



**Testimony
Betsy Gara
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Before the Finance, Revenue & Bonding Committee
April 29, 2019**

The Connecticut Council of Small Towns (COST) **supports the intent of SB-1137, AN ACT CONCERNING DEPOSITS IN LIEU OF TAXES**, but has concerns with how the revenues generated would be administered.

Under current law, towns receive Payments in Lieu of Taxes (PILOT) as partial reimbursement from the state for mandated property tax exemptions on state property and private colleges and hospitals. When enacted, the state's PILOT program was hailed as a shining example of a strong state/local partnership. Municipalities rely on PILOT reimbursements to make up for lost property tax revenues to fund critical services, including fire and police services.

Unfortunately, the state's PILOT program has been severely underfunded in recent years, imposing a tremendous burden on municipalities with tax exempt property. Moreover, in 2015, reimbursement under PILOT was revised to provide additional PILOT grants for certain municipalities with the greatest percentage of tax exempt property. This tiered approach for determining PILOT reimbursement rates combined with the statutory cap on funding decreased PILOT funding for many smaller communities.

Given that PILOT funding no longer adequately makes up for lost property tax revenues, COST supports efforts to authorize towns to charge a fee in lieu of service. Such mechanisms recognize that towns provide an increasing level of critical public safety services to support private colleges, including traffic and crowd control, fire and emergency medical response.

However, we are concerned that the bill creates an unwieldy mechanism for utilizing the fees generated. As drafted, the bill requires the fees to be deposited in newly created community development credit unions and used for community restoration and revitalization.

Given that towns are struggling to hold the line on property tax increases at a time when municipal aid has been reduced or largely flat-funded for many years, we do not believe the use of the funds should be limited by state statute in this manner.

Thank you for the opportunity to comment on SB-1137.

Founded in 1975, COST is the state's only organization dedicated exclusively to advocating on behalf of the interests of Connecticut's smaller towns.

