



Testimony
Betsy Gara
Executive Director
Connecticut Council of Small Towns
Planning & Development Committee
March 21, 2014

**RE: HB-5583 - AN ACT CONCERNING THE PAYMENT OF REAL PROPERTY TAXES
BY CERTAIN INSTITUTIONS OF HIGHER LEARNING AND HOSPITAL FACILITIES**

The Connecticut Council of Small Towns (COST) *supports* **HB-5583**, which recognizes that it is unfair for towns and cities to shoulder the burden of making up for property tax revenues lost due to state-mandated property tax exemptions.

Connecticut's small towns and cities continue to face pressure at the local level to hold the line on property tax increases. For small towns, state aid to municipalities has been flat funded for several years, requiring towns to fund a larger portion of education and other programs from property tax revenues. As a result, town budgets are under enormous strain because the cost of providing education, public safety and other critical services has increased every year, despite efforts to control costs on the local level. In simple terms, every dollar increase in our budget is a property tax increase.

Towns receive Payments in Lieu of Taxes (PILOT) as partial reimbursement from the state for lost property tax revenues on state property and private colleges and hospitals. The reimbursement rate is *supposed* to be 77% for the Private Colleges & Hospital PILOT and 45% for the State-Owned Property PILOT. The actual reimbursement rates are much lower, however, because state statute allows the reimbursements to be reduced on a pro-rata basis when state appropriations are not sufficient.

The actual reimbursement rates for FY 14 are 33% for the Colleges & Hospitals PILOT and approximately 23% for the State-Owned Property PILOT. As a result, municipalities lose more than \$650 million in tax revenues. This is imposing an untenable burden on local property taxpayers and/or forcing cuts in critical programs in communities that happen to house colleges, hospitals and/or state property.

Therefore, COST supports HB-5583 which will help these communities by phasing out the tax exemption on private colleges and hospitals. This will also help these communities manage their budgets because these revenues will not be subject to the fluctuations associated with the current cap.

COST member towns value their relationship with private colleges and hospitals and are pleased that the proposal includes a mechanism to reimburse these entities for property tax payments.



Moreover, the legislation allows colleges and hospitals to enter into agreements with municipalities to develop a mutually beneficial arrangement that recognizes the value that each party brings to the table.

COST is also encouraged that this proposal, as drafted, will *not* negatively impact municipalities that currently rely on funding under the Pequot Mohegan grant. This is an important source of revenue for municipalities and must be sustained.

However, we do urge lawmakers to consider how the towns that host State Property may also be compensated for lost revenue associated with the property tax exemption. It is unfair that these communities must shoulder a significant financial burden due to the location of state property within their borders.

For example, Rocky Hill is a community that hosts 21 state-owned properties, made up of thirteen different agencies, two State parks and a variety of yet to be developed properties for a total of 447 acres. The total value of State property in Rocky Hill is \$202,329,300, which if taxed would result in \$3,920,584 in property tax using their current mill rate of 26.6. Instead, Rocky Hill receives \$711,726 in PILOT funds.

This equates to only 18% of the taxes that would have been collected; not the 45% the State is supposed to pay. In exchange, Rocky Hill provides Fire and Ambulance and, in most incidents, police services. Providing these municipal services does not come cheaply and is being provided to the state on the backs of the taxpayers of Rocky Hill and other communities that host state-owned property.

COST is an advocacy organization committed to giving small towns a strong voice in the legislative process. Its members are Connecticut towns with populations of less than 30,000. COST champions the major policy needs and concerns of Connecticut's suburban and rural towns.