CCM 2016 Testimony

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FINANCE, REVENUE & BONDING COMMITTEE

March 28, 2016

The Connecticut Conference of Municipalities (CCM) is Connecticut's statewide association of towns and cities -- your partners in governing Connecticut. Our members represent over 96% of Connecticut's population.

SB 464, "An Act Establishing the Hartford Financial Sustainability Commission"

CCM appreciates the opportunity to testify in support of our Capital City -- and, indeed, other struggling urban centers in our state.

SB 464 would establish the Hartford Financial Sustainability Commission consisting of, among others, Mayor Bronin; Ben Barnes, OPM Secretary; local unions and businesses. The Commission would have the authority to, among other things, (a) renegotiate labor contracts and retiree benefits, (b) impose a levy on large, tax-exempt nonprofit organizations, (c) impose a surcharge (in addition to the assessed property taxes) on the City's largest payers, and (d) gain greater oversight of the board of education budget.

The City of Hartford is in dire straits. This is a very serious matter. SB 464 would allow the City to address multiple areas of concern by (a) providing it greater authority to reduce current expenditures, (b) increasing its ability to raise needed revenue, thereby allowing it to build a solid financial base, and (c) ensuring the continuation of needed local services, while not placing too great a burden on any single entity. The Commission created by SB 464 would be faced with making tough choices, but without these decisions, the future of Hartford will be even bleaker than it is today.

<u>The Plight of Cities</u>

Municipalities have been making tough choices – cuts in services, employees layoffs, postponing projects and grudgingly, property tax increases; they've done all they can do to hold the line on spending. For example, since 2008, the City of New Haven's workforce has been cut by 50%.

Bridgeport, Hartford, New Haven, and Waterbury are four of Connecticut's largest cities. These cities are regional hubs for jobs, health care, and culture. In the state with one of the nation's highest per capita income, they are also among the poorest cities in the United States. These four communities bear a disproportionate burden when it comes to paying for and providing services to Connecticut's neediest residents.

Larger cities also bear the brunt of the 77 state-mandated property tax exemptions. (See enclosed list of exemptions)

It's clear that if these cities fail, the suburbs around them will also founder. People won't move their families or businesses to regions without a cultural and work base, and these bases can't be spread out among 15-20 towns. Only strong central cities can provide these anchors. If these central cities are not viable, the only alternative for economic growth will be areas that haven't yet been developed, devouring Connecticut's green space and agricultural communities.

All of Connecticut has a stake in the vitality of its large cities. These communities face enormous challenges in providing social services, education, public safety, and raising revenue. In the case of Hartford, Bridgeport, New Haven and Waterbury:

- The poverty rates in these communities are at least twice as high as the rate for the state as a whole.

- They have more than half of Connecticut's homeless.

- These cities experience much higher unemployment rates.

- These cities are also the hubs of major population areas. They provide everything from employment to health care to arts and culture.

- They contain 14 percent of the state's population.

- Almost 100,000 people commute into these cities for employment.

- Bridgeport and Hartford account for over 40 percent of their respective county's hospital beds. New Haven and Waterbury together account for 86 percent of the hospital beds in New Haven County.

- These cities provide 12 percent of all retail food and, beverage sales tax.

The health of our central cities, their surrounding suburbs, and the state are linked. Strong cities will yield statewide benefits for years to come.

<u>Beyond "The Big Four"</u>

While much focus is rightly on Bridgeport, Hartford, New Haven, and Waterbury, a number of other Connecticut towns and cities are also dealing with similar issues. These municipalities are of varying sizes and are located in all eight counties. Some have higher-than-average populations that are considered at risk. Others have seen economic hardships due to problems such as plant closings and other disinvestment. These communities include Danbury, East Hartford, Meriden, New Britain, Middletown, Norwalk, Norwich, Stamford and Windham.

City Solutions

Below are some suggestions to make our cities more vibrant and viable core centers:

- Protect Municipal Aid

  - The Governor's recommended budget would ensure that virtually every community is being held harmless from cutbacks in state aid overall. The new revenue that towns receive from the sales tax helps ensures this. Overall, there are cutbacks in numerous state aid programs, including state payments in lieu of taxes (PILOT) and local public education grants, although there are no cutbacks for the State's largest grant to towns — the Education Cost Sharing Grant (a scheduled $11.5 million increase in aid is rescinded).

  - It must be said that *education aid cuts, as well as cuts in major municipal grants, like PILOT, thwart last year's seminal initiative to provide meaningful property tax relief to towns and cities* (though sales tax revenue). The education cuts would have serious implications for cities' ability to make the necessary investments to provide a world-class public education. Such *cuts would have a disproportionate impact on our distressed, struggling urban communities*.

- Permit true Home Rule and local revenue diversification by allowing cities and/or regions to implement sales, hotel, car rental, restaurant, entertainment and other related taxes and fees, like the vast majority of local governments in other states.

- Enacting the State Tax Panel recommendations that provide relief to cities. These recommendations include:

  - Allowing for a "local sales tax of 1 percent to be implemented on a statewide basis with the revenue to be collected by the Department of Revenue Services (DRS), which will act as the collection agent for all local governments".

  - Re-examining state grant policies to "further relieve pressure on the property tax and to equalize fiscal disparities". The Panel determined that "property taxes are regressive" and the "property tax fails to meet requirements of horizontal and vertical equity", among other such findings.

  - Eliminating the "more than 100 state and local option partial property tax exemptions and replace them with a single unified state circuit breaker mechanism that provides property tax relief targeted to homeowners and renters whose property taxes are high relative to their household income".

- Add reason and clarity to municipal government-board of education (BOE) relations to achieve efficiencies by:

  a) Allowing Local Legislative Bodies (LLBs) the authority to initiate and implement backoffice sharing (for noneducational expenditures) with boards of education.

  b) Allowing municipalities the option to negotiate wage and fringe benefit provisions of collective bargaining agreements, including those within the BOE, either individually or in a coalition (similar to how the State negotiates with its unions).

- Amend the Municipal Employee Retirement System (MERS) to:

  a) Establish an additional retirement plan within MERS, for new hires, that would:

     i. Maintain a defined benefit plan. Such new tier would be modeled after the State's tier III, which currently exists within the State Employee Retirement System. There has only been one tier within MERS since the system was established in 1947.

     ii. Change the plan for new employees hired after a certain time period to be part of a town plan, instead of the existing plan.

  b) Allow municipalities the option of negotiating a higher contribution to retirement from MERS participants than the current cap.

- Hold the line on unfunded state mandates.

- Provide meaningful state mandates relief.

- Provide needed relief to municipalities by the State adopting the federal standards pertaining to the "burden of proof" for special education services, as is current procedure in almost all other states.

- Ensure that proposals like the one contained in HB 5055 are not enacted. A provision in HB 5055 would have eliminated the current law which allows municipalities, working with the DMV to prohibit the renewal of a motor vehicle registration, due to unpaid property taxes on a vehicle. The bill would result in a 5% reduction in motor vehicle tax collections -- resulting in the loss of more than $24 million for 80 towns and cities that responded to a recent tax collectors association survey. Cities would have been disproportionately impacted. Further, the proposal would not address DMVs problems.

- Further reform the Minimum Budget Requirement to provide greater reason to education statutes, providing savings in communities without sacrificing quality public education.

- Ensure that there is urban input and agreement prior to the enactment of any performance standards related to municipal efficiencies. These standards could mean significant loses in state aid to communities.

- Foster regional cooperation by allowing LLBs to override, with a super-majority, organized labor objections to regional consolidation efforts.

- Oppose HB 5047, which would exempt taxes on personal property for businesses with less than $10,000 in personal property, unless the other State Tax Panel property tax relief recommendations are implemented. This proposal would cut municipal revenue by at least $6 million.

Summary

Cities, like Hartford, must deal with high poverty rates, educational need and outcome disparities, higher crime rates, and revenue challenges. They support surrounding communities as service centers, cultural hubs, and employment nuclei.

Despite their numerous challenges, cities have much to offer Connecticut residents and businesses and are crucial to the success of the state as a whole.

Strong city hubs will yield statewide benefits for years to come. As go cities, so goes Connecticut.

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If you have any questions, please contact Ron Thomas, CCM Deputy Director, at rthomas@ccm-ct.org or (203) 430-5537; or Randy Collins, CCM Advocacy Manager, at rcollins@ccm-ct.org or (860) 707-6446.

Enclosure

STATE MANDATED PROPERTY TAX EXEMPTIONS

Every year there are many well-intentioned proposals to reduce the property tax burden of one group or another. Everybody wants out of the property tax – but peeling off one group after another is not reform. Again, these would only serve to shift the burden of those taxes to the remaining property owners of a given municipality.

Currently, there are close to two-dozen opportunities for property tax abatement at municipal option and **77 mandated ones** (see below).

In an economy where local officials are struggling to sustain critical services – amidst growing deficits, evaporating revenues, and layoffs – this bill would negatively impact hometown budgets. Towns and cities have already suffered significant cuts in state aid over the last several years and the State is currently grappling with a huge deficits. This is not the time for enacting any new unfunded mandates, no matter what the reason.

The following property is exempt from taxation per Connecticut General Statutes (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.

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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