



TESTIMONY IN SUPPORT OF SB 277, AN ACT CONCERNING THE ENTERPRISE ZONE PROGRAM

Senator Hartley, Representative Simmons and Members of the Committee, my name is Jim Bellano, the Director of Economic Development for the Town of Windham. I am here today to testify in support of SB 277, *AN ACT CONCERNING THE ENTERPRISE ZONE PROGRAM*.

While I agree with others from the economic development community, including the Connecticut Economic Development Association (CEDAS) that the Enterprise Zone (EZ) program needs to be reevaluated, I would also like to amplify for the Committee what, in my view, is the primary reason that the program needs to be reassessed.

While the original intent of the EZ program provided an effective tool for business retention, expansion and recruitment, since the state has retreated from its original obligation to reimburse EZ municipalities a portion of the lost property tax revenue, this original intent has been defeated.

Originally, the EZ program allowed distressed municipalities to better compete with more affluent communities by providing tax incentives for new or expanded manufacturing activities. Paramount among the incentives was a five-year, 80% deferral of property taxes. The state's reimbursement of 50% of the lost tax revenue eased the burden on EZ municipalities. As we know, typically, distressed municipalities experience significant reduced Grand List revenue due to the large presence of tax-exempt properties and/or the low reimbursements associated with PILOT funds.

Recently, the state ceased reimbursing EZ municipalities under the program, leaving them to fully absorb the loss of tax revenue. Now, non-distressed municipalities can negotiate tax incentive deals under terms acceptable to their residents, putting them at a significant advantage to their distressed municipality counterparts. Under the current situation, EZ municipalities are forced under an unfunded mandate from the state to provide certain manufacturers with a property tax deferral whether it is warranted or not. In addition, the program's non-manufacturing companion statute, C.G.S. 32-71 further exacerbates the problem for distressed municipalities.

Any review of the EZ program by DECD must give serious consideration to either restoring reimbursement monies or allowing EZ municipalities to opt out of the program so they can negotiate tax incentives on terms that are best suited to the wants and needs of the local taxpayers.

Thank you for the opportunity to testify today.