Statement of The Business Council of Fairfield County
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Senator Fonfara, Representative Berger, and Members of the Committee, thank you for the opportunity to comment on SB 413, “An Act Concerning a Tax on Certain Endowment Funds of an Institution of Higher Education” and SB 414, “An Act Concerning the Tax on College Property.” The Business Council of Fairfield County has serious concerns about both SB 413 and SB 414.

The Business Council shares the view of many on this Committee that accelerating our state’s economic growth is a goal of paramount importance. It is essential that public policy seek to strengthen the assets that make us competitive and to assure equitable access to the opportunities and benefits of growth. Connecticut’s most fundamental competitiveness asset is, of course, our people. Our work ethic, our individual aspirations for ourselves and our families, and our skills are the foundation for the success of every enterprise, large and small, in our state. The Business Council strongly believes that high quality, accessible education is the single most important economic development investment that the state can make. Our ecosystem of higher education institutions plays a unique role in our competitiveness. Whether public and private, two-year, four-year or graduate level, all of our institutions enable our residents to develop and redevelop the skills they need to be economically viable. At the same time, these institutions drive the evolution of our innovation economy, helping us maintain a global leadership position in advanced manufacturing in the defense industry and enabling the growth of such industries as pharmaceuticals and medical devices. Equally importantly, our colleges and universities, especially those in our cities, are major employers and make an immediate impact on livability for all residents, with a special contribution to the retention of younger workers.

The Business Council’s views on these proposed pieces of legislation flow from research and regular interaction with academic leaders. Our CEO is a member of the General Assembly’s Planning Commission on Higher Education and we work closely with twelve of the state’s colleges and universities. We consider all to be assets, constituents and partners. We regularly testify on matters that influence them individually and collectively.

In the case of SB413 and SB414, one institution, Yale University, seems to have been singled out. Our testimony, therefore, is explicitly directed to its circumstances, but applies to the others as well. New Haven is one of the bright spots in Connecticut’s economic landscape. According to CT Department of Labor data, New Haven gained nearly 7,000 net jobs between 2004 and 2014, or an increase of 9.1%. Over the same period, Bridgeport, Hartford, Stamford, and Waterbury all lost jobs. Among the five cities, New Haven saw the largest increase in average wages, 32.6%. In addition, over the same ten year period, New Haven’s equalized grand list grew by 38.4%, far outpacing the other four cities.

1 http://www1.ctdol.state.ct.us/lmi/202/202_annualaverage.asp
2 data.ctdata.org/visualization/municipal-grand-list
STATEMENT BY THE BUSINESS COUNCIL OF FAIRFIELD COUNTY
Re: SB 413 and SB 414

In our view, Yale University, with its annual budget of $3.2 billion, including $2 billion in wages and benefits, is a powerful economic engine in the region and the central factor in New Haven’s economic performance. We understand that students and visitors to Yale spend an estimated $150 million annually. Equally importantly, the applied use of Yale faculty research has led to the formation of nearly 60 companies in the Greater New Haven region that have attracted more than $1 billion of venture capital investment.

SB413’s proposal to create a tax on Yale’s endowment challenges its federally-determined tax-exempt status and overlooks a number of the basic premises of the role of an endowment in reliably sustaining the operations of a private institution over the course of centuries. Yale, like other private institutions, does not have recourse to the state taxpayer during an extended period of economic challenge. Its endowment, in fact, is the private analog to the “full faith and credit” provisions of the state’s financing of its public institutions. A philosophical debate about asset and expenditure ratios of university endowments may be appropriate as a national question; it is not appropriate at the state level, especially when Connecticut’s revenue shortfall pressures push us toward a short term expediency that may hurt us over the longer term.

SB414’s “fair share” premise is more complex, but also flawed. The taxation at commercial rates of certain properties used by tax exempt institutions for commercial purposes, unrelated to their mission, is an established practice in Connecticut. However, the determination of the status of being “unrelated” or the amount of taxable and tax-exempt allocations required by mixed-use properties - legitimate questions – should not be legislatively preempted, especially during a budget process occurring in a revenue-challenged year.

Connecticut’s colleges and universities, especially Yale, are among the state’s best assets and must be central to our plans to grow the economy. Of course, a thoughtful discussion of the responsibilities of our assets is appropriate and useful. This discussion should also include the benefits they produce and their needs to produce them. Proposals to tax first and talk later, driven by the need to close a state budget gap, are not, however, thoughtful approaches to the unique role that higher education plays in our state or that Yale plays in New Haven. Last year, major business tax changes were adopted by the Legislature under similar circumstances. The resulting controversy led to revisions in the “implementer” bill and, again, is a special session in the fall. The damage done to our state’s reputation and tax base is still reverberating. We encourage the Committee to avoid following the same path this year and request the tabling of SB413 and SB414.

Thank you for the opportunity to present these thoughts.

Respectfully submitted by:

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The Business Council of Fairfield County