provided the form of such  
507 lease shall be approved by the Attorney General. Said commissioner  
508 may enter into cooperative agreements with any branch of the  
509 government of the United States regarding the custody, management  
510 and use of lands so leased. All lands leased under this section shall, for  
511 the purposes of taxation, be considered as owned by the state, and the  
512 towns in which such lands are situated shall receive from the state  
513 grants in lieu of taxes thereon, as provided in section 12-19a or section  
514 1 of this act, as applicable.

515 Sec. 18. Section 32-610 of the general statutes is repealed and the

516 following is substituted in lieu thereof (*Effective July 1, 2014*):

517 The exercise of the powers granted by section 32-602 constitute the  
518 performance of an essential governmental function and the Capital  
519 Region Development Authority shall not be required to pay any taxes  
520 or assessments upon or in respect of the convention center or the  
521 convention center project, as defined in section 32-600, levied by any  
522 municipality or political subdivision or special district having taxing  
523 powers of the state and such project and the principal and interest of  
524 any bonds and notes issued under the provisions of section 32-607,  
525 their transfer and the income therefrom, including revenues derived  
526 from the sale thereof, shall at all times be free from taxation of every  
527 kind by the state of Connecticut or under its authority, except for estate  
528 or succession taxes but the interest on such bonds and notes shall be  
529 included in the computation of any excise or franchise tax.  
530 Notwithstanding the foregoing, the convention center and the related  
531 parking facilities owned by the authority shall be deemed to be state-  
532 owned real property for purposes of sections 12-19a and 12-19b, as  
533 amended by this act, and section 1 of this act, and the state shall make  
534 grants in lieu of taxes with respect to the convention center and such  
535 related parking facilities to the municipality in which the convention  
536 center and such related parking facilities are located as otherwise  
537 provided in [said] sections 12-19a and 12-19b, as amended by this act,  
538 or section 1 of this act, as applicable.

539 Sec. 19. Subsections (a) and (b) of section 32-666 of the general  
540 statutes are repealed and the following is substituted in lieu thereof  
541 (*Effective July 1, 2014*):

542 (a) Any land on the Adriaen's Landing site leased by the secretary  
543 for purposes of site acquisition for an initial term of at least ninety-nine  
544 years shall, while such lease remains in effect, be deemed to be state-  
545 owned real property for purposes of sections 12-19a and 12-19b, as  
546 amended by this act, section 1 of this act and subdivision (2) of section  
547 12-81 and the state shall make grants in lieu of taxes with respect to  
548 such land to the municipality in which the same is located as otherwise

549 provided in sections 12-19a and 12-19b, as amended by this act, or  
 550 section 1 of this act, as applicable.

551 (b) Any land that comprises a private development district  
 552 designated pursuant to section 32-600 and all improvements on or to  
 553 such land shall, while such designation continues, be deemed to be  
 554 state-owned real property for purposes of sections 12-19a and 12-19b,  
 555 as amended by this act, section 1 of this act and subdivision (2) of  
 556 section 12-81, and the state shall make grants in lieu of taxes with  
 557 respect to such land and improvements to the municipality in which  
 558 the same is located as otherwise provided in sections 12-19a and 12-  
 559 19b, as amended by this act, or section 1 of this act, as applicable.  
 560 Section 32-666a shall not be applicable to any such land or  
 561 improvements while designated as part of the private development  
 562 district.

This act shall take effect as follows and shall amend the following sections:		
Section 1	July 1, 2014	New section
Sec. 2	July 1, 2014	12-19b
Sec. 3	July 1, 2014	12-19c
Sec. 4	July 1, 2014	12-20b(a)
Sec. 5	July 1, 2014	12-63h(a)
Sec. 6	July 1, 2014	12-64(b)
Sec. 7	July 1, 2014	3-55j(a) to (d)
Sec. 8	July 1, 2014	4b-38(g)
Sec. 9	July 1, 2014	4b-39
Sec. 10	July 1, 2014	4b-46
Sec. 11	July 1, 2014	10a-90
Sec. 12	July 1, 2014	10a-91(b)
Sec. 13	July 1, 2014	15-101dd
Sec. 14	July 1, 2014	22-26jj(c)
Sec. 15	July 1, 2014	22-26oo(c)
Sec. 16	July 1, 2014	22a-282
Sec. 17	July 1, 2014	23-30
Sec. 18	July 1, 2014	32-610
Sec. 19	July 1, 2014	32-666(a) and (b)

**FIN**      *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

## **OFA Fiscal Note**

### **State Impact:**

<b>Agency Affected</b>	<b>Fund-Effect</b>	<b>FY 15 \$</b>	<b>FY 16 \$</b>
Policy & Mgmt., Off.	GF - Cost	None	Approx. \$24 million

### **Municipal Impact:**

<b>Municipalities</b>	<b>Effect</b>	<b>FY 15 \$</b>	<b>FY 16 \$</b>
All Municipalities	Revenue Gain	None	Approx. \$24 million

## **Explanation**

The bill changes the statutory reimbursement rates for taxes owed on state property and college and hospital property under the State Property and College & Hospital Property PILOT grant programs. The bill also specifies that such grants cannot be prorated. The bill phases in these changes over five years, from FY 16 to FY 20, when it will be fully phased in.

There is a significant cost to the Office of Policy and Management, and a significant revenue gain to municipalities, associated with these changes. This cost, and revenue gain, is partially offset by funding already appropriated for such grants. The table below shows the impact of these changes over the course of the phase in, based on FY 15 data.<sup>1</sup> For illustration purposes, it is assumed that the appropriation for the State Property and College & Hospital PILOT programs remains flat at FY 15 levels.

<sup>1,2</sup>Certain payments to towns via the State Property and College & Hospital PILOT grants are not currently subject to proration. These payments, totaling approximately \$8 million in FY 15, are not included in this analysis.

**Cost of Increased State Property and College & Hospital PILOT  
Reimbursement Rates FY 16 to FY 20**

<b>Fiscal Year</b>	<b>FY 15 Combined Appropriation for State Property and C&amp;H Property PILOT<sup>2</sup>\$</b>	<b>Total Cost of sSB 467 \$</b>	<b>Additional Cost of sSB 467 Above Current Appropriation \$</b>
16	189,073,383	213,328,460	24,255,076
17	189,073,383	245,806,311	56,732,928
18	189,073,383	278,284,162	89,210,779
19	189,073,383	310,762,013	121,688,630
20	189,073,383	343,239,864	154,166,481

Increasing funding for the State Property and College & Hospital Property PILOT grants alters the distribution of funding for the Pequot grant. As the Pequot grant is prorated, any change in funding distribution may result in some individual municipalities experiencing a loss of Pequot funding. However, as the bill does not change the appropriation for the Pequot grant, there is no fiscal impact to the state, or cumulative impact to municipalities.

***The Out Years***

The annualized ongoing fiscal impact identified above would continue into the future subject to changes in municipal mill rates and grand lists.

---

---

**OLR Bill Analysis****sSB 467*****AN ACT CONCERNING STATE GRANTS IN LIEU OF PROPERTY TAXES.*****SUMMARY:**

This bill restructures the statutory formulas for state payments in lieu of taxes (PILOTs) that reimburse municipalities for the lost revenue from certain tax-exempt property.

By law, the state makes annual PILOTs to municipalities to reimburse them for a part of the revenue loss from (1) state-owned property, Indian reservation and trust land, and municipally owned airports (“state-owned property”) and (2) private nonprofit college and hospital property (“college and hospital property”). Under current law, these PILOTs are based on (1) a specified percentage of taxes that the municipality would otherwise collect on the property (generally 45% for state-owned property and 77% for college and hospital property) and (2) the amount the state appropriates for the payments.

The bill instead, over a five-year phase-in period from FY 16 to FY 20, shifts the basis of the payments to the percentage of each municipality’s grand list comprised of all tax-exempt real property. With certain exceptions, the 20 municipalities with the highest percentage of tax-exempt real property receive a 50% PILOT, the next 20 municipalities receive a 45% PILOT, and the remaining municipalities receive a 40% PILOT. Unlike the PILOTs under current law, the bill does not contain provisions requiring these grants to be proportionately reduced if the state appropriation for the grants is not enough to pay the full amount to every municipality. Under the bill, municipalities must receive a PILOT equal to or greater than the prorated amount they receive in FY 15. The grants are subject to the existing procedures for claiming and making PILOTs.

The bill requires the Office of Policy and Management (OPM), beginning by July 1, 2016, to annually report for four years to the Finance, Revenue and Bonding Committee on the PILOTs and include its recommendations for changes.

The bill also makes technical and conforming changes, including modifications to the Mashantucket Pequot and Mohegan Fund grants which are based in part on the formulas for distributing state-owned property and college and hospital PILOTs.

EFFECTIVE DATE: July 1, 2014

## **PILOT REIMBURSEMENT RATES**

### ***General PILOT Rates***

The bill requires OPM to rank each municipality based on the percentage of tax-exempt real property on its grand list and (2) with certain exceptions, sets a PILOT rate for municipalities based on this ranking. Under the bill, the 20 municipalities with the highest percentage of such property receive a PILOT equal to 50% of the property taxes that would have been paid on tax-exempt state-owned property and college and hospital property. The next 20 municipalities receive a 45% PILOT and the remaining municipalities receive a 40% PILOT.

Under current law, municipalities generally receive PILOTs of 45% for state-owned property and 77% for college and hospital property. However, both grants are proportionately reduced if the state's annual appropriation is not enough to fund the full grants. Under the bill, in each year, municipalities must receive a PILOT equal to or greater than the prorated amount they receive in FY 15.

### ***Rates for Specific Types of Property***

As under current law, the bill sets different PILOT rates for specific types of state-owned property. Table 1 lists the affected properties and the PILOT rates under current law and the bill.

Table 1: PILOT Payments for Specified Properties

<i>Type of Property</i>	<i>PILOT (% of lost revenue)</i>	
	<i>Current Law (subject to proportional reductions)</i>	<i>Bill</i>
Correctional facility or juvenile detention center	100%	75%
Dempsey Hospital permanent medical ward for prisoners	100%	75%
Mashantucket Pequot reservation land designated in 1983 settlement and taken into trust by the federal government on or after June 8, 1999	100%	75%
Connecticut Valley Hospital	65%	55%
Land in any town in which more than 50% of the land is state-owned (Voluntown)	100%	75%
Municipally owned airports	45%	40%
Mashantucket Pequot reservation land designated in 1983 settlement and taken into trust by the federal government for the Mashantucket Pequots before June 8, 1999 and land taken into trust by the federal government for the Mohegans	45% (phased in over five years from, FY 13 to FY 17; not subject to proportional reductions until FY 17)	40%

The bill retains the following PILOTs for municipalities that host specified properties or institutions:

1. \$100,000 to Branford for Connecticut Hospice,
2. \$1 million to New London for the U.S. Coast Guard Academy, and
3. an additional \$60,000 for Voluntown for state-owned forest land.

**PHASE-IN SCHEDULE**

The bill phases in the new PILOT reimbursement rates over five years, from FY 16 to FY 20. As Table 2 shows, it does so by decreasing the total amount of the PILOTs calculated under the existing formulas (subject to proportional reductions), while simultaneously increasing the amount calculated under the bill’s formulas.

Table 2: PILOT Phase-In Schedule

<i>FY</i>	<i>PILOT Grant Amount</i>	
	<i>Grant Amount Calculated Under Existing Formulas</i>	<i>Grant Amount Calculated Under the Bill’s Formulas</i>
2016	80%	20%
2017	60%	40%

---

2018	40%	60%
2019	20%	80%
2020 and thereafter	0%	100%

**BACKGROUND**

***Related Bill***

sHB 5583, favorably reported by the Planning and Development Committee, (1) subjects private nonprofit colleges and hospitals to real property taxes over a five year phase-in period and (2) replaces the college and hospital PILOT program with a new state grant program reimbursing colleges and hospitals for part of the taxes they pay to their host municipalities.

**COMMITTEE ACTION**

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 32 Nay 18 (03/25/2014)