



**Testimony
Betsy Gara
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Connecticut Council of Small Towns
Before the Appropriations Committee
March 26, 2021**

The Connecticut Council of Small Towns (COST) **supports** **HB-5172 - AN ACT CONCERNING PAYMENTS IN LIEU OF TAXES TO MUNICIPALITIES FOR MANUFACTURING MACHINERY AND EQUIPMENT.**

COST urges you to **support** HB-5172.

The Payments in Lieu of Taxes (PILOT) program for Manufacturing Machinery & Equipment was intended to reimburse municipalities for revenue losses resulting from legislation enacted in 1990 to exempt such machinery and equipment from the property tax. This program was hailed as a win-win for Connecticut because it encouraged investment in new machinery and equipment and provided municipalities with a predictable revenue stream.

Unfortunately, Public Act 11-61 eliminated the PILOT reimbursement and replaced it with a manufacturing transition grant which was later replaced with a bond-funded municipal aid grant. The bond-funded municipal aid grant reimburses municipalities for a portion of the lost revenue resulting from the PILOT elimination, but it falls short of fully reimbursing towns, leaving many towns with significant revenue losses.

Moreover, bond-funded grants are less predictable because municipalities may have to wait for the Bond Commission to allocate the funding. For example, municipalities faced significant delays in receiving Town Aid Road and Local Capital Improvement Program funding because the Bond Commission did not meet and approve the authorizations in a timely manner.

Given the ongoing challenges facing municipalities and the uncertain economic impact of COVID-19, municipalities need to rely on predictable revenue streams to fund the delivery of critical services, including education, public health and safety, and transportation.

COST is an advocacy organization committed to giving small towns a strong voice in the legislative process. COST champions the major policy needs and concerns of Connecticut's suburban and rural towns.