CONNECTICUT CONFERENCE OF MUNICIPALITIES
THE VOICE OF LOCAL GOVERNMENT

CCM 2015 Testimony

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APPROPRIATIONS COMMITTEE

March 4, 2015

The Connecticut Conference of Municipalities (CCM) is Connecticut's statewide association of towns and cities and the voice of local government - your partners in governing Connecticut. Our members represent 156 towns and cities, representing over 95 percent of Connecticut's population. We appreciate the opportunity to testify on bills of interest to towns and cities.

HB 6824, "An Act Concerning the State Budget for the Biennium Ending June Thirteenth 2017, and Making Appropriations Therefor and Other Provisions Related to Revenue"

CCM is very appreciative that Governor Malloy has maintained a commitment to property taxpayers by sparing major municipal state grants from cuts. As a former mayor, the Governor understands that by saying "no" to municipal cuts, he is saying "yes" to property taxpayers.

The Governor protects main (categorical) state aid grants that benefit property taxpayers from cutbacks: the Education Cost Sharing (ECS) Grant; PILOTS for Private Colleges and Hospitals and for State Property; the Pequot/Mohegan Grant; the Town Aid Road (TAR) Grant and the Local Capital Improvement Program (LoCIP).

However, due to the fact that some state grants are not fully funded, many communities would receive less funding as a result of shifting grant distributions. 70 towns would be cut – many of our poorest, and in significant and harmful ways.

Examples of the cuts, which total about $7 million statewide: Hartford (-$2,553,440); New Haven (-$1,216,132); Bridgeport (-$499,830); Montville (-$427,986); West Hartford (-$184,922); West Haven (-$157, 126); Hamden (-$146,132); Milford (-$134,934); Mansfield (-$377,178); Newtown (-$45,374) and East Lyme (-$48,100). See Appendix A for a full list of proposed cuts.

CCM urges the Committee to establish a Municipal Aid Adjustment fund to reimburse individual towns and cities that are not held harmless. Funds left over, of course, would go to the General Fund.

Why should towns and cities be held harmless?

- *Holding towns harmless, means holding property taxpayers harmless.* And as the recent Department of Revenue Services report clearly concludes: the property tax is the most burdensome and regressive tax paid by residents and businesses.

- *Many of the cities and towns facing cuts are among the poorest communities in the country*. They face many challenges: extremely high unemployment, crime, shrinking grand lists, poverty and educational disparities. They suffer disproportionately from our property tax system. Such communities bear a disproportionate burden when it comes to providing services for Connecticut's neediest residents. At the same time, many are regional hubs for economic development, culture and emergency care. And, towns like Montville have small populations, but large challenges.

- Although CCM appreciates flat-funding of major grants, after a brief increase, largely due to temporary revenue sharing, the amount of non-education aid provided to towns and cities is set to *decrease*.

- *Education funding is significantly underfunded*. The ECS grant remains underfunded by more than $600 million -- and special-education costs continue to rise while state reimbursement of those costs has been flat.

CCM is concerned about the fiscal impact of certain proposals contained in the budget:

(a) Requiring towns to pay 100% of Resident State Trooper costs,
(b) Requiring full day kindergarten,
(c) Eliminating the public housing PILOT and tax abatement,
(d) Cutting Priority schools funding,
(e) Increasing the solid waste disposal fee,
(f) Sweeping local funds collected from land recording fees, and
(g) Cutting Urban Act funding in half, among others.

In addition, the budget proposal contains a $20 million cut in municipal aid for MORE Commission-related "municipal efficiencies and regional cooperation." Whether $20 million in actual efficiencies can be achieved this session is questionable. Indeed, the State has already set a bad precedent: the current budget allows the State to cut municipal aid by $10 million to make up for $10 million in savings through MORE Commission-related mandates reform and regional efficiencies. Although no reform was enacted during the last session, OPM plans to cut municipal aid by $12.7 million – mid-year – by raiding the Municipal Revenue Sharing Account fund. Most cities and towns have budgeted for these promised funds.

If the State wants to ensure its economic competiveness, it must start with sustaining its towns and cities. Funding critical local public services come from two primary sources – the property tax and state aid, and it is increasingly clear that sustaining state aid is an essential component to thwarting the municipal over-reliance on the property tax.

CCM urges the Committee to continue its good and essential work in standing strong for residential and business property taxpayers. Ensuring that every town is held harmless will help make Connecticut the strong economic engine it must be, and relieve overburdened and overwhelmed property taxpayers.

<u>PILOTs</u>

CCM believes that if the State mandates that property be taken off local tax rolls, the State should replace the lost revenue. Otherwise, an individual municipality and its property taxpayers end up paying for tax breaks granted by the State to favored entities and activities.

Connecticut relies on property taxes more than any other single tax base to fund local government services and activities and to meet the requirements of state-mandated programs. The property tax raises over *$1 billion more* than the state personal income tax. As a result, tax-exempt property is a major issue for towns and cities.

PRIVATE COLLEGES AND HOSPITALS (C.G.S. § 12-20a and 12-20b)

Description: Municipalities are reimbursed for 34% in FY 15 of revenue lost due to the exemption of the *real* property of private colleges and general hospitals from local property taxes. There is *no* reimbursement for the *personal* property of these institutions. The statutory standard reimbursement rate for this PILOT program is 77%.

STATE-OWNED PROPERTY (C.G.S. § 12-19a – 12-19c)

Description: Municipalities are reimbursed for 27% in FY 15 of the lost taxes on State-owned *real* property and 100% of lost taxes on real estate for prisons and jails. There is *no* reimbursement for the *personal* property belonging to the State -- motor vehicles, office furniture, computers, laboratory equipment, etc. The statutory standard reimbursement rate for this PILOT program is 45%, 100% for prisons.

Appendix B lists state mandated property tax exemptions.

CCM urges the Committee to consider:

- Property taxes are the primary source of revenue for financing local services in Connecticut. When individuals work in or visit hospitals, attend or work in colleges, visit museums, or attend concerts, they take advantage of the services of a host municipality. Patrons, workers, and the tax-exempt institutions enjoy police protection, use of roads and sidewalks, garbage collection, sewerage, and the entire range of services funded from local property taxes. But, because of state-mandated exemptions, no property tax dollars are available from these institutions to finance the local services that support them.

- When the State provides less than 100% reimbursement for the loss in revenue that results from these property tax exemptions, residents and businesses in the municipalities where these exempt properties are located must pay for (subsidize) the services used by others.

- Because all state residents benefit in one way or another from the existence of tax-exempt institutions and from the services provided by their host municipalities to support them, all state residents should share the cost burden. State reimbursement for these exemptions -- funded from the many sources of revenue paid to the State by individuals and businesses -- is the appropriate mechanism for ensuring that host municipalities, and their residential and business property taxpayers, are made whole.

- The cities of Bridgeport, Hartford and New Haven account for one-third of the value of all exempt private colleges and hospitals in the state. In Hartford, for example, if the PILOTs for state-owned property and private colleges and hospitals were fully funded, property taxes on homeowners and businesses could be reduced by 10%.

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If you have any questions, please call Ron Thomas, Director of Public Policy & Advocacy, at (203) 498-3000.

APPENDIX A:

BUDGET PROPOSAL:
TOWNS AND CITIES THAT WOULD RECEIVE A DECREASE IN STATE AID

Town	Change
Hartford	(2,553,420)
New Haven	(1,216,132)
Bridgeport	(499,830)
Mansfield	(377,178)
Waterbury	(289,753)
West Hartford	(184,922)
Farmington	(166,791)
Stamford	(164,307)
West Haven	(157,125)
Fairfield	(146,636)
Hamden	(146,132)
Milford	(134,934)
Somers	(131,058)
Suffield	(103,394)
Enfield	(87,997)
Westport	(82,574)
Groton (Town of)	(60,421)
Derby	(54,670)
East Lyme	(48,100)
Newtown	(45,374)
Greenwich	(39,505)
Meriden	(26,491)
Norfolk	(20,332)
Oxford	(16,323)
East Haddam	(13,677)
Vernon	(13,644)
Redding	(11,827)
Warren	(10,965)
Coventry	(10,767)
Southbury	(10,522)
New Canaan	(10,369)
Hartland	(9,956)
Kent	(9,107)
Washington	(8,499)
Bolton	(8,129)
Chaplin	(7,927)
Burlington	(7,829)
Lisbon	(7,521)
Killingworth	(6,962)
Manchester	(6,825)
Lebanon	(6,739)
Old Lyme	(6,656)
Granby	(6,104)
Voluntown	(5,776)
Hampton	(5,741)
East Hampton	(5,385)
Tolland	(4,052)
Easton	(3,694)
Litchfield	(2,917)
Hebron	(2,797)
Ashford	(2,713)
Haddam	(1,971)
Colebrook	(1,934)
Goshen	(1,796)
Cornwall	(1,496)
Sherman	(1,174)
Salisbury	(1,129)
Pomfret	(1,058)
Union	(964)
Simsbury	(934)
Roxbury	(914)
Weston	(827)
Lyme	(777)
Bethlehem	(735)
Bridgewater	(679)
Franklin	(625)
Darien	(364)
Eastford	(176)
Portland	(165)

APPENDIX B:

STATE MANDATED PROPERTY TAX EXEMPTIONS

The following property is exempt from taxation in Connecticut (C.G.S. §12-81):

1. Property of the United States.
2. State property, reservation land held in trust by the state for an Indian tribe.
3. County Property (repealed).
4. Municipal Property.
5. Property held by trustees for public purposes.
6. Property of volunteer fire companies and property devoted to public use.
7. Property used for scientific, educational, literary, historical or charitable purposes.
8. College property.
9. Personal property loaned to tax-exempt educational institutions
10. Property belonging to agricultural or horticultural societies.
11. Property held for cemetery use.
12. Personal property of religious organizations devoted to religious or charitable use.
13. Houses of religious worship.
14. Property of religious organizations used for certain purposes.
15. Houses used by officiating clergymen as dwellings.
16. Hospitals and sanatoriums.
17. Blind persons.
18. Property of veterans' organizations.
    a. Property of bona fide war veterans' organization.
    b. Property of the Grand Army the Republic.
19. Veteran's exemptions.
20. Servicemen and veterans having disability ratings.
21. Disabled veterans with severe disability.
    a. Disabilities.
    b. Exemptions hereunder additional to others. Surviving spouse's rights.
    c. Municipal option to allow total exemption for residence with respect to which veteran has received assistance for special housing under Title 38 of the United States Code.
22. Surviving spouse or minor child of serviceman or veteran.
23. Serviceman's surviving spouse receiving federal benefits.
24. Surviving spouse and minor child of veteran receiving compensation from Veteran's Administration.
25. Surviving parent of deceased serviceman or veteran.
26. Parents of veterans.
27. Property of Grand Army Posts.
28. Property of United States Army instructors.
29. Property of the American National Red Cross.
30. Fuel and provisions.
31. Household furniture.
32. Private libraries.
33. Musical instruments.
34. Watches and jewelry.
35. Wearing apparel.
36. Commercial fishing apparatus.
37. Mechanic's tools.
38. Farming tools.
39. Farm produce.
40. Sheep, goats, and swine.
41. Dairy and beef cattle and oxen.
42. Poultry.
43. Cash.
44. Nursery products.

45. Property of units of Connecticut National Guard.
46. Watercraft owned by non-residents (repealed).
47. Carriages, wagons, and bicycles.
48. Airport improvements.
49. Nonprofit camps or recreational facilities for charitable purposes.
50. Exemption of manufacturers' inventories.
51. Water pollution control structures and equipment exempt.
52. Structures and equipment for air pollution control.
53. Motor vehicle of servicemen.
54. Wholesale and retail business inventory.
55. Property of totally disabled persons.
56. Solar energy systems.
57. Class I renewable energy sources and hydropower facilities.
58. Property leased to a charitable, religious, or nonprofit organization.
59. Manufacturing facility in a distressed municipality, targeted investment community, or enterprise zone.
60. Machinery and equipment in a manufacturing facility in a distressed municipality, targeted investment community, or enterprise zone.
61. Vessels used primarily for commercial fishing.
62. Passive solar energy systems.
63. Solar energy electricity generating and cogeneration systems.
64. Vessels.
65. Vanpool vehicles.
66. Motor vehicles leased to state agencies.
67. Beach property belonging to or held in trust for cities.
68. Any livestock used in farming or any horse or pony assessed at less than $1000.
69. Property of the Metropolitan Transportation Authority.
70. Manufacturing and equipment acquired as part of a technological upgrading of a manufacturing process in a distressed municipality or targeted investment community.
71. Any motor vehicle owned by a member of an indigenous Indian tribe or their spouse, and garaged on the reservation of the tribe (PA 89-368)
72. New machinery and equipment, applicable only in the five full assessment years following acquisition.
73. Temporary devices or structures for seasonal production, storage, or protection of plants or plant material.
74. Certain vehicles used to transport freight for hire.
75. Certain health care institutions.
76. New machinery and equipment for biotechnology, after assessment year 2011.
77. Real Property of any Regional Council or Agency