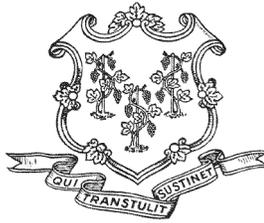


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PRESIDENT PRO TEMPORE

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New Haven, Hamden & North Haven



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TESTIMONY BEFORE THE FINANCE, REVENUE & BONDING COMMITTEE
Senator Martin M. Looney
March 22, 2016

In support of S.B. 466, An Act Concerning Property Taxes and Payments in Lieu of Property Taxes

Good afternoon Senator Fonfara, Representative Berger, and members of the Finance, Revenue & Bonding Committee. My name is Martin M. Looney, state senator for the 11th District, which includes the communities of New Haven, Hamden and North Haven.

Last year the General Assembly adopted major property tax reform legislation, providing historic levels of municipal aid to Connecticut's cities and towns. For the first time, we codified the principle that towns with the highest percentages of tax exempt property should accordingly receive a higher level of payment in lieu of taxes (PILOT) aid.

We also capped the highly regressive property tax on automobiles at 32 mills, which will provide more than \$77 million of direct tax relief to car owners across the state this summer. And finally, we dedicated a portion of the state sales tax to additional municipal aid, totaling over \$109 million in FY 17 to relieve pressure on property taxes statewide.

The legislation now before you, Senate Bill 466, contemplates some minor changes to current law, in keeping with the spirit and intent of last year's reform legislation.

First, the bill provides for an adjustment to motor vehicle property tax grants—funds provided to town governments to alleviate the fiscal impact of revenues lost to the new car tax cap. The bill updates the calculation of these grant amounts to reflect FY 16 rather than FY 15 mill rates, to better match revenues towns might otherwise have raised had a car tax cut not been adopted.

Second, the legislation provides that thirty-five percent of grants awarded through the Municipal Revenue Sharing Account (MRSA) to Councils of Governments be for the purpose of assisting regional education service centers in merging their human resource, finance or technology services with such services provided by other municipalities within the region. This furthers the state's longstanding policy goal of promoting regional efficiencies.

Third, the bill makes a few changes to the so-called "soft cap" on municipal spending introduced last year. Under current law, this cap applies only to municipal revenue sharing grants, i.e. sales tax sharing grants. Should a town increase their spending by the

greater of 2.5 percent or the rate of inflation, their municipal revenue sharing grant is proportionately reduced. No other municipal aid is affected under any circumstances, and that would remain the case under this bill as well.

The bill adds a few items to the list of exemptions to the cap, including budgeting for an audited deficit, nonrecurring grants, nonrecurring capital expenditures of \$100,000 or more, and payments on unfunded pension liabilities. Additionally, the legislation would allow spending cap thresholds to be adjusted upward in accordance with annual state population growth estimates.

Fourth, the bill offers municipal governments the ability to opt out of municipal revenue sharing grants, i.e. sales tax sharing grants, if they so choose, and thus become completely exempt from the municipal spending cap. A few members of the Connecticut Council of Small Towns requested this option.

Last but not least, the legislation would guarantee current levels of select PILOT payments through fiscal year 2018 and fiscal year 2019, to provide towns with increased confidence in the levels of state aid they can expect in the years ahead.

Even amidst tough times and difficult budget choices, it must remain a priority of the state to preserve these new commitments on municipal aid. The property tax is the most regressive tax levied at any level of government, and its impact on both households and businesses is enormous. I believe the property tax reform legislation passed by this legislature last year was a major step forward for the state. This bill will continue that policy.

Thank you very much for your time and your attention to these important issues.