



# Sacred Heart UNIVERSITY

Testimony for the  
Finance Revenue & Bonding Committee  
April 29, 2019

Sacred Heart University is strongly opposed to S.B. 1137: AN ACT CONCERNING DEPOSITS IN LIEU OF TAXES.

On behalf of Sacred Heart University, I write in strong opposition to Senate Bill No. 1137. I am particularly concerned about the long-term negative financial consequences of Deposits in Lieu of Taxes (DILOTs). This well-intentioned, but ill-conceived, attempt to help distressed municipalities is potentially disastrous for the state's private institutions of higher education and for the state itself. It will negatively impact the many residents, businesses and communities that depend on colleges and universities not only for education, but for financial stability, economic development, growth and quality-of-life benefits such as music and theater, athletics and a wide variety of special programs.

The proposed DILOTs, which would require nonprofits like colleges and hospitals to pay a fee equal to 25 percent of the property taxes they would pay if not tax exempt, is an onerous and potentially crippling penalty on the very institutions crucial to the Connecticut economy. For Sacred Heart, this would mean a payment in excess of \$4 million a year. A companion bill, S.B. 1138, also would draw funding from DILOTs if it were approved.

The concept originates from a similar effort supported by Duke University in North Carolina. The premise is that monies deposited in credit unions would increase capital for local economic development in distressed municipalities. However, in North Carolina, this is done voluntarily, and the funds remain that of the institutions, less the interest earned. The reality for the majority of Connecticut's independent colleges is vastly different from that of Duke, which has a medical center netting a \$400 million surplus.

This bill is unacceptable and a prime example of how Connecticut struggles with knee-jerk, short-term responses to financial issues that shirk the real work, tough choices and smart investments needed to revitalize our economy and slow the exodus of employers, graduates and residents.

A recently released biennial Economic Impact Study examining the role of Connecticut's private colleges and universities reaffirmed the critical role of the state's independent colleges and universities in helping to maintain the state's economic health. Commissioned by the Connecticut Conference of Independent Colleges (CCIC), the report documents that these 15 non-profit colleges and universities together pump \$33.2 billion into the State, based on fiscal year 2017 data.

While I am sympathetic to the challenges local communities – our neighbors – face from growing economic stress, declining tax revenue and our state's continuing budget woes, it is important to remind residents, legislators and the business community about the profound and extensive value higher education provides to surrounding communities and the State.

According to the Impact Study, total direct spending by SHU is in excess of \$1.4 billion; direct spending by students accounts for over \$99 million; and University visitors spend at least \$1.6 million annually in the area. Overall, the University's estimated total economic impact is \$2.3 billion. What's more, 17,121 jobs have been created to support this population and the University.

In practical terms, our students, faculty, staff and their families spend millions of dollars in the surrounding communities renting apartments and buying homes. They patronize local grocery stores, gas stations, pharmacies, restaurants and laundromats and support a wide assortment of community merchants and businesses. Their purchases of lodging, goods and services are vital to the health of the local economy. Additionally, our students, faculty and staff contribute more than 100,000 hours of community service a year, and we open our campus to many local community organizations. We also provide access to theater, music, athletics, lectures, guest speakers and many other special programs that add great cultural value to the region. Many of these programs and community benefits would be at risk if SB 1137 were to be approved as proposed.

As well as overall community value, Connecticut's private colleges and universities provide vital fuel for the state's economic engine. Our students, faculty and programs represent the talent pipeline and access to incubation partnerships employers are craving and need to remain in Connecticut. And while our commitment to innovation, collaboration and service cannot be easily measured, it is equally valuable. We know our presence has an impact on the community in myriad ways, including reductions in municipal tax bases, but we work hard to ensure that the benefits we offer are positive and our presence and spending far outweigh the loss in tax revenue.

Additionally, local municipalities are reimbursed every year through the State's PILOT and Pequot Funds, which are designed to help municipalities offset the loss of property tax revenues from non-profit organizations such as hospitals, colleges and universities. These funds have been reduced annually by the state; rather than continuing to squeeze non-profits, focus on strengthening these critical programs and funding them as originally stipulated.

Ironically, while considering the plundering of vital educational resources that will result from S.B. 1137, another bill under consideration – SB 1129, AN ACT CONCERNING INITIATIVES TO PROMOTE COMPUTER SCIENCE AND TECHNICAL TALENT IN EDUCATION – will help develop the technologically trained workforce needed to meet the needs of Connecticut's employers. By itself, this would be a welcome recommendation. But the obvious contradiction of these bills would be humorous if not so serious. Proponents are suggesting, essentially, that we build essential STEM training, already a strong educational component at our colleges and universities, but at the same time cripple these same institutions needed to train and develop our future workforce. This disingenuous attempt to have our cake and eat it too is ludicrous.

Stop trying to fix what is not broken. Instead, please focus on forward-thinking programs and policies that will help Connecticut achieve long-term and stable economic growth. Punishing the institutions that help drive this growth with financial schemes like DILOT is extremely counterproductive. Do not support S.B. 1137 in its current form, for the good of higher education, our citizens and the State.

Sincerely,  
John J. Petillo, Ph.D.  
President  
Sacred Heart University