



Appropriations Committee

February 22, 2021

The Connecticut Conference of Municipalities (CCM) is Connecticut's statewide association of towns and cities and the voice of local government - your partners in governing Connecticut. Our members represent 168 towns and cities.

HB 6439, AN ACT CONCERNING THE STATE BUDGET FOR THE BIENNIUM ENDING JUNE THIRTIETH, 2023, AND MAKING APPROPRIATIONS THEREFOR.

My name is Luke Bronin and I serve as the Mayor of Hartford and Board President of the Connecticut Conference of Municipalities. CCM, which as you know is an organization made up of small towns and big cities with many members of both parties, is requesting that the Committee provide additional funding for the PILOT grants paid to towns and cities.

The budget as proposed by Governor Ned Lamont would provide towns and cities with \$109M for College and Hospital property and \$54.9M for state owned property that is exempted by law from the property tax. This is the same amount as the previous budget and it continues the practice of underfunding towns and cities.

CCM is requesting that the committee appropriate an additional \$130M in order to more adequately fund a new tiered payment in lieu of taxes (PILOT) reimbursement program, which is being considered by the Finance, Revenue and Bonding Committee within SB 873.

Municipalities have little choice when deciding how they must fund critical local services like public safety, maintaining roads and infrastructure, and educating our children. In Connecticut, the property tax represents the only meaningful source of locally generated revenue to fund municipal operations. In communities with a large percentage of tax-exempt property – hospitals, state property, social service organizations, colleges and universities – the pressure to deliver core services thus often leads to uncompetitive and unsustainably high property taxes assessed against far too narrow a base of taxpayers.

When 2019 Municipal Grand Lists were analyzed by the Connecticut Association of Assessing Officers, they determined that six municipalities have had more than 50% of the grand list exempted and another nineteen municipalities have seen the taxable property reduced by more than a third.

It is also important to note that many of the communities with the largest concentrations of non-taxable property are also communities with the greatest level of need, the lowest median

household income, the highest levels of poverty, and the lowest levels of homeownership. Where property taxes are raised on residential and commercial properties to generate necessary revenue to fund basic services, the result is a system that places a disproportionately high property tax burden on those property owners least able to pay, and disincentives investment in those communities most in need of such investment.

The tiered PILOT proposal in SB 873 would begin to address the systemic erosion of the municipal property tax base through numerous mandatory property tax exemptions. Many of these property tax exemptions were passed with the promise that revenue lost due to the reduction of local grand lists would be at least partially offset by state funding in the form of PILOT payments. Through the years, however, that promise has not been kept, and PILOT payments have become chronically underfunded and unfunded.

There is a broad base of municipal support for a tiered PILOT program, not only from one party or from urban centers, but from mayors and first selectmen of both parties, representing communities of all kinds. CCM's members recognize that, in this small state, Connecticut's communities rise or fall together. This legislation is an important effort to help address the deep and longstanding structural challenges that burden too many communities, while also ensuring that every community at a minimum is held harmless.

If additional funding for PILOT can be made available, then SB 873, if approved, would provide needed relief to communities that have been most affected by property tax exemptions through the creation of a three-tiered system that would reimburse towns and cities based on their Equalized Net Grand List per Capita (ENGL) and their percentage of tax exempt of property, at the following rates:

- For municipalities with an ENGL per capita of less than \$100k, 50% reimbursement;
- For municipalities with an ENGL per capita of \$100k-\$200k, 40% reimbursement and;
- For municipalities with an ENGL per capita of more than \$200k, 30% reimbursement.

It is important to stress that even with an additional \$130M in funding, this would still not result in full funding of the existing statutory PILOT formula, and CCM does not intend to abandon its advocacy for full funding of the that existing PILOT formula. However, this proposal would represent an important step towards fulfilling the State's obligation to communities that host extraordinary amounts of tax-exempt property, and could help reduce the burden on residential and commercial taxpayers in municipalities across Connecticut.



If you have any questions, please contact Randy Collins, Advocacy Manager of CCM at rcollins@ccm-ct.org or (860) 707-6446.