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Written Testimony for Appropriations, Commerce, Finance and Planning and Development Committees Public Hearing Re: Report of the Commission on Fiscal Stability and Economic Growth

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Chair, Capitol Region Council of Governments (CROG)
Board of Directors, Connecticut Conference of Municipalities (CCM)**

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To the Co-Chairs and members of the Joint Committee, thank you for the opportunity to provide testimony on the important issues of fiscal stability and economic growth in the State of Connecticut. My name is Marcia Leclerc and I am the Mayor of the Town of East Hartford. In addition to speaking on behalf of the Town of East Hartford in my role as Mayor, I am also testifying on behalf of the Capitol Region Council of Governments (CROG) and Connecticut Conference of Municipalities (CCM) where I serve as Chair and member of the Board of Directors, respectively. I have reviewed the report by the Committee and believe that serious consideration should be given to a thoughtful vetting process leading to the implementation of these recommendations.

Understanding that a key recommendation of the Commission is to reinvest in cities to strengthen the urban core of metropolitan regions, I would ask that such action be taken in a manner that is not detrimental to the surrounding municipalities and suburbs. East Hartford is not the focus of current revitalization efforts, but we are a first ring suburb that is a critical player in the regional and global economy, home of Pratt & Whitney's global headquarters, United Technologies Research Center, an expansive high-tech manufacturing base and Coca-Cola bottling company, and face challenges with a high mill rate to keep these jobs and families in our Town. We are also home to a number of non-profits, state entities and quasi-government organizations that strain our tax base. I am testifying in support of recommendations made by the Commission on Fiscal Stability and Economic Growth and would like to highlight areas of concern and opportunity for the Town of East Hartford that can also be found in the report.

Additionally, I support the framework of the report presented by the CT Commission on Fiscal Stability and Economic Growth as the foundation for moving the state toward better economic prosperity and growth. I was equally supportive to have been at the table with

CCM as we created last years "A Different Kind of Report" which shares many of the same recommendations.

Provide Resources and Flexibility to Municipalities through Revenue Diversification

Similar to recommendations provided by CCM and CROG, the Commission recommends providing towns with the ability to diversify its revenue stream and reduce its overwhelming dependency on unpredictable levels of state aid. Municipalities, especially first ring communities like East Hartford, lack the funding tools enjoyed by peers in Connecticut and in many other states. Our ability to control costs and adopt a stable budget is severely hampered in the wake of an unpredictable and unreliable state budget. There are a number of recommendations that impact the Town of East Hartford that I would like to draw to your attention.

Fully Fund State Funding Obligations

One recommendation before you would be to fully fund the State's funding obligations such as PILOT, Education Cost Sharing, Town Aid to Roads, and programs capping municipalities' ability to receive reimbursement for Manufacturing Machinery and Equipment (MME) and Enterprise Zone tax exemptions.

East Hartford has been severely impacted by the elimination of multiple sources of State funding including the elimination of the Enterprise Zone reimbursement, which will cost the town \$3 million annually for each of the next 5 years (totaling \$15 million) and the volatility of the elimination of the capped MME could add another \$4.4 million to that loss.

These reductions and eliminations of State funding were intended to help Connecticut municipalities keep large manufacturers competitive with lower cost states but comes at a time when those large employers are also seeking to reduce their tax contribution. Pratt & Whitney is the Town's largest taxpayer, and yet the Town has seen a 64% reduction in property taxes paid to East Hartford since 1992, representing an \$11 million annual loss while the elimination of the MME PILOT Funds, with respect to Pratt, has cost the Town an additional \$3.1 million annually. These significant revenue losses place significant tax burdens directly on the residents of my community for the benefit of this regional employer of over 7,000 of which 300 live in my community.

Another key Commission proposal that will help municipalities includes requiring the State to pay a higher PILOT payment to municipalities for state owned property. As a singular example, East Hartford has lost \$1.2 million in PILOT funding originally promised for the Pratt & Whitney Stadium at Rentschler Field while other communities enjoy the benefits associated with the sports arena.

Service Fees in Lieu of Taxes

In addition municipalities are continually undermined by the adoption of legislatively mandated property tax exemptions. The overreliance on the property tax is detrimental to municipalities like East Hartford where as much as 10.5% of property is exempt from taxation and growing every year.

Municipalities, acting separately or together through their COGs, should be authorized to charge fees for the use of public rights of way, stormwater fees, hotel, car rental, restaurant

and other services. As well, they should be allowed to charge service fees in lieu of taxes (SILOTs) to non-profit colleges, hospitals and other non-profit property owners, while continuing to allow those institutions to retain their property tax exempt status.

East Hartford and many other communities are home to a number of educational institutions and non-profits, whose property tax exemption status eliminates over \$15 million in lost property tax revenue per year to the town. All while the Town pays \$5.7 million annually to the MDC for sewer fees, while their exempt status makes these, and other services consumed by nonprofits like police, fire, public works, including road improvements, essentially free to these institutions and places additional tax burdens onto our local taxpayers.

Allow COGs to Levy Taxes

While COGs are the beneficiaries of local dues paid by member municipalities, they have little leverage to require that these dues be paid. Direct taxation would allow COGs to directly raise funds to continue to provide shared services, as well as increase the capabilities of the COGs to undertake significant projects that are too big for individual municipalities. All expenditures would still be overseen by municipal leaders through the COG's policy board, which, by state statute, is comprised of the chief elected officials of each municipality in the region. This ensures accountability and provides a stable revenue stream for shared services.

Municipalities, COGs, or consortia of COGs should be authorized to impose supplemental time-limited sales or property taxes by special referenda to fund discrete capital projects. Allowing COGs to levy an additional sales tax to be used solely for regional economic development and shared service arrangements which would also boost regionalization efforts.

Accelerate Transportation Infrastructure Improvements

Transportation infrastructure is critical to our economic growth. Our state's economic growth in turn is critical to our fiscal stability. To that end I support the implementation of a transportation funding lock box. This assures the public that revenues will be spent on the transportation projects they are intended for and will permit greater long-range transportation planning.

The Special Transportation Fund (STF) is in dire need of a revenue infusion. The current gas tax is not sufficient to cover debt service on existing obligations and allow the state to pursue bonding for much needed new and existing transportation and infrastructure projects. Restoring some of the 14-cent gas tax cut done in 1997 will provide short-term relief.

In the long run, a gas tax is not sufficient as a sole source of revenue as cars will continue to become more efficient and transition away from gasoline consumption. For that purpose, I support a system of tolls that charges all vehicles regardless of fuel source. It will capture the significant through traffic our state receives, especially East Hartford which lies at the crossroads of many major interstate highways and roadways. Some estimates suggest the revenue generation could be in the \$600 million - \$800 million range per year.

Thank you for this opportunity to provide testimony. I am happy to discuss these priorities in more detail or answer any questions you may have, and I thank you for the important work you do.