PROPERTIES EXEMPT FROM PAYING PROPERTY TAXES IN CONNECTICUT

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Executive Summary

The Tax Revision Panel adopted a set of criteria for evaluating changes in the system of financing state and local governments in Connecticut. The criteria included

- Taxes should be designed to avoid unintended interference with private economic decisions; and
- The structure of the tax system should treat taxpayers in similar circumstances similarly.

Exempting individual properties from paying the real property tax violates these criteria because

- ➢ eliminating property taxes for some uses and property owners provides an incentive to buy more real property, or more expensive real property, than would be the case if the property were not exempt from paying property taxes; and
- ➢ exempting some properties from paying property taxes means the cost of providing government services must be spread across a smaller tax base requiring a higher tax rate to collect a given amount of revenue resulting in higher taxes, on properties not receiving preferential treatment, than they would pay if the property tax had a broader tax base and collected the same revenue with a lower tax rate. As a result, two similar properties, one exempt the other not, are not treated equally.

In a recent national study, Connecticut was identified as one of only two states that reimburse local governments for a portion of property tax revenues foregone because of state mandated exemptions -- Rhode Island was the other.

State reimbursement of local property taxes foregone because of state mandated exemptions is appropriate because the state mandated the exemptions; because benefits from the exempt organization might extend beyond the municipal borders; and state reimbursement can be more systematic and uniform than ad hoc local PILOTs.

The down side to state reimbursements for foregone local property tax revenues is that during periods of state budget pressure aid to local governments is vulnerable because it competes with other state spending priorities like Medicaid, transportation and education. State reimbursement for foregone property tax revenues may provide an incentive to overstate the value of exempt properties since this might increase the amount of the state reimbursement.

Connecticut exempts federally owned property, state and municipally owned property, and most property owned by religious organizations. Section 12-81(8) provides explicit exemption of property owned by six named colleges in Connecticut. In addition, like most states, Connecticut exempts properties used for charitable, educational, health, cemeteries and open spaces. Unlike most states Connecticut exempts properties owned by scientific and literary organizations.

The relative importance and composition of exempt properties varies significantly across municipalities in the state. In terms of the relative importance of parcels exempt from paying property taxes, there is not much variation across these 19 representative municipalities. There is more variation across these municipalities in the relative importance of exempt properties in terms of their share of total gross assessed value. In all cases, except for Union and Guilford, the exempt share of total gross assessed value is significantly higher than the exempt share of the number of parcels.

The 19 municipalities, in the aggregate, report properties with 47 different exempt codes, i.e., forty-seven different exempt land uses were reported.

- All 19 municipalities have municipally owned exempt properties and in 11 of these municipalities these properties have a larger share of total assessed value of exempt properties than the share of total exempt parcels.
- Seventeen of the representative municipalities have exempt properties classified as charitable organizations and in every case except one charitable properties account for a larger share of the number of exempt properties than they do the value of exempt properties.
- All 19 municipalities have exempt property classified as churches and in 9 municipalities the church share of the value of exempt properties is higher than the share of exempt parcels.

Exempting properties reduces the taxable base and results in non-preference properties paying a higher property tax than they would otherwise pay. In other words, exempt properties distort the distribution of property tax liabilities by removing some properties from the tax base. For half of the representative municipalities, however, the combined share of property taxes paid by residential and commercial properties when exempt properties pay taxes on 25 percent of their value is 2 percent or less lower than their share under the current system. Only three municipalities have combined residential and commercial shares 5 percent or more below their share under the current scenario.

Connecticut is the leader in the nation for taking responsibility for the impact of state mandated property tax exemptions by reimbursing local governments for some portion of the revenues foregone as a result of these exemptions. The majority of these funds are transferred to local governments through three state grant programs – Pequot, state owned property and college/hospitals. These state grants to local governments, however, do not address the issues associated with tax exempt properties discussed above. If Connecticut is to address the economic efficiency and equity concerns associated with exempting individual properties from paying property taxes, it will need to consider options for collecting revenues from the individual exempt property owners.

Nationally, there are a number of options available to local governments for generating revenue from exempt properties to help pay for the cost of the publicly provided services they consume. These include

1) Payment-in-lieu-of-taxes (PILOTs).
2) Services-in-lieu-of-taxes (SILOTs);
3) User fees and charges;
4) Other direct taxes;
5) Retaining revenue from properties sold to exempt entities.

PILOTs, which are voluntary payments by owners of exempt properties to the local government to help finance the delivery of local services they consume, is the most widely used mechanism for generating income from exempt properties.

Summary of Policy Options

Policy Option 1: Maintain the Status Quo The stakeholders in the current system – owners of exempt property, the state of Connecticut and local governments in the state – are familiar with the current system and have made decisions in the context of that system. The current system does not address the current efficiency and equity concerns associated with property tax exemptions.

Policy Option 2: Develop a traditional PILOT program along the lines of the program in Boston which has been characterized as "best practices." Connecticut might consider the development of a traditional[1] PILOT program to generate revenues from tax exempt properties to help finance the delivery of public services benefiting those properties. This would address directly the efficiency and equity issues associated with exempting some properties from paying property taxes outlined above.

Policy Option 3: ***Limit the value of real property exempt from taxation for individual properties.*** The owner of the exempt property would make a payment to the local government based on some portion of the value of the property. This would be a required payment, not a voluntary PILOT. Such an approach would impact the distribution of property tax liabilities across individual municipalities as well as the level of funds received by each local government vis-à-vis current state grant payments. The number of exempt properties and services available might be reduced which could result in few services to citizens. This could be mitigated by exempting the first $10 million of value from these calculations.

[1] A traditional PILOT program would involve a voluntary payment from the owner of exempt properties to the local government in lieu of paying property taxes on the exempt property.

Policy Option 4: Phase out property tax exemptions for selected properties. Connecticut might decide to re-examine certain tax exemptions for specific categories or uses of property. For example, property tax exemptions might be retained for federal, state and municipal properties, as well as religious and educational organizations, hospitals and non-profit organizations providing services to local residents. Other property tax exemptions could be reexamined. For example, PA 15-5 SS, Section 244, which becomes effective October 1, 2015 provides for the taxation of residential real property (not dormitories with 20 beds or more) held by private nonprofit institutions of higher learning. The rationale for limiting exemptions might rest on the *quid pro quo* argument which says that since nonprofits provide benefits to society, including some services that might typically be provided by government, they should be subsidized to some extent.

Policy Option 5: Return Responsibility for Establishing Property Tax Exemptions to Local Governments. Giving some policy making responsibilities to local governments aligns the decision to establish property tax exemptions to the governments that will foregone property tax revenues as a result of those decisions. Some local governments might limit exemptions because of their limited property tax base while other local governments might be more generous in providing exemptions. As a result, this could create a mosaic of property tax exemptions across the 169 municipalities in Connecticut. Finally, this does not address the efficiency and equity concerns associated with property tax exemptions.

Introduction

The purpose of this paper is to gain a better understanding of the composition and relative importance of properties totally exempt from paying property taxes across municipalities in Connecticut. The paper describes state programs designed to offset revenues foregone by municipalities as a result of such exemptions. Finally, the paper discusses policy options for generating revenues to offset, at least partially, the cost of delivering government services to such properties.

There are two generally accepted rationales for exempting certain properties from paying the property tax. First, some argue that the appropriate base of the property tax should be property held in private hands. Because non-profits are generally created to benefit the public, property owned and used by non-profits should not be part of the property tax base. This argument depends not only on the charitable character of the property owner, but also on whether the property is used for charitable purposes. For example, some courts reject exemptions for property used for administration because that is not the charitable activity for which the property received and exemption. [Brody, 642]

Second, a property tax exemption can be justified as an appropriate subsidy to encourage certain types of activities by non-profits that benefit the general public. This is known as the *quid pro quo* justification for property tax exemption, which has become increasingly important as states narrow their definitions of organizations eligible for property tax exemptions. [Kenyon and Langley, 10-11] Under the narrowest formulation of the *quid pro quo* rationale, the state exempts individual properties because these charities are assumed to lessen the burdens of government. Practically, however, a requirement that the charity must lessen the burden of government creates difficulties when the charity receives government funding for service delivery. [Brody, 638-641]

The next section looks at national trends in property tax exemptions and that is followed by a discussion of property tax exemptions in Connecticut.

National Trends in Properties Exempt from Real Property Taxation

The United States has 51 different systems of state and local government and each has different treatment of real property taxes and exempt properties, which reflect the cultural, historical and political realities of each state and the District of Columbia. In spite of these different institutional settings, all 50 states and the District exempt some properties from paying the local tax on real property, and local governments may have additional exempt categories in some states.

The Lincoln Institute of Land Policy, in collaboration with the George Washington Institute of Public Policy at George Washington University, developed and maintains a data set describing the property tax in each of the 51 states; *Significant Features of the Property Tax.*[2] Data in Table 1 reflect a quick overview of state practices regarding

[2] http://www.lincolninst.edu/subcenters/significant-features-property-tax/

property tax exemptions and indicate that all 50 states and the District of Columbia provide property tax exemptions to property owned by government (federal, state, local) and religious organizations. Virtually all states and the District provide tax exemptions to properties owned by charitable and educational institutions, as well as parks, open space and cemeteries.[3]

There is more variation across the 51 states in how other land uses are treated. For example, a quick review of the data in *Significant Features of the Property Tax* suggest that 30 states do not provide tax exemptions to property owned by scientific organizations and 28 states do not provide exemptions for property owned by literary organizations. Connecticut exempts both of these categories of property from property taxation [CGS Sec. 12-81(7)]. Eleven states do not provide exemptions to membership organizations and 26 states do not provide exemptions for art and cultural organizations. Fifteen states do not provide tax exemptions for housing for vulnerable populations.

Table 1

National Trends in Exempting Property

From the Real Property Tax, 2011

Type of Exempt Property	States With Exemption
Government	51
Religious	51
Charitable/Benevolent	49
Educational	48
Parks, open space, Cemeteries	48
Health and Care Facilities	45
Membership Organizations	40
Housing for Vulnerable Populations	36

[3] It is difficult to develop a comprehensive picture of how different states treat exempt properties because there is variation in the constitutional and/or statutory base of the exemptions, there are issues around definitions, legal opinions often clarify terms and conditions for exemption and exemptions typically show up in a variety of places in state statutes. For example, Brody says "every state recognizes property-tax exemption for those nonprofits that are classified as charities" [Brody, 625-626] but the definition of charity is only found in 11 states [Brody quoting Bowman, 638].

Art and Cultural	25
Literary	23
Scientific	21
States with	
Limits on Exemptions	10
Individual Properties Exempt by Name	20
Source: *Significant Features of the Property Tax*, http://www.lincolninst.edu/subcenters/significant-features-property-tax/	

In addition to these specific land use classifications, 20 states, including the District, provide exemption from real property taxes to specific individual properties through legislation. Ten states provide some sort of limitations on exemptions from real property taxes. For example, in Maine religious institutions are exempt from paying the local property tax, but the exemption on parsonages is only up to $20,000. In Maryland, nonprofit hospitals are exempt from paying real property taxes, but not more than 100 acres is exempt. In Mississippi the exemption for property belonging to nonprofit colleges or institutions for the education of youths is limited to 640 acres. In New Hampshire, dormitories, dining rooms and kitchens that are part of educational institutions and are worth more than $150,000 are taxed on the excess. In Connecticut, recent legislation limits the exemption of residential property owned by private nonprofit institutions of higher learning intended to be used as student housing.[4]

Real Property Exempt from Property Taxation in Connecticut

Connecticut statutes define what types of real property are exempt from paying property taxes.[5] The state provides full property tax exemptions for certain types of properties, based on the characteristics of the owner and the use of the land. For example, like all other states, Connecticut exempts federally owned property, state and municipally owned property, and most property owned by religious organizations.

[4] Section 241 of PA 15-5 imposes restrictions on property tax exemptions for private nonprofit institutions of higher learning by requiring, starting October 1, 2015, that “any residential real property intended for use or used as student housing, except a dormitory (containing 20 or more beds), that is held by or on behalf of such entity, shall be taxable by a municipality.”

[5] Connecticut is one of 4 or 5 states that do not have a constitutional foundation for providing property tax exemptions.

Section 12-81(8) provides explicit exemption of property owned by six named colleges in Connecticut.[6]

Connecticut statutes exempting real property from taxation are listed in Table 2. Like most states, Connecticut exempts properties used for charitable, educational, health, cemeteries and open spaces, including property leased to a charitable, religious or nonprofit organization, subject to authorization of the exemption by ordinance in any municipality [CGS Sec. 12-81(58)]. The state also exempts property owned by the Metropolitan Transportation Authority, the regional councils, the Connecticut Student Loan Foundation and the Connecticut Innovations Corporation. Unlike most states Connecticut exempts properties owned by scientific and literary organizations.

The relative importance and composition of exempt properties varies significantly across municipalities in the state. Nineteen municipalities in the state were identified as being representative of different types of municipalities in Connecticut. The types of municipalities include large cities, small cities, wealthy suburbs, cities with a mixed economic base and rural municipalities. (See Appendix Table 1 for descriptive statistics for these 19 representative cities).

[6] Trustees of the Berkeley Divinity School, the board of trustees of Connecticut College of Women, the Hartford Seminary Foundation, Sheffield Scientific School, Trinity College, Wesleyan University and the President and Fellows of Yale College. CGS Section 12081(7) exempts other privately owned educational institutions.

Table 2 Real Properties Exempt from Paying Property Taxes in Connecticut	
CGS Source	Description
Sec. 8-58	Property of Municipal Housing Authority
Sec. 10a-209	Property, Income Obligations and Activities of the Connecticut Student Loan Foundation
Sec. 15-120aa	Connecticut Airport Authority
Sec. 22a-270a	Material Innovation and Recycling Authority
Sec. 32-46	The Connecticut Innovations Corporation
Sec. 38a-188	Non-profit Health Care Centers
Sec. 38a-240	Non-profit Legal Service Corporations Real Property
Sec. 12-74	Municipal airports located in another town
Sec. 12-76	Exemption of Certain Municipal Corporation Water Supply Lands
Sec. 12-81(1)	Property of the United States
Sec. 12-81(2)	State property and reservation land
Sec. 12-81(4)	Municipal property
Sec. 12-81(5)	Property held by trustees for public purposes
Sec. 12-81(6)	Property of volunteer fire companies and property devoted to public use
Sec. 12-81(7)	Property used for scientific, educational, literary, historical, charitable or open space land for preservation purposes
Sec. 12-81(8)	College property
Sec. 12-81(10)	Property belonging to agricultural or horticultural societies
Sec. 12-81(11)	Property held for cemetery use
Sec. 12-81(13)	Houses of religious worship
Sec. 12-81(14)	Property of religious organizations used for certain purposes
Sec. 12-81(15)	Houses used by officiating clergymen as dwellings
Sec. 12-81(16)	Hospitals and sanatoriums
Sec. 12-81(18)	Property of veterans' organizations. (a) Property of bona fide war veterans' organization
Sec. 12-81(27)	Property of Grand Army posts
Sec. 12-81(29)	Property of American National Red Cross
Sec. 12-81(45)	Property of units of Connecticut National Guard
Sec. 12-81(48)	Airport improvements
Sec. 12-81(49)	Nonprofit camps or recreational facilities for charitable purposes
Sec. 12-81(67)	Beach property belonging to or held in trust for cities
Sec. 12-81(69)	Property of Metropolitan Transportation Authority
Sec. 12-81(75)	Certain Health Care Institutions
Sec. 12-81(77)	Real Property of Regional Council of Governments
Sec. 12-255	Public Service Railroad
PA 15-5 Sec. 7	Connecticut Port Authority

Table 3 reports information on the number, value and relative importance of exempt properties for these representative municipalities for Grand List 2014.[7]

Table 3 Importance of Exempt Properties Across Representative Municipalities				
Municipalities	# of Parcels	Share of total	Value of Parcels	Share of Total
Large Cities				
Bridgeport	1,895	5.5%	$3,093,950,038	33.9%
Hartford	1,455	6.4%	$3,758,739,591	59.1%
Small Cities				
Manchester	597	3.2%	$449,156,340	11.9%
Torrington	386	2.6%	$223,370,750	12.3%
Wealthy Suburbs				
Glastonbury	558	3.9%	$249,554,640	6.7%
Guilford	569	5.3%	$157,377,490	5.3%
Litchfield	282	6.2%	$149,668,630	13.9%
New Canaan	224	3.0%	$556,342,490	6.7%
Mixed Base				
Hamden	551	2.8%	$723,993,227	16.6%
Middletown	973	6.3%	$1,275,323,645	32.4%
Norwich	878	6.3%	$557,138,265	27.1%
Windsor	448	3.7%	$264,333,790	10.3%
Rural				
Bozrah	51	3.8%	$13,710,670	7.0%
Durham	139	4.4%	$48,143,410	6.8%
Killingly	274	3.7%	$179,443,790	15.1%
North Canaan	80	4.8%	$48,063,690	15.3%
Plainfield	186	3.0%	$120,379,160	14.1%
Union	85	11.6%	$9,941,520	11.3%
Washington	179	6.8%	$179,899,646	14.7%
Source: Author calculations based on the real property portion of the Grand List from each municipality as provided by Quality Data Services, Inc.				

[7] The real property of the Grand List for these representative municipalities was obtained through Quality Data Service, Inc.

In terms of the relative importance of parcels exempt from paying property taxes, there is not much variation across these 19 municipalities. Union is the only town where the number of parcels exempt from paying property taxes is more than 10 percent of all parcels, 11.6 percent. All other municipalities have between 2.6 (Torrington) and 6.8 (Washington) percent of their real property parcels exempt from property taxation. Both large cities have a high share of total parcels exempt from taxation while small cities have a relatively low share of total parcels exempt from taxation. The other three groups of municipalities have more variation across the representative cities examined.

There is more variation across these municipalities in the relative importance of exempt properties in terms of their share of total gross assessed value. In all cases, except for Union and Guilford, the exempt share of total gross assessed value is significantly higher than the exempt share of the number of parcels. For example, in Hartford 6.4 percent of the cities parcels are exempt from paying property taxes, but they represent 59 percent of gross assessed value in the city.[8] Similarly, exempt properties are 5.5 percent of parcels in Bridgeport, but account for nearly 34 percent of gross assessed value.

For small cities, wealthy suburbs and rural towns properties exempt from taxation account for 15 percent or less of gross assessed value (except Killingly, 15.1 percent, and North Canaan, 15.3 percent). For municipalities with a mixed tax base only Windsor had exempt properties that account for less than 15 percent of assessed value. Exempt properties account for over a fourth of assessed value in Norwich and nearly a third of assessed value in Middletown.

Table 4 presents the average relative importance of exempt property in terms of the number of parcels and assessed value for the 5 groups of representative municipalities examined. Exempt properties tend to be more valuable properties accounting for a higher percentage of gross assessed value than the number of parcels.

Table 4 Relative Importance of Exempt Properties		
	Share of Parcels	Share of Value
Large Cities	5.9%	46.5%
Small Cities	2.9%	12.1%
Wealthy Suburbs	4.6%	8.1%
Mixed Base	4.8%	21.6%
Rural	5.4%	12.0%

[8] The exempt share of total gross assessed value in Hartford is artificially high because residential properties are assessed at 31 percent of estimated market value and all other properties in Hartford are assessed at 70 percent of market value.

Types of Exempt Properties in Representative Municipalities

While the relative importance of the *number* and *value* of exempt properties varies across the representative municipalities examined, the *composition* of exempt properties also varies significantly across these municipalities. Chapter 11 of the Connecticut Assessors Handbook identifies 58 categories of property that are totally exempt from paying property taxes. Each exempt property is given a four letter exempt code to identify why the property is classified as totally exempt. For example, properties with an exempt code of AAAX are properties owned by the federal government and properties with an exempt code of DEAX are properties owned by charitable organizations. Appendix Table 2 lists the codes for properties exempt from paying property taxes in Connecticut.

The real property portion of the grand lists for the 19 representative municipalities includes both taxable and exempt real properties. The exempt properties were sorted by the four digit exempt code to determine the number of parcels with each exempt code. Each property also has an estimated gross assessed value.

The 19 municipalities, in the aggregate, report properties with 47 different exempt codes, i.e., forty-seven different exempt land uses were reported. Table 5 presents information on the number and value of the top five exempt land uses across the 19 representative municipalities and their share of the total number and value of exempt properties in each town.

All 19 municipalities have properties identified as owned by the municipality and church organizations. For example, Bridgeport has 1,131 exempt properties owned by the municipality. They account for 59.7 percent of all exempt parcels and 61.0 percent of total gross assessed value of exempt properties in Bridgeport. At the other extreme is Union which has only 12 properties classified as municipally owned (14.1 percent of total exempt properties) which account for 31.6 percent of total assessed value of exempt properties in Union. Eleven of the 19 municipalities have municipally owned properties with a larger share of total assessed value of exempt properties than the share of total exempt parcels, including all four municipalities in the wealthy suburbs group.

Seventeen of the representative municipalities have properties classified as tax exempt because they are owned by charitable organizations (except for Bozrah and Union). The highest number of exempt charitable parcels is 159 in Hartford. The share of exempt properties classified as charitable range from 31.7 in New Canaan to 1.8 percent in Litchfield. In every case, except Litchfield, charitable properties account for a larger share of the number of exempt properties than they do the value of exempt properties.

All 19 municipalities have properties classified as tax exempt because they are owned by churches. The range in the number of parcels owned by churches is from 369 in Bridgeport to 1 in Durham. The church share of all exempt parcels ranges from 19.5 percent in Bridgeport to less than 1 percent in Durham. Nine of the municipalities have church properties that account for a larger share of the value of exempt properties than the number of exempt properties, including all four municipalities in the wealthy suburbs group.

Table 5

	Municipal Government				Educational				Charitable				Churches				12-20a Private Colleges			
Large Cities																				
Bridgeport	1131	59.7%	$ 1,888,766,106	61.0%					148	7.8%	$ 73,090,653	2.4%	369	19.5%	$ 226,160,954	7.3%	91	4.8%	$ 188,672,865	6.1%
Hartford	479	32.9%	$ 1,118,103,883	29.7%					159	10.9%	$ 134,695,764	3.6%	200	13.7%	$ 170,938,274	4.5%	75	5.2%	$ 372,433,061	9.9%
Small Cities																				
Manchester	329	55.1%	$ 162,143,830	36.1%					37	6.2%	$ 10,175,640	2.3%	71	11.9%	$ 50,146,150	11.2%	12	2.0%	$71,631,500	15.9%
Torrington	155	40.2%	$ 105,410,390	47.2%					88	22.8%	$ 16,246,100	7.3%	34	8.8%	$ 23,608,210	10.6%	4	1.0%	$24,018,130	10.8%
Wealthy Suburbs																				
Glastenbury	356	63.8%	$ 213,849,580	85.7%	9	1.6%	$ 708,300	0.3%	41	7.3%	$ 3,675,800	1.5%	18	3.2%	$ 11,988,500	4.8%				
Guilford	208	36.6%	$ 105,811,720	67.2%	236	41.5%	$ 19,794,690	12.6%	14	2.5%	$ 3,783,240	2.4%	17	3.0%	$ 12,977,680	8.2%				
Litchfield	68	24.5%	$ 39,769,400	28.3%	19	6.8%	$ 51,665,530	36.8%	5	1.8%	$ 3,994,200	2.8%	17	6.1%	$ 11,115,600	7.9%				
New Canaan	80	35.7%	$ 301,665,810	54.2%	13	5.8%	$ 60,040,260	10.8%	71	31.7%	$ 62,330,030	11.2%	12	5.4%	$ 38,638,620	6.9%				
Mixed Base																				
Hamden	159	28.9%	$ 205,525,460	28.4%	18	3.3%	$ 31,417,610	4.3%	29	5.3%	$ 9,434,180	1.3%	69	12.5%	$ 48,987,357	6.8%	82	14.9%	$240,683,730	33.2%
Middletown	396	40.7%	$ 226,315,280	17.7%	45	4.6%	$ 5,578,930	0.4%	33	3.4%	$ 16,293,920	1.3%	56	5.8%	$ 50,220,200	3.9%	272	28.0%	$354,375,240	27.8%
Norwich	555	63.2%	$ 210,317,844	37.7%	20	2.3%	$ 31,591,800	5.7%	60	6.8%	$ 34,807,671	6.2%	83	9.5%	$ 42,229,150	7.6%	1	0.1%	$3,044,200	0.5%
Windsor	201	44.9%	$ 121,949,520	46.1%	26	5.8%	$ 77,952,630	29.5%	34	7.6%	$ 6,189,050	2.3%	32	7.1%	$ 22,883,630	8.7%				
Rurual																				
Bozrah	18	35.3%	$ 1,702,940	12.4%	2	3.9%	$ 5,588,700	40.8%		0.0%		0.0%	7	13.7%	$ 2,145,180	15.6%				
Durham	70	50.4%	$ 13,751,430	28.6%	4	2.9%	$ 19,543,090	40.6%	3	2.2%	$ 548,380	1.1%	1	0.7%	$ 291,060	0.6%				
Killingly	131	47.8%	$ 115,646,090	64.4%	1	0.4%	$ 93,800	0.1%	26	9.5%	$ 4,018,140	2.2%	20	7.3%	$ 7,818,090	4.4%				
North Canaan	22	27.5%	$ 15,579,920	32.4%		0.0%		0.0%	5	6.3%	$ 1,010,960	2.1%	6	7.5%	$ 3,989,190	8.3%				
Plainfield	60	32.3%	$ 87,298,540	72.5%	5	2.7%	$ 922,960	0.8%	15	8.1%	$ 2,319,700	1.9%	14	7.5%	$ 6,326,490	5.3%				
Union	12	14.1%	$ 3,139,010	31.6%		0.0%		0.0%		0.0%		0.0%	3	3.5%	$ 512,250	5.2%				
Washington	29	16.2%	$ 21,729,650	12.1%	25	14.0%	$ 87,438,486	48.6%	12	6.7%	$ 1,999,680	1.1%	10	5.6%	$ 7,125,450	4.0%				

Table 6 summarizes the relative importance of these five exempt land use types across the 19 municipalities. In fifteen of the 19 municipalities these five exempt land uses account for the majority of exempt parcels. The range is from 91.8 percent in Bridgeport to 17.6 percent in Union. All of the representative cities in the large city, small city, wealthy suburb and mixed base groups had the vast majority of exempt properties in these five exempt uses, with the exception of Litchfield.

In sixteen of the 19 municipalities these five exempt land uses account for the majority of the value of exempt properties. The range is from 92.3 percent and 90.5 percent in Glastonbury and Guilford, respectively, to 36.7 percent in Union. These five exempt land uses account for a majority of the total assessed value of exempt properties in all the large cities (except Hartford), small cities, wealthy suburbs and mixed base groups.

Table 6 Top Five Exempt Land Uses As Share of the Number and Value of all Exempt Properties		
	Share #	Share Val
Large Cities		
Bridgeport	91.8%	76.8%
Hartford	62.7%	47.8%
Small Cities		
Manchester	75.2%	65.5%
Torrington	72.8%	75.8%
Wealthy Suburbs		
Glastonbury	76.0%	92.3%
Guilford	83.5%	90.5%
Litchfield	39.2%	75.9%
New Canaan	78.6%	83.2%
Mixed Base		
Hamden	64.8%	74.0%
Middletown	82.4%	51.2%
Norwich	81.9%	57.8%
Windsor	65.4%	86.6%
Rural		
Bozrah	52.9%	68.8%
Durham	56.1%	70.9%
Killingly	65.0%	71.1%
North Canaan	41.3%	42.8%
Plainfield	50.5%	80.5%
Union	17.6%	36.7%
Washington	42.5%	65.8%

Paying for Local Services Provided to Exempt Properties: Connecticut Experience

Properties exempt from paying property taxes consume services provided by the local government where the property is located, but reduce the property tax base relied on to finance the delivery of those services. In a recent national study, Connecticut was identified as one of only two states that reimburse local governments for a portion of property tax revenues foregone because of such exemptions -- Rhode Island was the other [Kenyon and Langley, 26]. The state programs which partially reimburse local governments for property taxes foregone because of state created exemptions are commonly referred to as PILOTs, or payments-in-lieu-of-taxes.

It can be argued that state reimbursement of local property taxes foregone because of state created exemptions might be appropriate since the state created the exemption. In addition, state partial reimbursement of foregone property tax revenues might be appropriate because the benefits provided by the exempt organization might extend beyond the municipal borders. Kenyon and Langley also argue that statewide treatment of local revenues foregone because of exempt properties can be more systematic and uniform than ad hoc local PILOTs.

The down side to state reimbursements for foregone local property tax revenues is that during periods of state budget pressure aid to local governments can be vulnerable. Such grants help the local government fund services provided to exempt properties, but it makes those grant payments subject to state budget decisions as local grants compete with Medicaid, transportation and other state priorities. In addition, Kenyon and Langley point out that a state reimbursement for foregone property tax revenues may provide an incentive to overstate the value of exempt properties since this might increase the amount of the state reimbursement.

Finally, this type of property tax relief is often poorly targeted because it benefits exempt properties that are the most valuable, rather than those providing the greatest public benefits.

Defining PILOTs

It is important to clarify terms when talking about PILOTs because the term may mean different things to different people. There are at least 3 ways the term PILOTs can be used. First, PILOTs can be defined as voluntary payments by nonprofits, in lieu of property tax payments, to the local government where the exempt property is located. Second, PILOTs could be payments by governmental agencies (generally state owned property), in lieu of property tax payments, to the local government where the exempt property is located. Finally, PILOTs could be payments by the state government to reimburse local governments for the loss of property taxes due to nonprofits or governmental entities that don't pay property taxes.

The first definition of PILOTs is how most states define PILOTs, as a voluntary payment to the local government ***by the owner of the exempt property***. Connecticut approaches PILOTs differently than other states. In Connecticut, the term refers to the third definition of PILOT. These state reimbursement programs are, in essence, state grants to local governments, which are more accurately referred to as grants in lieu of taxes, or GILOTs. These state reimbursement programs are state grants to local governments and, as such, are state expenditure programs. The focus of the tax panel is on state and local revenues. This paper does not address the issue of the adequacy of these state reimbursement programs, which are discussed in more detail in Appendix B.

The difference between traditional PILOTs and Connecticut's GILOTs, however, are important. Specifically, the Tax Revision Panel adopted a set of criteria for evaluating changes in the system of financing state and local governments in Connecticut. The criteria included

- Taxes should be designed to avoid unintended interference with private economic decisions; and
- The structure of the tax system should treat taxpayers in similar circumstances similarly.

Exempting individual properties from paying the real property tax violates these criteria. Eliminating property taxes for some uses and property owners subsidizes the ownership of such real property and provides an incentive to buy more real property, or more expensive real property, than would be the case if the property were not exempt from paying property taxes.

In addition, if some real estate is exempt from paying property taxes, the cost of providing government services must be spread across a smaller tax base requiring a higher tax rate to collect a given amount of revenue. This results in higher taxes, on properties not receiving preferential treatment, than they would pay if the property tax had a broader tax base and collected the same revenue with a lower tax rate. In addition, two similar properties, one exempt the other not, are not treated equally thereby violating the equity criteria adopted by the Tax Panel.

Finally, providing property tax relief by totally exempting some properties from paying property taxes is often poorly targeted because it benefits exempt properties that are the most valuable, rather than those providing the greatest public benefits.

The state's GILOT programs reimburse foregone local property tax revenue with a grant of state resources to local governments. This is a state expenditure which goes through the traditional appropriation process. GILOTs, however, do not address the efficiency and equity concerns associated with exempting individual properties from paying property taxes and do not address the poor targeting of such property tax relief.

On the other hand, traditional PILOTs are payments by the owner of an exempt property to the host local government to help fund the delivery of local services they consume. Such a payment by the owners of exempt properties addresses, to some extent, the efficiency and equity concerns with exempting individual properties from paying property taxes. The more valuable the property, the greater the potential payment to the host local government.

Distributional Impacts of Tax Exempt Properties in Connecticut

As discussed above, there are efficiency and equity implications of exempting some real property from paying property taxes. In addition, there are distributional implications of exempting some properties from paying property taxes as well. Table 7 presents information on the distribution of property tax liabilities under two different scenarios. Scenario 1 is the current system of property taxation for the representative municipalities analyzed here. Scenario 2 assumes that exempt properties would pay property taxes on 25 percent of the value of their property to help finance public services they consume. The municipality would not pay property taxes on municipally owned property and would not collect property taxes from federal properties.

Table 7 looks at the share of property tax liabilities paid by residential and commercial property under the current system and under a system where some exempt properties pay a portion of property taxes that would be paid if the property were not exempt. For example, under the current system residential and commercial properties combined pay 82.8 and 75.4 percent of total property tax liabilities in Bridgeport and Hartford, respectively. Under Scenario 2 they pay 78.8 and 60.0 percent in Bridgeport and Hartford.

For half of the municipalities listed in Table 7, the share of property taxes paid by residential and commercial properties combined under Scenario 2 is 2 percent or less lower than their share under the current scenario. Taxing 25 percent of the value of non-municipal and non-federal properties reduces the residential and commercial share of tax liabilities only marginally. Only three municipalities have combined residential and commercial shares under Scenario 2 that are 5 percent or more below their share under the current scenario -- Hartford saw the residential and commercial share fall by 20.4 percent under Scenario 2, Middletown saw it fall by 9 percent and Norwich saw if fall by 5.5 percent.

All of the cities in the Mixed Base group, except Windsor, have exempt properties accounting for a relatively high share of total assessed value. As a result they have relatively large reductions in the combined residential and commercial share of liabilities under Scenario 2. Otherwise, having non-governmental exempt organizations pay property taxes on 25 percent of their value would not generate significant revenues and would not change the distribution of property tax liabilities significantly, but it would start to address the efficiency and equity concerns with property tax exemptions.

Table 7 Allocation of Property Tax Liabilities for Residential and Commercial Properties Under Two Scenarios								
Municipalities	Exempt Share of Total		Scenario 1		Scenario 2			
	No. Parcels	Value	Share of Prop Taxes		Share of Prop Taxes		Res + Comm	
			Residential	Commercial	Residential	Commercial	Scenario1	Scenario2
Large Cities								
Bridgeport	5.5%	33.9%	68.3%	14.5%	65.0%	13.8%	82.8%	78.8%
Hartford	6.4%	59.1%	29.7%	45.7%	23.6%	36.4%	75.4%	60.0%
Small Cities								
Manchester	3.2%	11.9%	94.8%	3.4%	92.8%	3.3%	98.2%	96.1%
Torrington	2.6%	12.3%	92.7%	4.4%	90.8%	4.3%	97.0%	95.1%
Wealthy Suburbs								
Glastonbury	3.9%	6.7%	92.4%	0.6%	92.2%	0.6%	93.0%	92.8%
Guilford	5.3%	5.3%	92.1%	6.7%	91.7%	6.6%	98.8%	98.3%
Litchfield	6.2%	13.9%	87.9%	1.3%	85.3%	1.3%	89.2%	86.6%
New Canaan	3.1%	6.7%	95.0%	2.4%	94.2%	2.4%	97.4%	96.7%
Mixed Base								
Hamden	2.8%	16.6%	95.2%	3.0%	91.9%	2.9%	98.2%	94.8%
Middletown	6.3%	32.4%	80.4%	10.3%	73.1%	9.4%	90.7%	82.5%
Norwich	6.3%	27.1%	83.4%	9.0%	78.8%	8.5%	92.4%	87.3%
Windsor	3.7%	10.3%	93.6%	1.7%	92.1%	1.7%	95.3%	93.8%
Rural								
Bozrah	3.8%	7.0%	82.7%	1.0%	81.3%	1.0%	83.7%	82.3%
Durham	4.4%	6.8%	78.2%	1.2%	77.2%	1.2%	79.4%	78.4%
Killingly	3.7%	15.1%	82.7%	3.0%	81.2%	3.0%	85.8%	84.2%
North Canaan	0.0%	0.0%						
Plainfield	3.0%	14.1%	83.9%	0.7%	82.9%	0.7%	84.6%	83.6%
Union	11.6%	11.3%	82.4%	0.5%	80.6%	0.5%	82.9%	81.1%
Washington	6.9%	14.7%	90.3%	1.5%	87.0%	1.4%	91.8%	88.4%

The next section discusses options for raising revenues from exempt properties to help pay the cost of providing the local goods and services they consume.

Raising Revenues from Exempt Properties: National Experience

Connecticut is the leader in the nation, and sets the standard, for taking responsibility for the impact of state mandated property tax exemptions created by the state by reimbursing local governments for some portion of the revenues foregone as a result of these exemptions. The majority of these funds are transferred to local governments through three state grant programs – Pequot, state owned property and college/hospitals. These state grants to local governments, however, do not address the issues associated with tax exempt properties discussed above. If Connecticut is to address the economic efficiency and equity concerns associated with exempting individual properties from paying property taxes, it will need to consider options for collecting revenues from the individual exempt property owners. This section examines national experiences in this effort.

Properties exempt from paying the local property tax consume publicly provided community goods and services. Unless they help pay the cost of providing those services, other taxpayers who do not get preferential treatment by the property tax system (or other tax adjustments) end up paying a larger share of those costs.

Often universities, hospitals, and other large nonprofits are seen as an easy target for policymakers because their wealth is known to the public. As one expert stated "Even if a college or university is only one of many nonprofits in the municipality, the larger the nonprofit exempt footprint, the greater the pressure will be on the ones which look like they have the financial wherewithal to pay." (Brody 2010, 665).

For these reasons, local governments often focus their attention on large exempt organizations such as universities and hospitals when seeking revenue. Such organizations often argue that singling them out is unfair, and some commentators agree: Professor Brody observes that they "have a strong argument about unfairness. While [colleges and hospitals] garner much of the focus of revenue-starved and geographically bounded municipalities, focusing just on a sub sector raises troubling questions." (Brody 2010, 665).

Yet others point out that tax exemptions disproportionately benefit such organizations. Kenyon and Langley of the Lincoln Institute of Land Policy argue that "the exemption is poorly targeted, since it mainly benefits nonprofits with the most valuable property holdings, rather than those providing the greatest public benefits." (Kenyon and Langley 2010, 42). They further note that "there are no tax savings for nonprofits that rent office space and the greatest tax savings go to large nonprofits, especially hospitals, universities, and long-term housing facilities." (Kenyon and Langley 2010, 42) Regardless of one's opinion on the fairness of targeting such entities, the fact remains that they possess far more wealth than other exempt organizations, disproportionately erode the tax base by owning large pieces of real estate, consume more municipal services, but also have the financial resources to contribute to the cost of delivering the public services the consume. Thus, they offer more potential for raising revenue, and are arguably more indebted to their host municipalities.

Nationally, there are a number of options available to local governments for generating revenue from exempt properties to help pay for the cost of the publicly provided services they consume. These include

3) Payment-in-lieu-of-taxes (PILOTs).
4) Services-in-lieu-of-taxes (SILOTs);
3) User fees and charges;
4) Other direct taxes;
5) Retaining revenue from properties sold to exempt entities

These options are discussed in more detail below.

I. Payment-In-Lieu-Of-Taxes

Payments in lieu of taxes (PILOTs) are voluntary payments made by exempt organizations in place of property taxes.[9] PILOTs have grown in frequency over the past few years, as budgetary pressures on local governments have increased during the recession. Over the past ten years PILOTs have appeared in at least 218 municipalities and 28 states (Kenyon et al, 2012). Several large cities have PILOT agreements, including Boston, Philadelphia, Providence, Baltimore, Detroit, Indianapolis, Minneapolis, and Pittsburgh. Payments in Lieu of Taxes remain the preferred method of getting tax exempt organizations to contribute to the cost of providing local public services they consume.

PILOTs generally do not raise enough money to compensate fully for revenue lost to tax exemptions. In 2009, Boston raised $14.9 million in PILOTs from nonprofit universities and hospitals, which is only 4.3 percent of what they would have paid in property taxes (City of Boston 2009). On average, PILOTs comprise less than one percent of municipal budgets (Kenyon and Langley 2010). But, while PILOTs may compose a fraction of what would have been raised through property taxes, they can still be significant. Though the money raised in 2009 by Boston's PILOT program was far short of what tax revenues would have been, it was still enough to pay for snow removal for an entire winter (City of Boston 2009). Furthermore, some municipalities—especially small towns that host colleges or universities—will benefit disproportionally from PILOTs. For example, Bristol, Rhode Island's PILOT agreement with Roger Williams University comprises almost 5 percent of the city's budget (City of Boston 2009). PILOTs may seem negligible in comparison to lost tax revenue, but they can still be a valuable revenue source for cash-strapped municipalities.

[9] Some organizations voluntarily keep otherwise exempt property on the tax rolls. For example, Rice University pays property taxes on the president's residence. Kenyon and Langley treat situation as a PILOT.

When are PILOTs "required" of a tax exempt organizations?

Only three states have mandatory PILOT laws specifically addressing tax exempt non-profit entities, however, these laws generally apply when a non-profit entity derives income from rental activities. For example, Delaware Code Section 8156 provides: "Any church, religious society, charitable corporation or nonprofit organization granted a tax exemption pursuant to this subchapter, shall pay to the county and other political subdivision in which the project is situate, in lieu of taxes, a special assessment in an amount not less than 10% of the gross rentals derived from the project, less the cost of utilities and the cost of providing special social services to the elderly persons residing in the project." This statute was applied to the specific circumstance when an organization provided housing to the elderly.

Two states legislatively authorize local governments to enter into PILOT agreements for housing authorities. But these states only grant the power to negotiate PILOTs. In South Carolina, Code Section 12-37-240 states, "When any non-profit housing corporation owns property within a county or municipality which is exempted from ad valorem taxes under an act of the General Assembly, the county or municipality or both are authorized to contract with such corporation for payments in lieu of taxes for services rendered by the county or municipality."

Similarly, Connecticut requires PILOTs in certain circumstances. Specifically, CGS Section 8-265b and Section 12-76 require the property owner to make in lieu of tax payments to the municipality where the property is located. The PILOT is based on what taxes would have been paid if the property had not been exempt. CGS Section 22a-270a exempts real and personal property leased by the Materials Innovation and Recycling Authority from paying property taxes ***if*** the real and personal property are subject to an agreement where the lessee makes payments in lieu of taxes to the municipality where the property is located.

Many states have a variety of statutes authorizing payments in lieu of taxes by governmental or quasi-governmental entities. For example, Kansas law states that cities may impose payments in lieu of taxes on state industrial revenue bond property, but imposition of such payments are not mandatory. (K.S.A. 12-174). Kentucky allows local governments to enter into PILOT agreements with government utilities. (Kent. Stat. Ann. 247.968).

PILOTs, however, are more appropriate for some municipalities than others. They are best-fitted for areas that rely heavily on the property tax and host large non-profits that own significant portions of real estate. PILOTs maybe less appropriate for every exempt organization. As one observer notes, "PILOTs are most suitable for non-profits that own large amounts of tax-exempt property and provide modest benefits to local residents relative to their tax savings" (Kenyon and Langley 2010, 3). Such organizations may feel an obligation to reimburse local taxpayers for the services they consume, and are wealthy enough to contribute. As such, municipalities usually target hospitals, colleges and universities, and nursing or retirement homes.

Challenges Designing PILOTs

There are a number of challenges in designing PILOTs which must be addressed in developing best practices used.

i. Maintaining Good Relations with Exempt Organizations

The first impediment to PILOT programs is simply convincing exempt organizations to participate: since PILOTs are voluntary, exempt organizations are free to ignore cities' requests for payments. Boston is a leading example in this regard. In 2009 Mayor Thomas Menino established a PILOT Task Force to review and improve the city's existing PILOT program. He invited representatives from Boston's largest exempt organizations to participate in the formulation of new policies. The list of invitees included university presidents, hospital executives, and other high-level figures in the nonprofit community. Despite their divergent interests, the inclusion of nonprofit representatives allowed Boston's PILOT initiatives to be "collaborative and driven by consensus" (Lustig 2010, 609).

Boston's nonprofits also favor this arrangement because it reduces uncertainty by participating in PILOT policymaking. They know what to expect from the city and can plan their budgets accordingly. Conversely, nonprofits in other cities sometimes express frustration when the government makes unanticipated PILOT demands (Kenyon and Langley 2010).

Boston's creation of the Task Force also had unforeseen political benefits. By inviting nonprofits to participate, the City created publicity and raised awareness about the negative impact tax exemptions have on the surrounding community (Lustig 2010). This increased public pressure on nonprofits to make PILOTs. The Task Force has also used transparency as a political tool. Nonprofits complain that "PILOTs are often haphazard, secretive, and calculated in an ad hoc manner . . . ." (Kenyon and Langley 2010, 3).

Appealing to this sentiment, the Task Force adopted "transparency and consistency" as one of its core principles. This appeased exempt organizations, but it also left them accountable to both the public and to other nonprofits if they decide not to contribute (Lustig 2011). The Task Force periodically publishes data on PILOT payments, which allows citizens to see which organizations do not make PILOTs.

Boston's inclusion of representatives from the nonprofit community could be considered a best practice for maintaining healthy relations with PILOT participants. Nonprofits appreciate being able to participate in the Task Force because it allows them to voice their concerns and avoid surprises. At the same time, it creates publicity about PILOTs and exemptions, which ramps up public pressure for nonprofits to make payments. The Task Force's commitment to transparency eases concerns of unfair or coercive tactics, but it also forces nonprofits to face disapproval from the public and from fellow exempt organizations if they do not contribute. Because it appeases nonprofits while benefiting municipalities, local governments would be wise to invite exempt organizations to participate in PILOT policymaking.

As a result of the Task Force report, the Boston PILOT program applies to all nonprofits except churches, social service organizations and nonprofits with assessed value less than $15 million.

ii. Calculating the Proper Amount for PILOT Payments

Another common issue is deciding on the appropriate amount to ask from each exempt organization. One method involves assessing the community benefits offered by each organization, and reducing the requested amount if an organization provides substantial levels of community service (Kenyon and Langley 2010). For example, Philadelphia's Voluntary Contribution Program in the 1990s sought PILOTs from charities that did not meet the Pennsylvania Supreme Court's definition of a "purely public charity" (Glancey 2002, 214). In other words, Philadelphia exempted organizations from PILOTs if they provided a high level of public services to local residents.

Similarly, Boston's program allows for deductions for "extraordinary community services" (City of Boston 2009). The criteria for considering such services include: whether they directly benefit Boston residents, whether they support the City's mission and priorities, whether they are quantifiable, and whether they "emphasize ways in which the City and the institution can collaborate to address shared goals." Examples of such services include academic scholarships, free medical care, volunteer workshops, youth employment, job initiatives, and job training programs (City of Boston 2009). Reducing PILOTs in exchange for community services allows cities to improve their residents' quality of life, while simultaneously allowing exempt organizations to reduce the amount of money they are expected to contribute.

PILOTs can also be calculated based on a measure of an exempt organization's value (Kenyon and Langley 2010). In structuring its PILOT program, Boston's PILOT Task Force considered three such methods:

1. payments based on square footage of property;
2. payments based on units, such as number of students enrolled or number of hospital beds; and
3. payments based on property value.

It decided that the property value method was most appropriate, because PILOTs are meant to compensate for lost property taxes. Alternatively, Cambridge, Massachusetts uses square footage of real estate to determine PILOT requests, whereas Baltimore uses an organization's annual income (Kenyon and Langley 2010, 39).

When adopting a methodology for calculating PILOTs, municipalities should consider an exempt organization's footprint, as reflected by the property value and square footage methods used by Boston and Cambridge. Their ability to pay, which is a primary consideration behind Baltimore's annual income criterion, is also an important factor. Finally, reducing PILOT amounts for public benefits provided, as seen with Boston's "extraordinary community services" standard, is a useful tool for improving a city's quality of life and reducing the burdens of government. Using concrete and quantifiable methods reduces the appearance of unfairness, which increases exempt organizations' willingness to comply with municipal PILOT requests.

Exempt organizations in general, and universities and hospitals in particular, argue for tax exemptions, in part, because they contribute to the economic livelihood of local governments. There are several methods of identifying and measuring the economic impact of nonprofits, specifically universities and hospitals, on state and local governments and economies.[10] The studies cover four main areas:

1. studies on the impact of hospitals, hospital complexes, and educational medical complexes;
2. studies on the economic impact of universities;
3. studies on the impact of non-profits at the state or municipal level; and
4. general studies on the economic impact of non-profits.

The most comprehensive discussion of the topic is set forth in Doekson, et. al. (1997). This study reviewed the most widely accepted methods for ascertaining the ***economic impact*** of non-profit health organizations. The review resulted in the conclusion that the direct and secondary impacts on community employment and income account for 15 to 20 percent of the total community's employment and income. For universities, the most widely cited research is Drucker and Goldstein (2007). The authors conclude, based on their review that university activities, particularly knowledge-based activities such as teaching and basic research, have been found to have substantial positive effects on a variety of measures of regional economic progress (Drucker and Goldstein, 23-24.)

Private for-profit companies, however, provide similar economic benefits to a local economy. There must be other ways to measure the contributions of exempt organizations beyond the economic impact on the community in order to justify exempting individual properties from property taxation. Nicholson, et. al., (2000) identified community benefits by using the economic concept of a public good. Typically this benchmark is higher than the conventional standard – exempt organizations should provide community benefits that are at least as large as the taxes it would pay if it were a for-profit hospital.

[10] There are numerous studies commissioned by universities and non-profit hospitals illustrating the economic benefits of such institutions. Invariably, these studies show that the particular university or hospital has a significant impact on economic development.

In the medical field, an example of such a public good would be flu vaccinations for local school children. The vaccinations would provide benefits to all of the people living in the area by helping to contain the spread of the flu. The use of medical care by either low-income or high-risk individuals can be an important type of public good. Many times public goods are furnished in insufficient quantities because it is difficult to convince many of the people who benefit from it to pay for it.

The concept of a public-good provides a verifiable measure of potential community benefits. However, the determination of what is a public good is subjective rather than objective. Nicholson (2000) used the public-good framework to determine a set of hospital activities that could constitute community benefits. The activities included in the study are 1) uncompensated care, 2) the cost of other unbilled public-good services, 3) losses on medical research, 4) taxes, 5) Medicaid shortfalls, 6) Medicare shortfalls, 7) price discounts to privately insured patients, and 8) losses on medical education. As the study acknowledges, the first four have strong justification for why they should be considered public benefits, whereas the last four are more debatable.

iii. Reducing Uncertainty: Trigger Provisions and Long-term v. One-time PILOT Agreements

As mentioned above, Boston's nonprofits enjoy their positions on the PILOT Task Force in part because such participation reduces uncertainty. Governments feel the same: predictability in PILOT payments facilitates the process of designing a budget. (Brody 2010, 45). Municipalities have at least two tools available to reduce uncertainty surrounding PILOTs. The first is to establish trigger provisions for inclusion in a PILOT program (Kenyon and Langley 2010). One method currently used by the City of Boston is to approach exempt organizations subject to the PILOT when they purchase new, non-exempt property. This is favorable for exempt organizations because they can take such costs into consideration when planning expansions. Municipalities favor this method because it allows them to mitigate sudden drops in their tax base. It also improves municipalities' bargaining power, because organizations under expansion will likely need zoning or building permits from the government. However, trigger provisions raise the cost of entry for new exempt organizations, and might discourage exempt entities from making expansions and investments that would benefit the community.

The second method for reducing uncertainty is to pursue multiyear contracts instead of one-time payments (Kenyon and Langley 2010, 40). This gives both exempt organizations and municipalities concrete figures to work with during long-term budget planning. Several such agreements currently exist: the Massachusetts Institute of Technology, for example, has a multi-year agreement with Cambridge that is subject to a 2.5 percent annual increase (Kelderman 2010). Similarly, Harvard University agreed to pay Watertown, Massachusetts $3.8 million per year until 2054, with a three percent annual increase (Flint 2002).

While such arrangements reduce uncertainty for both parties, exempt organizations still may oppose agreeing to future payments. They may also worry about creating a “slippery slope” that allows municipalities to increase PILOT requests year after year. For example, in Pittsburgh several nonprofits make an annual PILOT to the city and insist that each year’s payment is a “gift” that establishes no precedent for future contributions (Brody 2010, 45). Nonetheless, long-term contracts are preferable to one-time payments for municipalities, and should be pursued where nonprofits are willing to agree to such arrangements.

The world of PILOTs is vast and research on such programs has been scarce.[11] And despite the general view that PILOTs are an effective method for raising revenue, only a small percentage of non-profits actually make such payments. One recent study found that only 9 percent of non-profits nationwide were making payments under PILOT agreements (Salamon, et. al. 2010 and Lustig, 2010) and only 26 percent of localities with exempt property received PILOTs. While these small numbers reflect the fact that most non-profits do not have the financial resources to make voluntary payments, two thirds of the largest research universities do not make routine PILOT payments (Lemov 2010).

II. Services-in-lieu-of-taxes and other forms of alternatives to PILOTS

Local governments use several methods, apart from PILOTs, to raise revenue from organizations otherwise exempt from property taxation. However, local governments raise significantly less revenue from these alternate sources than they can and do from PILOTs. The most recent literature on the subject is two reports by the Lincoln Institute of Land Policy which include discussion of PILOT alternatives as a method of changing the conventional debate about the issue of taxation of non-profits (Kenyon and Langley 2010; Kenyon, Langley and Bailin, 2012).

Services-In-Lieu-Of-Taxes (SILOTs) are arrangements that non-profits make with municipalities to directly provide or subsidize community services (Kenyon and Langley 2010). In addition to directly providing services, sometimes SILOTs are defined as monetary contributions for specific government services such as fire, police or schools.

There are several examples of monetary payments for specific services in the higher education community. Duke University gives money annually to the city of Durham, NC for fire protection services. These payments are based on a formula (Nelson, 2010). Stanford University has contributed to the Palo Alto community with periodic gifts such as a donation of $10 million to the local school district to help fund a new middle school (Nelson 2010). Other non-profits purchase equipment (usually public safety related) and donate the equipment to the local government. For example, the University of Michigan and Northwestern University both have purchased fire trucks for their respective local municipalities. The University of Pennsylvania has donated land to the city for a public school. Washington University pays for part of the costs of city police patrols on or near campus (Nelson 2010).

[11] Kenyon and Langley 2010 was the first study to comprehensively gather information on PILOT activity nationwide.

Similarly, Yale University entered into an agreement with New Haven to make an annual PILOT. In 2009 Yale agreed to increase its PILOT to the city and is now contributing around $7.5 million per year since 2010. Yale also has been involved in local economic development in New Haven. In addition to its role as a major employer and an incubator for the biomedical sector, Yale has contributed to the city's revitalization effort in a number of ways, including

- funding The Center for the City, an organization aimed at accessing New Haven's local resources to address social problems;
- redeveloping several blocks of the City's retail center; and
- paying stipends to Yale employees to buy homes in the city.

A SILOT may also involve an exempt organization directly providing a municipal service, although this appears to be a much rarer occurrence than monetary contributions. The most common example of such a service involves police and public safety. In Nashville, Tennessee, Vanderbilt University has taken on the responsibility of police protection for the areas and neighborhoods surrounding campus (Nelson 2010). This relieves the city of some of its public safety costs. Emory University has an agreement with DeKalb County to provide certain amounts of health care to county residents in addition to PILOT payments to the school district.

In the case of the District of Columbia, the federal government provides a number of services to the District. For example, the federal government provides

1. park services to District residents – e.g., Rock Creek Park, Anacostia Park, National Mall and Haines Point, other center city and neighborhood parks:
2. government services that are traditionally provided by state governments
    a. incarceration of felony prisoners
    b. funding and administration of the courts (Court of Appeals, Superior Court and DC Court system)
    c. pre-trial services for defendants awaiting trial
    d. public defender service and parole services for adult offenders.

III. User Fees

Local governments replace property tax revenue through municipal service fees and user fees. Municipal service fees directly target non-profits as they are only required to be paid by the owners of tax-exempt properties. Such service fees are rare. The best example is the city of Minneapolis, which since 1973 has charged street maintenance fees on tax-exempt properties based on the square footage of the property (Hjelle 2009, Kenyon and Langley 2010).

User fees, which are levied on all properties, are a more popular option for local governments to levy. Municipalities generally impose user fees as a replacement or addition to property tax revenue to fund individual services such as trash collection, park maintenance, and street repairs. They are widely used by local governments throughout the United States. Indeed, local governments raised over $260 billion in user fees and charges in 2013 (U.S. Census). A study by Johns Hopkins University in 2010 found that 42 percent of non-profits nationwide paid some form of user fee to local governments (Salamon, et. al. 2010).

User fees, however, are not without controversy as it can often be unclear whether a fee is legally a fee or a tax that, in some states, cannot be enforced on non-profits. For example, in 2010, the City of Houston adopted a “drainage fee” designed to raise $125 million a year toward improving storm water systems. The city charges the fee to all property owners and has indicated that no exemptions will be granted to charities or other non-profit organizations. The non-profit community in Houston is challenging the fee as an illegal tax. In 2011 the Houston City Council exempted churches, schools and count government facilities from paying the drainage fee.

Similar fees have been adopted in Richmond, VA., Lafayette, Ind., and Verona, Wisconsin. State laws interpret similar fees differently; for example, requiring non-profits to pay a fire protection fee is legally permissible in West Virginia but is unconstitutional in Massachusetts (Youngman 2002). But more importantly, user fees fall on all organizations within the city, taxable and exempt.

IV. Other Direct Taxes

Municipalities often have the legal authority to enact alternative taxes on exempt organizations in lieu of traditional property taxes. Unlike user fees, these are legally defined as taxes. This option is only permissible in states that allow local governments to impose any kind of taxes on exempt organizations. The constitutions of 17 states (UT, NM, OK, AK, NE, ND, SD, MS, LA, AL, SC, KY, MI, NJ, NY, VT, and ME) prohibit any taxation of charitable non-profits (Kenyon and Langley 2010).

Cities with large universities and hospitals have contemplated alternative taxes, including tuition taxes on colleges and universities and hospital bed taxes. Pittsburgh, Pennsylvania recently proposed tuition taxes. In Pittsburgh, the mayor proposed a one percent Fair Share Tax on the tuition paid by the city’s 100,000 students (Fischer 2010). The mayor was prompted by the fact that one third of the city’s property was exempt from tax and about 20 percent was owned by universities and colleges. If approved the tax would have raised approximately $16 million a year. The tax proposal was withdrawn after protests by students and parents and an agreement by the universities to pay PILOTs to the city. Those taxes would have been levied on a percentage of tuition paid by students enrolled in universities within the city. But the tax proposals were abandoned after the city managed to establish PILOT arrangements with local colleges and universities.

Providence, Rhode Island also considered a tuition tax on universities and colleges in its boundaries. Brown University owns real property worth about $1 billion and saves about $38 million from its tax exempt status. In 2011, Brown made contributions of about $4 million to the city which included property taxes on land used for commercial purposes. Faced with a large budget deficit, the city requested Brown pay an additional $40 million over ten years effectively doubling the universities payments. The city held out the possibility of seeking a tuition tax if a new PILOT was not negotiated. The tax would have been a flat $150 per semester for every student at the four colleges in the city. Eventually, Brown University agreed to a Memorandum of Understanding with the city agreeing to pay the city $31.5 million over 11 years. It also agreed to add some properties back onto the property tax roll.

In December 2009 Jerry Fried, the mayor of Montclair, New Jersey, asked the state legislature to pass a law that would require universities to charge all students $50 per semester to pay for municipal services. This initiative was backed by almost one hundred mayors, who offered their support at New Jersey's League of Municipalities' convention in November 2009. In explaining his request, Fried said he wished to recoup some costs of municipal services that university students and staff members enjoy for free "Obviously we provide a lot of services and don't get paid back from that. There's significant costs involved." (Khavkine 2009) The legislature has not passed such a student charge.

Beyond tuition taxes, cities have also proposed levying special energy taxes on non-profits.[12] Three Maryland counties levy energy taxes—a tax based on an organization's utility bills—solely on non-profits classified under 501(c)(3), including churches, universities, and hospitals (Anft 2001). In 2001 and 2004, the Mayor of Baltimore proposed a similar energy tax on non-profits. The city later abandoned the efforts after negotiating PILOT agreements with the city's nonprofit hospitals, colleges, universities, and nursing homes.

V. Options for retaining tax revenues from properties being sold by taxpaying property owners to entities exempt from taxation.

There are no statutory or other legal authorities for a local government to retain tax revenue from properties sold by a taxable entity to a non-taxable entity. Moreover, there is no legal or policy literature discussing the issue. In every state, whether the purchased property is taxable or not depends on its ownership and use. If the purchased property will be used exclusively for exempt purposes it remains exempt from taxation. The only recourse a local government may have is to challenge the use of the property. For example, if a non-profit purchases property and uses it for commercial purposes, the local government would be able to revoke or partially revoke the non-profit's exemption.

There are, however, other methods utilized to control the growth of exempt property. For example, in October 2002 the supervisors of Fairfax County, VA.,

[12] Energy taxes have been proposed in several states. Typically, an energy tax proposal would impose a rate as a percentage of a non-profit organization's utility costs. The rates proposed in Maryland were, for example, eight percent.

approved a moratorium on any new non-profit tax exemption, citing the need to preserve resources in the face of likely budget cuts. This was in response to an earlier decision to grant the World Wildlife Federation a $300,000 annual exemption for its new headquarters (Rein 2002). In November 2002, voters in Virginia then approved a referendum to transfer approval of new exemptions from the legislature to local authorities (Salmon 2003). Fairfax County, Virginia has not approved a property tax exemption for any taxable property purchased by an exempt organization since that time.

The idea of local consent before acquired property can be exempt has been discussed in other jurisdictions. A Cleveland research body proposed as "alternatives for balancing the valuable services contributed by tax-exempt organizations and the revenue needs of local governments" a variety of changes, including: requiring local jurisdiction consent before a tax-exempt entity can buy taxable property; phasing in tax exemption on newly acquired property; phasing out exemption after a specific period; limiting acreage eligible for exemption; adopting a dollar cap on exempt property; and including an allowance in state intergovernmental aid to jurisdictions with a large amount of exempt property (Sheridan, et. al. 2002). Similar recommendations were suggested by Pomp (2002) as a means of easing the financial burden on municipal governments.

While the concept of local approval for non-profits to expand their exempt holdings is endorsed by scholars and policy experts, few local governments actually have this authority. But as Fairfax, Virginia illustrates, such authority can be very successful in curbing the expansion of exempt property.[13]

Policy Options

Connecticut was identified in a recent national study of exempt properties and PILOTs as one of only two states in the nation where the state reimburses local governments for property tax exemptions created by the state [Kenyon and Langley, 26]. It is important for a state creating tax exemptions that result in foregone revenues by local governments to take some responsibility for those actions and reimburse local governments for lost revenues resulting from state imposed exemptions. Connecticut is a model for the nation for such state-funded grant programs.

The down side of such state-funded grant programs is that they compete with other state budget priorities. Too often, when states are confronted with budget pressures they tend to cut aid to local governments.

Policy Option 1: Maintain the Status Quo

[13] A survey of public officials by Brunori and Bell (2012) in ten jurisdictions with populations of 500,000 to 1,000,000 found unanimous support for the concept of local approval of exemptions for property purchased by non-profits.

The current practice in Connecticut regarding how the state government takes responsibility for reimbursing some revenue foregone by local governments because of state mandated property tax exemptions is a model for other states. The stakeholders in the current system – owners of exempt property, the state of Connecticut and local governments in the state – are familiar with the current system and have made decisions in the context of that system.

The current system does not fully compensate local governments for the revenues foregone because of state mandated property tax exemptions. The state does not fully fund the target reimbursement rates for various types of exempt property. Any state reimbursement competes with other state spending priorities complicating local budgeting efforts. The current system does not address the current efficiency and equity concerns associated with property tax exemptions.

Policy Option 2: Develop a traditional PILOT program along the lines of the program in Boston which has been characterized as "best practices."

Connecticut might consider the development of a traditional[14] PILOT program to generate revenues from tax exempt properties to help finance the delivery of public services benefiting those properties. This would address directly the efficiency and equity issues associated with exempting some properties from paying property taxes outlined above.

Boston has a PILOT program intended to better match the property tax revenue foregone because of a tax exemption and the benefits received by the community from the exempt organization. By contributing to the cost of publicly provided goods and services benefiting the exempt organization the City's PILOT program reduces the inefficiencies and inequities in the system of property tax exemptions.

In Boston, when a nonprofit subject to the PILOT program acquires property (especially property that was formerly taxable), begins new construction, or applies for a property tax exemption the Boston city government initiates a conversation with the exempt organization in an effort to reach an agreement between the City and the nonprofit on an appropriate PILOT payment. The City starts with the view that tax exempt organizations should contribute some amount toward their consumption of publicly provided services such as police and fire protection and public works such as street cleaning and snow removal.

In Boston, these services account for approximately 25 percent of the City's budget. Thus, the City's starting point for negotiations is that each tax exempt organization should pay a PILOT equal to 25 percent of what they would pay if they

[14] A traditional PILOT program would involve a voluntary payment from the owner of exempt properties to the local government in lieu of paying property taxes on the exempt property.

were totally taxable.[15] This estimated liability is then balanced against community benefits provided by each tax exempt organization. The credit for community services is limited to 50 percent of the proposed PILOT to ensure each tax exempt organization makes some cash contribution. (Rakow, 5)

A tax exempt organization may have its proposed property tax payment reduced if the services they provide

- directly benefit Boston residents;
- support the City's mission and priorities;
- are quantifiable; and
- emphasize ways in which the City and the institution can collaborate to address shared goals.

Examples of such services include academic scholarships, free medical care, volunteer workshops, youth employment, job initiatives, and job training programs (City of Boston 2009). Deducting from a proposed PILOT in exchange for community services allows cities to improve their residents' quality of life, while simultaneously allowing exempt organizations to reduce the amount of money they are expected to contribute.

Developing a traditional PILOT program along the lines of the Boston model will

- provide transparency of the PILOT program,
- improve the public image of non-profits paying the PILOT,
- help fund the delivery of services which will make the environment safer and cleaner to help attract employees and students,
- provide certainty for the exempt organizations on what exactly their responsibilities will be,
- better align the property tax revenues foregone by local governments and the benefits to local residents and businesses provided by organizations with exempt property, and
- improve the efficiency and equity of the system of granting property tax exemptions to nonprofit organizations.

Kenyon and Langley (pp 29-32) summarize the main arguments supporting the development of a PILOT program:

[15] This approach relies on reasonable estimates of the market value of property owned by individual tax exempt organizations. Boston gathered data from a particular type of tax form filed annually by tax exempt organizations. Data were collected from these forms and then assessors used these data to estimate market values using their CAMA model. (Rakow, 4)

- Nonprofits should pay for the public services they consume which will reduce the inefficiencies and inequities in the current system of providing property tax exemptions;
- PILOTs can generate essential revenues that can help improve the level and quality of publicly provided goods and services benefiting the exempt properties and to a large extent these revenues might be exported to non-residents;
- PILOTs can ameliorate some of the inequities created by the charitable property tax exemption which gives the greatest tax savings to large nonprofits with the most valuable real estate because large nonprofits are the ones most likely to pay PILOTs;
- PILOTs reduce the subsidies going to properties receiving preferential treatment which, in turn, can reduce market inefficiencies in land use.

On the other hand, some argue that PILOTs

- can too often be ad hoc, secretive and contentious,
- provide limited and unreliable revenue, and
- could lead some nonprofits to raise fees, cut services and/or reduce employment.[16]

Some PILOT payment by non-profit organizations could reduce property taxes on for-profit businesses and other non-exempt properties which, in turn, could increase employment in the private sector.

Policy Option 3*: *Limit the value of real property exempt from taxation for individual properties.

One possibility for limiting property tax revenues foregone because of exemptions would be to simply include some portion of the estimated market value of tax exempt property in the taxable property tax base. The owner of the exempt property would make a payment to the local government based on the value of the property. This would be a required payment, not a voluntary PILOT. For example, Representative Michael Moran (D-Boston) sponsored a bill in the Massachusetts Legislature to assess all nonprofits at 25% of the estimated market value of their properties.

Table 8 compares the payment state owned exempt property would pay in FY 2016 to each of the 19 representative cities examined here if they were assessed the

[16] Some argue that large non-profits should receive a property tax exemption because of the significant economic impact the organization has on the community. Kenyon and Langley, however, point out that for-profit businesses also generate employment and other economic benefits to the community, but they do pay property taxes.

2016 mill rate on 25 percent of the value of their property, compared with their FY 2016 state owned state PILOT payment. In every case but one – Middletown – the 2016 payment on 25 percent of the value of exempt state owned property would be greater than the 2015 state owned PILOT payment. In part, this results from the fact that the 2016 state owned PILOT is based on assessed values on the 2013 Grand List and the 25 percent payment is based on assessed values on the 2014 Grand List. Also a number of municipalities have their state owned PILOT go to zero as a result of state grants for state owned PILOTs being reduced by $12 million in 2016.

Table 8 Alternative Measures of Payments for State Owned Exempt Properties, FY2016				
	GL2014; FY2016			GL2013/FY2016
Municipalities	State Owned Total		PILOT on	State Owned
	Parcels	Values	25% Value	Current PILOT
Large Cities				
Bridgeport	112	$ 252,171,940	$2,660,288	$ 2,353,126
Hartford	169	$ 843,708,504	$15,669,776	$13,887,253
Small Cities				
Manchester	39	$ 96,419,200	$949,729	$566,228
Torrington	48	$ 31,853,590	$364,325	$104,211
Wealthy Suburbs				
Glastonbury	54	$ 6,258,700	$56,485	$ -
Guilford	34	$ 3,283,890	$23,184	$ -
Litchfield	46	$ 13,119,240	$85,931	$28,313
New Canaan	28	$ 10,889,410	$43,517	$ -
Mixed Base				
Hamden	114	$ 104,711,810	$1,069,893	$715,955
Middletown	75	$ 329,782,480	$2,298,584	$3,252,694
Norwich	63	$ 120,983,900	$1,237,060	$910,659
Windsor	97	$ 8,042,580	$62,169	$ -
Rurual				
Bozrah	12	$ 971,540	$6,558	$ -
Durham	30	$ 2,546,810	$21,482	$ -
Killingly	53	$ 41,401,760	$282,671	$60,358
North Canaan	28	$ 4,119,040	$28,318	$8,147
Plainfield	48	$ 10,006,240	$70,944	$ -
Union	53	$ 4,472,660	$33,098	$23,968
Washington	14	$ 9,287,880	$31,927	$ -

In addition, such an approach would impact the distribution of property tax liabilities across individual municipalities. For example, if exempt properties[17] paid property taxes on 25 percent of their property value it would reduce the combined

[17] Excluding property owned by the municipality and the federal government.

residential and commercial share of property tax liabilities. Table 7 indicates that under such a scenario the combined residential and commercial share of property tax liabilities would be reduced by 20 percent in Hartford, 9 percent in Middletown and 5.5 percent in Norwich.

Not all exempt properties would have sufficient resources to make such a required payment. As a result, the number of exempt properties and the level and quality of services available to citizens in the community might be reduced if some nonprofits paid a portion of property taxes due on their property. This potential problem could be mitigated by exempting the first $10 million of value from these calculations.

Policy Option 4: Phase out property tax exemptions for selected properties

Connecticut might decide to re-examine certain tax exemptions for specific categories or uses of property. For example, property tax exemptions might be retained for federal, state and municipal properties, as well as religious and educational organizations, hospitals and non-profit organizations providing services to local residents. Other property tax exemptions could be reexamined. For example, PA 15-5 SS, Section 244, which becomes effective October 1, 2015 provides for the taxation of residential real property (not dormitories with 20 beds or more) held by private nonprofit institutions of higher learning.

Kenyon and Langley (2010) identify several considerations in developing a rationale for exempting some real estate from paying local property taxes. Their main argument for granting exemptions is referred to as the *quid pro quo* argument which says that since nonprofits provide benefits to society, including some services that might typically be provided by government, they should be subsidized to some extent. This notion has become increasingly popular as states review and tighten their determination of which properties will receive a property tax exemption.

This approach relies on a narrower definition of which organizations should be eligible for exemption than those used at the federal level. This is particularly important, as Kenyon and Langley argue, because too often the benefits of being exempt from the local property tax go to nonprofits with the most valuable property, not those providing the greatest public benefits. They also argue there can be a geographic mismatch between the benefits provided by nonprofits, which can be geographically dispersed throughout a metropolitan area, and the cost of the exemption foregone by one local government.

Such an approach might limit the number and types of properties being classified as exempt emphasizing those that provide direct benefits to local citizens. Limiting the number of tax exempt organizations would reduce revenues foregone by local governments, thereby reducing additional taxes paid by non-exempt properties.

Such a change would need to be phased in over a period of time so if any organizations lose all or part of their exemptions they can make necessary adjustments. Thus, their tax exempt status could be phased out at 10% annually over a 10 year period. To allow for adjustments, the phase out might start in 10 years – 2025.

Policy Option 5: Return Responsibility for Establishing Property Tax Exemptions to Local Governments

Giving some policy making responsibilities to local governments aligns the decision to establish property tax exemptions to the governments that will foregone property tax revenues as a result of those decisions. Some local governments might limit exemptions because of their limited property tax base while other local governments might be more generous in providing exemptions. As a result, this could create a mosaic of property tax exemptions across the 169 municipalities in Connecticut. Finally, this does not address the efficiency and equity concerns associated with property tax exemptions.

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Appendix A

Tables

Appendix Table 1 Descriptive Statistics for Representative Cities

Case Study Cities	Population		Unemployment		TANF Recipients		Net Grand List		Mill Rate		Property Tax Revenues		Total Revenues	
	2013	2009	2013	2009	2013	2009	2013	2009	2013	2009	2013	2009	2013	2009
Large Cities														
Bridgeport	147,216	137,298	11.8%	12.3%	2.3%	2.6%	$ 6,980,962,874	$ 5,540,265,609	41.11	44.58	$ 285,962,925	$ 248,743,175	$ 539,075,595	$ 484,340,418
Hartford	125,017	124,060	14.7%	14.3%	4.3%	5.5%	$ 3,398,455,123	$ 3,451,438,441	74.29	68.34	$ 255,546,000	$ 250,668,000	$ 549,643,000	$ 540,958,000
Small Cities														
Manchester	58,211	56,388	7.4%	8.2%	1.1%	1.4%	$ 3,887,671,584	$ 3,836,745,478	35.83	32.98	$ 122,293,000	$ 112,758,000	$ 172,932,000	$ 161,447,000
Torrington	35,611	35,408	8.5%	10.3%	0.8%	1.1%	$ 2,359,143,335	$ 1,928,040,634	33.47	35.33	$ 79,225,876	$ 68,667,819	$ 120,661,061	$ 110,585,183
Rich Suburbs														
Glastonbury	34,768	33,353	5.3%	5.8%	0.1%	0.2%	$ 4,207,613,915	$ 4,073,691,008	30.50	28.35	$ 128,472,632	$ 115,600,163	$ 156,351,083	$ 136,516,782
Guilford	22,417	22,469	5.6%	5.6%	0.1%	0.2%	$ 3,489,689,577	$ 3,455,346,343	22.36	19.19	$ 77,165,575	$ 65,708,244	$ 89,452,878	$ 77,344,574
Litchfield	8,333	8,686	6.5%	7.1%	0.2%	0.1%	$ 1,108,810,149	$ 900,934,511	22.20	25.50	$ 24,794,000	$ 23,034,000	$ 28,877,000	$ 26,634,000
New Canaan	20,194	20,000	5.4%	5.9%	0.0%	0.0%	$ 8,248,622,291	$ 7,048,694,152	14.08	15.12	$ 116,615,121	$ 106,922,056	$ 133,648,238	$ 119,235,356
Mixed Base														
Hamden	61,607	58,119	7.7%	7.6%	0.8%	0.7%	$ 4,048,765,885	$ 4,310,303,371	37.14	29.42	$ 149,054,322	$ 126,262,807	$ 200,852,851	$ 181,482,068
Middletown	47,333	48,383	7.7%	7.6%	1.0%	1.0%	$ 3,581,095,639	$ 3,474,901,263	26.90	25.50	$ 95,674,000	$ 88,788,000	$ 140,113,000	$ 131,212,000
Norwich	40,347	36,639	9.0%	9.1%	2.1%	2.3%	$ 2,432,705,109	$ 1,851,822,425	26.90	29.66	$ 64,821,000	$ 53,978,000	$ 112,150,000	$ 100,989,000
Windsor	29,142	29,014	7.6%	8.0%	0.6%	0.7%	$ 2,907,640,693	$ 2,590,737,631	27.95	29.30	$ 8,215,159	$ 76,562,176	$ 108,233,721	$ 100,503,089
Rural														
Bozrah	2,639	2,466	7.7%	7.2%	0.4%	0.5%	$ 244,343,654	$ 239,248,220	22.50	19.50	$ 5,417,756	$ 4,659,142	$ 7,665,514	$ 7,143,311
Durham	7,361	7,469	5.8%	5.9%	0.0%	0.0%	$ 732,475,338	$ 769,113,546	32.19	26.25	$ 23,550,213	$ 20,235,497	$ 28,562,809	$ 25,180,626
Killingly	17,233	17,828	9.5%	10.4%	1.1%	1.1%	$ 1,365,179,309	$ 1,257,004,017	19.70	17.80	$ 28,731,952	$ 25,855,982	$ 54,327,437	$ 50,016,249
North Canaan	3,241	3,366	7.0%	8.0%	0.1%	0.5%	$ 344,468,300	$ 345,720,170	21.50	21.00	$ 7,494,900	$ 7,220,165	$ 10,831,672	$ 10,617,840
Plainfield	15,228	15,442	10.1%	10.4%	1.1%	1.1%	$ 1,034,874,050	$ 1,007,056,237	21.52	19.94	$ 22,460,749	$ 20,245,338	$ 47,189,996	$ 44,662,423
Union	848	761	5.5%	6.7%	0.0%	0.0%	$ 97,609,850	$ 73,389,783	23.59	28.93	$ 2,312,286	$ 2,231,853	$ 2,882,477	$ 2,785,772
Washington	3,526	3,689	5.8%	6.2%	0.1%	0.1%	$ 1,254,868,260	$ 980,907,210	11.50	13.00	$ 14,378,729	$ 12,282,253	$ 15,650,048	$ 13,908,040
Source: Municipal Fiscal Indicators, 2009-2013, Office of Policy and Management.														

Appendix Table 2

EXEMPT REAL PROPERTY CODES

AAAX §12-81(1) Federal

BAAX §12-81(4) Municipal

BBAX §12-81(67) Municipally Owned Beach Property

BCBX §12-74 Municipal Airport in other Town

BDHX §12-76 Water supply land

BEAX §12-81(5) Public purpose by will or trust

BFBX §12-81(4) Municipal Airport

BGCX §7-329l Municipal Port Authority

CAAX §12-81(6) Volunteer Fire Company

DAAX §12-81(7) Scientific

DBAX Educational

DCAX Literary

DDAX Historical

DEAX Charitable

DECX §12-81(58) Charitable, local option

DFAX §12-81(75) Nursing, Rest & Residential Care Facility Owned By Federally Tax Exempt Organization

EBAX §10a-209 CT Student Loan Foundation

FAAX §12-81(10) Agricultural

FBAX Horticultural

GAAX §12-81(11) Cemetery

HAAX §12-81(13) House of Religious Worship

IAAX §12-81(14) Parish house

IBAX Church School

ICAX Nonprofit camp

IDAX Recreational facility

IEAX Orphan asylum

IFAX Thrift shop

IGAX Reformatory

IHAX Infirmary

JAAX §12-81(15) Houses used by officiating clergymen

KAAX §12-81(16) Hospitals

KBAX Sanatoriums

KCAX §33-179p Health care facility, i.e. HMO

LAAX §12-81(18) Veteran's organizations

MAAX §12-81(29) American National Red Cross

NAAX §12-81(49) Nonprofit camps

NBAX Recreational facilities

EXEMPT CODES FOR STATE OWNED PROPERTY

OABX §12-81(2) Administration

OBBX Child Care

OCBX Correction

ODBX Education

OEBX Hospitals & Health care

OFBX Department of Public Safety

OGBX Recreation

OHBX Department of Transportation

OIBX Miscellaneous

OJAX Property taken for highway, but not used

OKBX Mashantucket Pequot Tribal Nation land held in trust by federal government

PABX §12-20a Private College

PBBX General Hospitals

PCBX Campus of the US Dept. of Veterans Affairs Connecticut Healthcare Systems

QAAX §12-255 Public Service Co., Railroad

RAAX §22a-270a CT Resource Recovery Authority

RAHX §22a-270a CT Resource Recovery Authority-Reimbursed

RBAX §32-46 Connecticut Innovations, Inc.

SAAX §28-58 Property of any authority (i.e., Municipal

SAHS §28-58 Housing Authority

Appendix Table 3

State Grants to Municipalities for Property Taxes Foregone Because of Certain Exempt Properties									
	Mashantucket, Pequot Mohegan			State Owned			College/Hospital		
Town	2014	2015	PCT CHNG	2014	2015	PCT CHNG	2014	2015	PCT CHNG
Andover	$ 14,230	$15,990	12.4%	$ 18,767	$ 20,165	7.5%			
Ansonia	$ 164,988	$171,557	4.0%	$ 94,497	$ 116,975	23.8%			
Ashford	$ 23,610	$24,198	2.5%	$ 5,629	$ 6,171	9.6%			
Avon	$ 14,907	$16,844	13.0%	$ 86,889	$ 95,895	10.4%			
Barkhamsted	$ 14,403	$16,417	14.0%	$ 16,897	$ 20,534	21.5%			
Beacon Falls	$ 29,538	$29,604	0.2%	$ 45,747	$ 50,469	10.3%			
Berlin	$ 48,353	$52,750	9.1%	$ 24,302	$ 26,032	7.1%			
Bethany	$ 17,533	$19,171	9.3%	$ 34,258	$ 38,215	11.6%	$ 15,056	16,126	7.1%
Bethel	$ 46,704	$51,561	10.4%	$ 25,210	$ 36,007	42.8%	$ 15,783	16,551	4.9%
Bethlehem	$ 12,917	$15,431	19.5%	$ 1,115	$ 1,199	7.6%			
Bloomfield	$ 156,846	$157,761	0.6%	$ 119,017	$ 128,055	7.6%	$ 195,473	203,625	4.2%
Bolton	$ 17,835	$20,238	13.5%	$ 38,025	$ 42,491	11.7%			
Bozrah	$ 16,481	$18,044	9.5%	$ 4,619	$ 5,304	14.8%			
Branford	$ 57,720	$57,869	0.3%	$ 53,089	$ 58,565	10.3%	$ 113,086	113,861	0.7%
Bridgeport	$ 6,160,637	$6,196,581	0.6%	$ 2,754,074	$ 3,012,598	9.4%	$ 7,563,747	7,962,794	5.3%
Bridgewater	$ 6,770	$8,688	28.3%	$ 1,321	$ 1,421	7.6%			
Bristol	$ 588,739	$592,174	0.6%	$ 84,687	$ 95,901	13.2%	$ 521,930	581,447	11.4%
Brookfield	$ 22,495	$24,761	10.1%	$ 27,360	$ 30,459	11.3%			
Brooklyn	$ 245,187	$225,240	-8.1%	$ 142,639	$ 153,425	7.6%			
Burlington	$ 19,893	$21,866	9.9%	$ 50,286	$ 55,498	10.4%			
Canaan	$ 7,197	$9,493	31.9%	$ 94,742	$ 108,377	14.4%	$ 2,027	2,093	3.3%
Canterbury	$ 33,623	$37,279	10.9%	$ 9,767	$ 10,752	10.1%			
Canton	$ 22,155	$24,270	9.5%	$ 27,665	$ 31,365	13.4%			
Chaplin	$ 83,102	$83,587	0.6%	$ 62,340	$ 63,647	2.1%			
Cheshire	$ 1,984,705	$2,154,316	8.5%	$ 1,962,731	$ 2,139,715	9.0%	$ 123,841	129,632	4.7%
Chester	$ 11,782	$14,917	26.6%	$ 13,495	$ 14,716	9.1%			
Clinton	$ 37,791	$38,993	3.2%	$ 33,632	$ 36,598	8.8%			
Colchester	$ 67,828	$71,476	5.4%	$ 52,351	$ 58,291	11.3%			
Colebrook	$ 8,400	$10,461	24.5%	$ 25,012	$ 7,370	-70.5%			
Columbia	$ 19,167	$21,149	10.3%	$ 7,045	$ 7,577	7.6%			
Cornwall	$ 6,467	$8,442	30.5%	$ 18,085	$ 19,318	6.8%			
Coventry	$ 47,324	$48,216	1.9%	$ 46,274	$ 51,559	11.4%			
Cromwell	$ 41,710	$45,990	10.3%	$ 14,089	$ 19,754	40.2%	$ 51,355	57,827	12.6%
Danbury	$ 945,549	$951,066	0.6%	$ 2,127,391	$ 2,413,997	13.5%	$ 1,305,855	1,344,343	2.9%
Darien	$ 7,521	$9,582	27.4%	$ 97,209	$ 108,594	11.7%			
Deep River	$ 13,629	$15,373	12.8%	$ 10,215	$ 11,165	9.3%			
Derby	$ 253,404	$254,883	0.6%	$ 42,387	$ 45,385	7.1%	$ 870,460	894,901	2.8%
Durham	$ 21,968	$23,579	7.3%	$ 18,142	$ 19,798	9.1%			
East Granby	$ 15,693	$17,361	10.6%	$ 762,573	$ 28,828	-96.2%			
East Haddam	$ 26,978	$29,779	10.4%	$ 28,552	$ 44,042	54.3%			
East Hampton	$ 59,349	$61,488	3.6%	$ 107,111	$ 117,636	9.8%			
East Hartford	$ 306,329	$308,116	0.6%	$ 716,788	$ 790,945	10.3%	$ 482,178	520,320	7.9%
East Haven	$ 165,781	$161,177	-2.8%	$ 351,907	$ 379,020	7.7%			
East Lyme	$ 329,119	$333,126	1.2%	$ 933,077	$ 1,028,645	10.2%	$ 40,548	42,921	5.9%
East Windsor	$ 43,507	$48,441	11.3%	$ 85,311	$ 118,146	38.5%			
Eastford	$ 13,099	$14,309	9.2%	$ 6,659	$ 7,020	5.4%			
Easton	$ 8,568	$10,636	24.1%	$ 58,716	$ 63,586	8.3%			
Ellington	$ 52,634	$54,191	3.0%	$ 7,217	$ 7,900	9.5%			
Enfield	$ 1,322,295	$1,449,946	9.7%	$ 1,144,958	$ 1,301,831	13.7%	$ 21,677	27,107	25.0%
Essex	$ 11,463	$13,555	18.2%	$ 9,675	$ 10,949	13.2%	$ 14,207	15,085	6.2%

State Grants to Municipalities for Property Taxes Foregone Because of Certain Exempt Properties									
	Mashantucket, Pequot Mohegan			State Owned			College/Hospital		
Town	2014	2015	PCT CHNG	2014	2015	PCT CHNG	2014	2015	PCT CHNG
Fairfield	$ 286,875	$292,353	1.9%	$ 31,989	$ 35,231	10.1%	$ 2,409,013	2,641,401	9.6%
Farmington	$ 30,763	$31,383	2.0%	$ 2,745,281	$ 3,507,095	27.7%	$ 27,675	31,718	14.6%
Franklin	$ 12,744	$15,254	19.7%	$ 15,826	$ 17,426	10.1%			
Glastonbury	$ 38,732	$40,105	3.5%	$ 59,986	$ 50,469	-15.9%	$ 1,377	1,728	25.5%
Goshen	$ 8,456	$10,588	25.2%	$ 24,990	$ 18,576	-25.7%			
Granby	$ 26,770	$28,113	5.0%	$ 15,566	$ 13,381	-14.0%			
Greenwich	$ 97,989	$98,189	0.2%	$ 23,320	$ 25,772	10.5%	$ 849,791	897,965	5.7%
Griswold	$ 101,751	$103,449	1.7%	$ 58,680	$ 66,244	12.9%			
Groton	$ 1,373,412	$1,390,133	1.2%	$ 1,003,772	$ 1,104,583	10.0%	$ 37,989	40,203	5.8%
Guilford	$ 29,116	$31,929	9.7%	$ 18,738	$ 20,785	10.9%	$ 18,237	19,423	6.5%
Haddam	$ 21,344	$23,384	9.6%	$ 63,832	$ 69,812	9.4%			
Hamden	$ 933,650	$939,097	0.6%	$ 899,598	$ 1,015,382	12.9%	$ 2,724,546	3,026,411	11.1%
Hampton	$ 12,717	$14,750	16.0%	$ 28,530	$ 30,686	7.6%			
Hartford	$ 6,668,829	$6,652,860	-0.2%	$ 13,792,383	$ 14,816,241	7.4%	$ 24,234,225	25,279,198	4.3%
Hartland	$ 12,304	$13,886	12.9%	$ 95,487	$ 104,841	9.8%			
Harwinton	$ 16,721	$17,719	6.0%	$ 9,237	$ 7,749	-16.1%			
Hebron	$ 29,206	$30,564	4.7%	$ 13,991	$ 15,564	11.2%			
Kent	$ 7,817	$10,105	29.3%	$ 56,452	$ 61,484	8.9%			
Killingly	$ 150,886	$158,610	5.1%	$ 234,866	$ 265,435	13.0%			
Killingworth	$ 16,757	$18,280	9.1%	$ 97,567	$ 103,880	6.5%			
Lebanon	$ 30,160	$36,533	21.1%	$ 30,428	$ 33,143	8.9%			
Ledyard	$ 940,254	$949,184	0.9%	$ 445,631	$ 693,548	55.6%			
Lisbon	$ 28,967	$29,329	1.2%	$ 7,118	$ 7,577	6.5%			
Litchfield	$ 20,483	$21,685	5.9%	$ 72,321	$ 79,188	9.5%			
Lyme	$ 6,940	$9,113	31.3%	$ 15,463	$ 16,461	6.5%	$ 182	195	7.1%
Madison	$ 18,247	$20,366	11.6%	$ 487,447	$ 540,719	10.9%			
Manchester	$ 594,716	$598,186	0.6%	$ 751,664	$ 844,806	12.4%	$ 802,713	866,237	7.9%
Mansfield	$ 205,985	$207,662	0.8%	$ 6,784,862	$ 7,656,351	12.8%			
Marlborough	$ 16,617	$18,229	9.7%	$ 16,016	$ 16,534	3.2%			
Meriden	$ 901,769	$907,031	0.6%	$ 398,534	$ 432,065	8.4%	$ 1,206,728	1,256,048	4.1%
Middlebury	$ 16,449	$18,094	10.0%	$ 20,703	$ 20,089	-3.0%			
Middlefield	$ 18,712	$21,025	12.4%	$ 9,362	$ 10,411	11.2%			
Middletown	$ 1,246,000	$1,253,270	0.6%	$ 2,312,094	$ 2,573,487	11.3%	$ 3,747,147	4,087,232	9.1%
Milford	$ 396,696	$399,010	0.6%	$ 517,359	$ 556,477	7.6%	$ 423,118	448,475	6.0%
Monroe	$ 32,426	$35,497	9.5%	$ 10,692	$ 11,952	11.8%			
Montville	$ 1,486,051	$1,068,665	-28.1%	$ 1,489,650	$ 1,979,859	32.9%			
Morris	$ 9,386	$11,262	20.0%	$ 16,506	$ 17,550	6.3%			
Naugatuck	$ 211,746	$218,529	3.2%	$ 62,990	$ 91,305	45.0%			
New Britain	$ 2,285,315	$2,298,649	0.6%	$ 2,904,607	$ 3,710,093	27.7%	$ 2,095,011	2,692,730	28.5%
New Canaan	$ 7,292	$9,293	27.4%	$ 42,306	$ 47,151	11.5%			
New Fairfield	$ 22,908	$26,468	15.5%	$ 18,427	$ 20,607	11.8%			
New Hartford	$ 20,324	$21,796	7.2%	$ 18,164	$ 19,654	8.2%			
New Haven	$ 7,417,028	$6,537,304	-11.9%	$ 5,070,786	$ 6,879,419	35.7%	$ 38,567,488	43,465,332	12.7%
New London	$ 1,786,210	$1,807,956	1.2%	$ 376,342	$ 414,949	10.3%	$ 4,698,208	5,032,102	7.1%
New Milford	$ 85,724	$84,077	-1.9%	$ 33,027	$ 32,756	-0.8%	$ 210,932	221,957	5.2%
Newington	$ 275,049	$254,786	-7.4%	$ 688,546	$ 749,383	8.8%	$ 1,753,757	1,633,915	-6.8%
Newtown	$ 797,498	$952,649	19.5%	$ 812,386	$ 946,060	16.5%			
Norfolk	$ 11,993	$14,208	18.5%	$ 83,742	$ 90,248	7.8%	$ 44,163	47,767	8.2%
North Branford	$ 43,533	$45,449	4.4%	$ 5,040	$ 5,680	12.7%	$ 2,249	2,434	8.2%
North Canaan	$ 27,007	$25,740	-4.7%	$ 21,777	$ 25,017	14.9%			
North Haven	$ 157,487	$158,406	0.6%	$ 104,823	$ 119,369	13.9%	$ 331,749	647,579	95.2%
North Stoningt	$ 885,206	$893,855	1.0%	$ 20,445	$ 23,626	15.6%			
Norwalk	$ 851,029	$855,995	0.6%	$ 333,955	$ 404,528	21.1%	$ 1,465,920	1,571,461	7.2%
Norwich	$ 1,982,596	$2,002,692	1.0%	$ 783,722	$ 804,821	2.7%	$ 748,855	810,449	8.2%
Old Lyme	$ 13,598	$15,319	12.7%	$ 28,161	$ 30,352	7.8%	$ 34,022	35,059	3.0%
Old Saybrook	$ 15,545	$18,009	15.9%	$ 55,471	$ 60,807	9.6%			
Orange	$ 42,711	$49,247	15.3%	$ 14,827	$ 11,829	-20.2%	$ 191,724	248,668	29.7%
Oxford	$ 32,442	$34,509	6.4%	$ 228,601	$ 252,505	10.5%			

State Grants to Municipalities for Property Taxes Foregone Because of Certain Exempt Properties									
	Mashantucket, Pequot Mohegan			State Owned			College/Hospital		
Town	2014	2015	PCT CHNG	2014	2015	PCT CHNG	2014	2015	PCT CHNG
Plainfield	$ 160,114	$182,340	13.9%	$ 41,376	$ 57,395	38.7%	$ 31,246	41,283	32.1%
Plainville	$ 84,669	$86,023	1.6%	$ 16,167	$ 17,664	9.3%			
Plymouth	$ 73,672	$71,534	-2.9%	$ 11,697	$ 12,212	4.4%			
Pomfret	$ 20,304	$22,648	11.5%	$ 43,176	$ 48,075	11.3%			
Portland	$ 32,583	$33,088	1.6%	$ 25,264	$ 27,556	9.1%			
Preston	$ 1,173,412	$1,183,656	0.9%	$ 11,015	$ 16,402	48.9%			
Prospect	$ 33,489	$37,247	11.2%	$ 1,877	$ 2,055	9.5%			
Putnam	$ 114,011	$119,285	4.6%	$ 30,771	$ 33,309	8.2%	$ 223,733	232,405	3.9%
Redding	$ 9,433	$11,694	24.0%	$ 172,868	$ 179,434	3.8%			
Ridgefield	$ 14,278	$16,612	16.4%	$ 163,023	$ 148,889	-8.7%			
Rocky Hill	$ 280,253	$281,888	0.6%	$ 711,846	$ 933,775	31.2%			
Roxbury	$ 6,298	$8,370	32.9%	$ 3,862	$ 4,281	10.8%			
Salem	$ 19,051	$21,968	15.3%	$ 58,794	$ 71,139	21.0%			
Salisbury	$ 7,397	$9,433	27.5%	$ 7,524	$ 8,251	9.7%			
Scotland	$ 15,677	$17,604	12.3%	$ 23,208	$ 25,202	8.6%			
Seymour	$ 75,403	$78,393	4.0%	$ 20,512	$ 22,331	8.9%			
Sharon	$ 6,782	$8,891	31.1%	$ 16,201	$ 18,730	15.6%			
Shelton	$ 77,086	$80,088	3.9%	$ 14,633	$ 15,668	7.1%			
Sherman	$ 8,184	$10,408	27.2%	$ 12	$ 14	16.2%			
Simsbury	$ 31,434	$33,613	6.9%	$ 106,093	$ 123,399	16.3%			
Somers	$ 1,562,239	$1,700,850	8.9%	$ 1,379,316	$ 1,499,575	8.7%			
South Windsor	$ 56,236	$60,215	7.1%	$ 9,825	$ 13,220	34.6%			
Southbury	$ 36,930	$42,711	15.7%	$ 269,239	$ 298,743	11.0%			
Southington	$ 144,792	$151,250	4.5%	$ 24,949	$ 26,815	7.5%	$ 137,108	141,493	3.2%
Sprague	$ 30,899	$31,144	0.8%	$ 11,431	$ 12,257	7.2%			
Stafford	$ 98,523	$98,483	0.0%	$ 49,948	$ 55,003	10.1%	$ 215,981	228,369	5.7%
Stamford	$ 921,041	$926,415	0.6%	$ 1,217,778	$ 1,510,039	24.0%	$ 1,747,011	1,963,214	12.4%
Sterling	$ 33,461	$35,406	5.8%	$ 6,843	$ 5,952	-13.0%			
Stonington	$ 36,076	$40,283	11.7%	$ 20,554	$ 21,561	4.9%			
Stratford	$ 163,807	$168,339	2.8%	$ 367,403	$ 400,622	9.0%			
Suffield	$ 2,675,180	$2,976,971	11.3%	$ 3,229,943	$ 2,657,588	-17.7%			
Thomaston	$ 42,299	$41,317	-2.3%	$ 34,950	$ 40,663	16.3%			
Thompson	$ 69,723	$70,913	1.7%	$ 10,624	$ 11,540	8.6%	$ 2,379	2,482	4.3%
Tolland	$ 42,069	$43,715	3.9%	$ 48,842	$ 52,883	8.3%			
Torrington	$ 262,158	$257,271	-1.9%	$ 225,390	$ 249,421	10.7%	$ 239,622	254,799	6.3%
Trumbull	$ 47,763	$53,557	12.1%	$ 88,414	$ 96,878	9.6%		18,591	#DIV/0!
Union	$ 22,341	$22,471	0.6%	$ 28,809	$ 32,010	11.1%			
Vernon	$ 177,261	$177,683	0.2%	$ 197,996	$ 239,453	20.9%	$ 310,249	339,449	9.4%
Voluntown	$ 105,784	$92,538	-12.5%	$ 134,123	$ 87,923	-34.4%	$ 60,000	60,000	0.0%
Wallingford	$ 174,548	$172,355	-1.3%	$ 50,523	$ 55,743	10.3%	$ 339,818	354,183	4.2%
Warren	$ 6,585	$8,782	33.4%	$ 12,892	$ 14,319	11.1%			
Washington	$ 7,331	$9,438	28.7%	$ 31,545	$ 34,664	9.9%			
Waterbury	$ 3,037,163	$3,054,884	0.6%	$ 3,735,301	$ 4,498,583	20.4%	$ 5,433,960	5,773,418	6.2%
Waterford	$ 46,897	$51,184	9.1%	$ 367,117	$ 286,127	-22.1%	$ 46,015	65,721	42.8%
Watertown	$ 82,610	$85,337	3.3%	$ 31,976	$ 35,613	11.4%			
West Hartford	$ 242,387	$220,032	-9.2%	$ 275,699	$ 301,092	9.2%	$ 1,031,732	1,084,554	5.1%
West Haven	$ 1,009,243	$985,721	-2.3%	$ 18,125	$ 59,579	228.7%	$ 5,313,329	5,476,449	3.1%
Westbrook	$ 14,942	$18,948	26.8%	$ 28,184	$ 30,313	7.6%		18,861	#DIV/0!
Weston	$ 7,239	$9,369	29.4%	$ 6,173	$ 6,604	7.0%			
Westport	$ 26,668	$27,989	5.0%	$ 763,032	$ 828,016	8.5%	$ 176,738	184,153	4.2%
Wethersfield	$ 217,910	$219,181	0.6%	$ 223,496	$ 247,201	10.6%	$ 8,654	9,178	6.1%
Willington	$ 25,917	$28,762	11.0%	$ 42,154	$ 46,133	9.4%			

State Grants to Municipalities for Property Taxes Foregone Because of Certain Exempt Properties									
	Mashantucket, Pequot Mohegan			State Owned			College/Hospital		
Town	2014	2015	PCT CHNG	2014	2015	PCT CHNG	2014	2015	PCT CHNG
Wilton	$ 9,013	$11,265	25.0%	$ 93,451	$ 96,400	3.2%			
Winchester	$ 72,704	$74,635	2.7%	$ 75,292	$ 80,035	6.3%	$ 36,009	43,134	19.8%
Windham	$ 881,841	$892,577	1.2%	$ 2,787,866	$ 3,047,008	9.3%	$ 637,832	668,312	4.8%
Windsor	$ 109,863	$108,632	-1.1%	$ 58,247	$ 55,006	-5.6%			
Windsor Locks	$ 442,607	$445,189	0.6%	$ 3,899,300	$ 94,693	-97.6%			
Wolcott	$ 64,320	$71,260	10.8%	$ 1,936	$ 2,136	10.3%			
Woodbridge	$ 11,276	$13,164	16.7%	$ 16,126	$ 17,555	8.9%	$ 94	98	4.5%
Woodbury	$ 17,369	$19,476	12.1%	$ 522	$ 571	9.4%			
Woodstock	$ 32,500	$33,642	3.5%	$ 8,634	$ 9,499	10.0%			

Appendix Table 4

Per Capita Fiscal Gap and Per Capita Grant Amounts by Municipality				
Municipality	Gap	Pequot	State Prop	College/Hospital
ANDOVER	16	4.35	5.73	0.00
ANSONIA	734	8.67	4.97	0.00
ASHFORD	291	5.52	1.31	0.00
AVON	-631	0.81	4.73	0.00
BARKHAMSTED	-95	3.85	4.51	0.00
BEACON FALLS	65	4.88	7.56	0.00
BERLIN	-207	2.35	1.18	0.00
BETHANY	-183	3.16	6.18	2.72
BETHEL	-85	2.42	1.31	0.82
BETHLEHEM	-265	3.64	0.31	0.00
BLOOMFIELD	159	7.59	5.76	9.46
BOLTON	-36	3.60	7.68	0.00
BOZRAH	-44	6.25	1.75	0.00
BRANFORD	-319	2.06	1.90	4.04
BRIDGEPORT	1168	41.85	18.71	51.38
BRIDGEWATER	-1800	3.99	0.78	0.00
BRISTOL	428	9.72	1.40	8.62
BROOKFIELD	-658	1.33	1.62	0.00
BROOKLYN	327	29.61	17.23	0.00
BURLINGTON	-138	2.10	5.30	0.00
CANAAN	-805	5.93	78.04	1.67
CANTERBURY	237	6.60	1.92	0.00
CANTON	-227	2.14	2.67	0.00
CHAPLIN	416	36.51	27.39	0.00
CHESHIRE	-112	68.09	67.33	4.25
CHESTER	-193	2.71	3.11	0.00
CLINTON	-334	2.87	2.55	0.00
COLCHESTER	158	4.18	3.23	0.00
COLEBROOK	-292	5.77	17.17	0.00
COLUMBIA	-62	3.51	1.29	0.00
CORNWALL	-2159	4.58	12.81	0.00
COVENTRY	121	3.81	3.73	0.00
CROMWELL	19	2.94	0.99	3.62
DANBURY	198	11.30	25.42	15.60
DARIEN	-3782	0.35	4.56	0.00

DEEP RIVER	-296	2.97	2.23	0.00
DERBY	632	19.80	3.31	68.00
DURHAM	-231	2.98	2.46	0.00
EAST GRANBY	-266	3.01	146.31	0.00
EAST HADDAM	-139	2.95	3.12	0.00
EAST HAMPTON	-31	4.60	8.30	0.00
EAST HARTFORD	740	5.98	14.00	9.42
EAST HAVEN	343	5.69	12.08	0.00
EAST LYME	-321	17.38	49.27	2.14
EAST WINDSOR	112	3.81	7.48	0.00
EASTFORD	43	7.55	3.84	0.00
EASTON	-1132	1.12	7.71	0.00
ELLINGTON	73	3.33	0.46	0.00
ENFIELD	321	29.55	25.59	0.48
ESSEX	-1063	1.73	1.46	2.14
FAIRFIELD	-885	4.71	0.53	39.59
FARMINGTON	-517	1.20	107.18	1.08
FRANKLIN	-95	6.41	7.96	0.00
GLASTONBURY	-317	1.11	1.73	0.04
GOSHEN	-1328	2.87	8.49	0.00
GRANBY	-78	2.36	1.37	0.00
GREENWICH	-5110	1.57	0.37	13.62
GRISWOLD	376	8.51	4.91	0.00
GROTON	-61	34.18	24.98	0.95
GUILFORD	-641	1.30	0.84	0.81
HADDAM	-291	2.55	7.63	0.00
HAMDEN	336	15.15	14.60	44.22
HAMPTON	204	6.81	15.27	0.00
HARTFORD	1330	53.34	110.32	193.85
HARTLAND	126	5.77	44.81	0.00
HARWINTON	-144	2.99	1.65	0.00
HEBRON	70	3.05	1.46	0.00
KENT	-1334	2.66	19.21	0.00
KILLINGLY	369	8.76	13.63	0.00
KILLINGWORTH	-350	2.58	15.03	0.00
LEBANON	111	4.12	4.16	0.00
LEDYARD	249	62.29	29.52	0.00
LISBON	63	6.66	1.64	0.00
LITCHFIELD	-497	2.46	8.68	0.00

LYME	-2147	2.89	6.44	0.08
MADISON	-1145	1.00	26.64	0.00
MANCHESTER	375	10.22	12.91	13.79
MANSFIELD	730	7.99	263.24	0.00
MARLBOROUGH	35	2.58	2.49	0.00
MERIDEN	607	14.92	6.59	19.96
MIDDLEBURY	-357	2.17	2.73	0.00
MIDDLEFIELD	-92	4.23	2.12	0.00
MIDDLETOWN	306	26.32	48.85	79.17
MILFORD	161	7.47	9.74	7.96
MONROE	-210	1.63	0.54	0.00
MONTVILLE	299	75.38	75.57	0.00
MORRIS	-842	4.00	7.04	0.00
NAUGATUCK	506	6.68	1.99	0.00
NEW BRITAIN	1056	31.33	39.82	28.72
NEW CANAAN	-3703	0.36	2.09	0.00
NEW FAIRFIELD	-353	1.62	1.30	0.00
NEW HARTFORD	-110	2.95	2.64	0.00
NEW HAVEN	1101	56.77	38.81	295.17
NEW LONDON	896	64.85	13.66	170.56
NEW MILFORD	-178	3.09	1.19	7.60
NEWINGTON	94	8.94	22.39	57.02
NEWTOWN	-289	28.37	28.90	0.00
NORFOLK	-1006	7.15	49.91	26.32
NORTH BRANFORD	-67	3.03	0.35	0.16
NORTH CANAAN	-2	8.33	6.72	0.00
NORTH HAVEN	-254	6.58	4.38	13.86
NORTH STONINGTON	-245	167.30	3.86	0.00
NORWALK	-318	9.70	3.80	16.70
NORWICH	619	49.14	19.42	18.56
OLD LYME	-1698	1.79	3.71	4.48
OLD SAYBROOK	-1647	1.52	5.41	0.00
ORANGE	-247	3.06	1.06	13.74
OXFORD	-142	2.52	17.76	0.00
PLAINFIELD	410	10.51	2.72	2.05
PLAINVILLE	298	4.75	0.91	0.00
PLYMOUTH	361	6.12	0.97	0.00
POMFRET	172	4.84	10.28	0.00
PORTLAND	92	3.45	2.67	0.00

PRESTON	59	246.77	2.32	0.00
PROSPECT	14	3.46	0.19	0.00
PUTNAM	573	12.05	3.25	23.64
REDDING	-1096	1.01	18.56	0.00
RIDGEFIELD	-1350	0.57	6.48	0.00
ROCKY HILL	-32	14.07	35.74	0.00
ROXBURY	-2679	2.83	1.73	0.00
SALEM	-75	4.53	14.00	0.00
SALISBURY	-2531	2.00	2.04	0.00
SCOTLAND	202	9.23	13.66	0.00
SEYMOUR	331	4.55	1.24	0.00
SHARON	-1953	2.47	5.91	0.00
SHELTON	-128	1.88	0.36	0.00
SHERMAN	-1385	2.23	0.00	0.00
SIMSBURY	-211	1.32	4.45	0.00
SOMERS	257	138.01	121.85	0.00
SOUTH WINDSOR	-105	2.18	0.38	0.00
SOUTHBURY	-124	1.86	13.56	0.00
SOUTHINGTON	-3	3.32	0.57	3.14
SPRAGUE	332	10.37	3.84	0.00
STAFFORD	367	8.26	4.19	18.11
STAMFORD	-643	7.28	9.63	13.82
STERLING	315	8.85	1.81	0.00
STONINGTON	-875	1.95	1.11	0.00
STRATFORD	299	3.14	7.05	0.00
SUFFIELD	37	169.44	204.58	0.00
THOMASTON	284	5.45	4.50	0.00
THOMPSON	369	7.45	1.14	0.25
TOLLAND	86	2.82	3.27	0.00
TORRINGTON	403	7.36	6.33	6.73
TRUMBULL	-281	1.31	2.42	0.00
UNION	48	26.35	33.97	0.00
VERNON	503	6.08	6.79	10.64
VOLUNTOWN	257	40.51	51.37	22.98
WALLINGFORD	-58	3.87	1.12	7.53
WARREN	-1734	4.55	8.91	0.00
WASHINGTON	-3100	2.08	8.95	0.00
WATERBURY	849	27.69	34.06	49.55
WATERFORD	-1073	2.40	18.82	2.36

WATERTOWN	69	3.72	1.44	0.00
WEST HARTFORD	250	3.82	4.35	16.28
WEST HAVEN	750	18.33	0.33	96.53
WESTBROOK	-1183	2.16	4.08	0.00
WESTON	-1908	0.70	0.60	0.00
WESTPORT	-3622	0.98	27.94	6.47
WETHERSFIELD	140	8.22	8.43	0.33
WILLINGTON	206	4.34	7.07	0.00
WILTON	-1791	0.48	5.01	0.00
WINCHESTER	256	6.60	6.84	3.27
WINDHAM	771	34.98	110.57	25.30
WINDSOR	107	3.77	2.00	0.00
WINDSOR LOCKS	-27	35.20	310.13	0.00
WOLCOTT	79	3.85	0.12	0.00
WOODBRIDGE	-467	1.26	1.80	0.01
WOODBURY	-379	1.77	0.05	0.00
WOODSTOCK	78	4.12	1.09	0.00

Appendix B

State Grant Programs to Reimburse Local Governments for Foregone Revenues Resulting from State Mandated Property Tax Exemptions

State Grants-In-Lieu-Of-Taxes

Table 1 lists the major state programs that reimburse local governments a portion of foregone local real property taxes on some properties. The programs outlined in Section 12-19a and Section 12-20a of the Connecticut Statues describe the two largest programs providing state reimbursement for foregone local property tax revenues resulting from state exemption of certain properties. Section 12-19a provides for reimbursement of foregone property taxes for state owned real property including

1. 100 percent reimbursement of property taxes foregone for facilities designated by the Commissioner of Correction to be correctional facilities administered under the auspices of the Department of Correction;
2. 100 percent reimbursement of taxes foregone by a juvenile detention center under the direction of the Department of Children and Families that is used for incarcerative purposes;
3. 65 percent of property taxes that would have been paid with respect to the buildings and grounds comprising Connecticut Valley Hospital in Middleton; and
4. 100 percent of property taxes foregone by that portion of the john Dempsey Hospital located at the University of Connecticut Health Center in Farmington that is used for permanent medical ward for prisoners.

Table 1 CONNECTICUT STATE "PILOT" PROGRAMS	
	GRANTS IN LIEU OF PROPERTY TAXES
Sec 12-19a	Grants in lieu of taxes on state-owned real property, reservation land held in trust by the state for an Indian tribe, municipally owned airports and land taken into trust by the federal government for the Mashantucket Pequot Tribal Nation and the Mohegan Tribe of Indians of Connecticut
Sec 12-20a	Grants in lieu of taxes on real property of private colleges, general hospitals, chronic disease hospitals and certain urgent care facilities
Sec 12-94a	State reimbursement in lieu of tax revenue from totally disables persons
PAYMENTS-IN-LIEU-OF-TAXES	
Sec 12-94d	Payments in lieu of tax revenue from electric generation facilities
Sec 8-265b	Tax-exempt status of housing authority. Payment in lieu of taxes
Sec 12-76	Payments in lieu of taxes by certain municipal corporations re water supply land in another municipality
Sec 22a-270a	Lessee under Materials Innovation and Recycling Authority project not liable for taxes on property leased from authority if payments in lieu of taxes are made per agreement

In addition, this section provides for 100 percent reimbursement of foregone property taxes that would have been paid on any ***land*** designated within the 1983 Settlement Boundary and taken into trust by the federal government for the Mashantucket Pequot Tribal Nation. Finally, the programs make provisions for a 100 percent reimbursement of property taxes on state owned property in any town where more than 50 percent of the property is owned by the state.

The program described in Section 12-20a provides for reimbursement of foregone local property taxes by the state for

1. Real property owned by any private non-profit institution of higher learning;
2. Any non-profit general hospital facility;
3. Freestanding chronic disease hospital; or

4. An urgent care facility that operates for at least 12 hours a day and that had been the location of a nonprofit general hospital for at least a portion of the calendar year 1996.

Table 2 summarizes target reimbursement rates for various types of exempt properties.

Table 2: PILOT Rates for Specified Property Types under Existing Law and the Act

Type of Property	*PILOT (% of lost tax revenue)*
State, Municipal, or Tribal Property	
Correctional facility or juvenile detention center	100%
John Dempsey Hospital permanent medical ward for prisoners	100
Mashantucket Pequot reservation land (1) designated within 1983 settlement boundary and (2) taken into trust by the federal government for the Mashantucket Pequots on or ***after*** June 8, 1999	100
Land in any town where more than 50% of the land is state-owned	100
Connecticut Valley Hospital	65
Mashantucket Pequot reservation land (1) designated within the 1983 settlement boundary and (2) taken into trust by the federal government for the Mashantucket Pequots ***before*** June 8, 1999	45
Mohegan reservation land taken into trust by the federal government	45
Municipally owned airports	45
State-owned property	45
College and Hospital Property	
U. S. Department of Veterans Affairs Connecticut Healthcare Systems campuses	100
Private, nonprofit colleges and universities	77
Nonprofit general and chronic disease hospitals	77
Certain urgent care facilities	77
Source: Office of Legislative Research, summary of analysis of PA 15-244, https://www.cga.ct.gov/2015/SUM/2015SUM00244-R02HB-07061-SUM.htm	

These two programs provide state grant payments in lieu of taxes (GILOTs) for specific types of property. There are other provisions in the Connecticut General Statutes that are traditional PILOT payments where the property owner, not the state, makes a payment to the municipality where the property is located.[18] The four

[18] Connecticut statutes require a PILOT in certain circumstances and describe how the amount of the payment is determined. Section 8-265b does allow for a negotiated payment and the payment referred in Section 22a-270a seems to be a negotiated payment as well.

programs listed at the bottom of Table 1 require payments be made by the property owner to the local government in lieu of paying property taxes.[19]

The following discussion focuses on three specific state GILOTs – reimbursements for state-owned real property, private colleges and hospitals, and the Mashantucket Pequot and Mohegan Fund. Each of these programs is described below.[20]

State-owned real property payment-lieu-of-taxes

The Office of Policy and Management administers this PILOT program. This program provides payments for real property tax losses due to exemptions applicable to state-owned real property, certain real property that is the subject of a state lease or long-term financing contract, municipally-owned airports and certain land held in trust by the federal government. Payments in FY 2015 relate to exemptions on the 2012 Grand List; FY 2016 and FY 2017 payments are for exemptions on the 2013 and 2014 Grand Lists.

A property's use and the amount of state-owned real property in a town determine reimbursement percentages, which are:

(1) 100% for state prison facilities used for purposes of incarceration in the prior fiscal year, that portion of the John Dempsey Hospital used as a permanent medical ward for prisoners, the Connecticut Juvenile Training School, land designated under the 1983 settlement boundary and taken into trust by the federal government for the Mashantucket Pequot Tribal Nation on or ***after*** June 8, 1999, and all state-owned property in a town in which the State of Connecticut owns more than 50% of the property within the town's boundaries;

(2) 65% for the Connecticut Valley Hospital; and

(3) 45% for all other state-owned real property, certain real property leased by the state as described in §4b-39, municipally owned airports and certain other real property owned or controlled by the federal government.

There is a proportionate reduction of grant payments when the amount of the appropriation in any year is insufficient. Grantees receive grant payments on or before September 30th.

Private Colleges and General and Free Standing Chronic Disease Hospitals

The Office of Policy and Management administers this state grant program. This program provides payments for real property tax losses due to exemptions applicable to eligible private colleges and general and free standing chronic disease hospitals.

[19] The provisions of Section 12-94d seem to have expired in 2015.
[20] These descriptions draw on material in OPM [2015].

Payments in FY 2015 relate to exemptions on the 2012 Grand List; FY 2016 and FY 2017 payments are for exemptions on the 2013 and 2014 Grand Lists.

The calculation of the grant payment for towns and certain fire districts reflects 77% of their tax losses for the appropriate grand list. Exceptions to this calculation include the campuses of the Connecticut Healthcare Systems located in Newington and West Haven and owned by the United States Department of Veterans' Affairs. Additionally, CGS §12-20b and §12-19b specify the following payments: $100,000 for the Connecticut Hospice in Branford; $1,000,000 for the United States Coast Guard Academy in New London; and $60,000 for the state-owned forest in Voluntown. There is a proportionate reduction of grant payment when the amount of the appropriation is insufficient. Grantees receive payments on or before September 30th.

Mashantucket Pequot and Mohegan Fund

The Office of Policy and Management administers this program under which payments from the proceeds of the Mashantucket Pequot and Mohegan Fund. There is an allocation to the statutory amount cited for each formula, calculations for which are:

(1) $20 million on the basis of the PILOT for State-owned Real Property – the amount for each town is calculated at one third of the difference between what the town receives as a PILOT (excluding prior year adjustments), and what it would have received if the PILOT program had been funded at $85,205,085. After required minimum payments are reflected, town-specific amounts are prorated to $20 million. In accordance with Public Act 15-244 §192(a), beginning in FY 2016, the amount provided through this portion of the formula is equal to the amount provided in FY 2015.

(2) $20.1 million on the basis of the PILOT for Private Colleges and General and Free Standing Chronic Disease Hospitals – the percent of each town's PILOT (excluding prior year adjustments) to the total PILOT for all towns is calculated and the result is multiplied by the $20,123,916 allocated for this portion of the formula. In accordance with Public Act 15-244 3 §192 (c), beginning in FY 2016, the amount provided through this portion of the formula is equal to the amount provided in FY 2015.

(3) $35 million on the basis of CGS §3-55j(e) – a modification of the Property Tax Relief Fund formula in CGS §7-528.

(4) $5.475 million allocated to certain designated municipalities on the basis of said Property Tax Relief Fund formula.

(5) An additional $47.5 million for all towns, distributed pro rata on the basis of each town's grant determined under (1) through (4) above, to the total of all such grants, pursuant to CGS §3-55j(j). Regardless of the formulas described in (1) through (4) above, the amounts allocated to 28 towns are specifically set forth in CGS §3- 55j(g). In addition, Ledyard, Montville, North Stonington, Norwich and Preston each receive an additional $750,000, annually. Towns received a proportionate share of an additional $1.6 million. These towns are members of the Southeastern Connecticut Council of

Governments, or Distressed Municipalities that are members of either the Northeastern Connecticut Council of Governments or the Windham Region Council of Governments.

A town's grant is its total formula-derived amount reduced proportionately to the program's annual appropriation, although the additional amounts payable to the towns described in the preceding paragraph are not subject to this provision. Grantees receive payments in three installments on or before January 1, April 1 and June 30th.

Appendix Table 3 presents information on state grants paid to individual municipalities under the three grant programs just described for FY 2014 and Fy2015. The three main state grants to local governments are reimbursement for foregone revenues from state owned property, non-profit private colleges and hospitals, and the Mashantucket Pequot distribution.

Sixty-one municipalities receive $123.9 million through the college/hospital grant program. Two of those municipalities – Hartford ($25.3 million) and New Haven ($43.5 million) – account for 55.5 percent of state payments under this program. Trumbull received a payment in 2015, but not 2014, because Sacred Heart University acquired land in Trumbull in 2015. In addition, Westbrook received a payment in 2015, and not 2014, because Middlesex Hospital acquired land.

Thirty-five municipalities experienced an increase in state reimbursement for one or more grant program between 2014 and 2015. Twelve of those increases were a result of revaluation at the end of the 5-year revaluation cycle and one resulted from an increase in the town's mill rate. Six municipalities experienced decreases in state reimbursement for one or more grant program between 2014 and 2015. One was due to revaluation, one to adjustment of PA-490 properties and other to new designation of 5 PA-490 properties and two for the removal of Connecticut Airport Authority property.

These grant programs are not fully funded and do not reach the intended level of reimbursement, but funding has increased for reimbursements for state owned property and for private, non-profit colleges and universities. Table 3 presents the trend in funding for the three major grant programs for 2005, 2010 and 2015. The Pequot grant program experienced a decline of 27 percent in funding, while the state-owned and college and hospital grant programs experienced increases of 14.5 and 8.7 percent, respectively.

Table 3
Municipal Aid Payments

Program	2005	2010	2015	%Chng 2005-2015
State owned	$ 72,493,392	$ 73,519,215	$ 83,641,646	15.4%
Pequot	$ 85,000,000	$ 61,779,907	$ 61,779,907	-27.3%
Colleges/hospitals	$ 115,431,737	$ 115,431,737	$ 125,431,737	8.7%

Source: Office of Policy and Management.

Finally, it is important to consider the impact of these three grant programs on the fiscal disparities that exist across municipalities in Connecticut. The New England Public Policy Center at the Federal Reserve Bank of Boston recently completed a study of municipal fiscal disparities in Connecticut [Zhao and Weiner]. They first measure the capacity of local governments to raise revenue to finance non-education expenditures. The approach calculates the amount of revenue each municipality would raise if all municipalities used the same standard mill rate. This standard mill rate is applied to the value of taxable real and personal property in each municipality measured by the equalized net grand list.

The second part of the process is to estimate the cost of providing a common quality and quantity of non-education public services. Their analysis identifies and assigns weights to five cost factors: the unemployment rate, population density, private-sector wage index, town maintenance road mileage and jobs per capita.

The study then calculates a fiscal gap by subtracting per capita revenue capacity from per capita costs. A positive gap means a municipality lacks sufficient revenue-raising authority to provide a given level and quality of public services. They find a wide range of municipal gaps across the 169 municipalities in Connecticut documenting significant variation in fiscal disparities across the state. They conclude that these gaps are driven primarily by the disparities in the property tax base across municipalities [Zhao and Weiner, 8].

The tables below compare the calculated per capita fiscal gap for each municipality to the per capita state grant from the Pequot, State Owned Property and Colleges/Hospital reimbursement programs to explore the extent to which these state grant programs are equalizing. It must be remembered that these programs are not intended to be equalizing. Rather, they are intended to reimburse local governments for revenues foregone because of these state exemptions. There is no *a priori* expectation that these programs should be equalizing.

The first level of analysis is to simply see if the range from the highest and lowest per capita fiscal gap is increased or reduced by these three state grant programs. Table 4 indicates that each grant program reduces the range between highest to lowest capacity municipalities very slightly, with the college/hospital program reducing the range the most, but only modestly by less than 3 percent.

An alternative approach to determining the level of equalization provided by these state grant programs is to calculate the correlation coefficient between the per capita fiscal gap determined by the Boston Federal Reserve study and the various state grants to each municipality under the Pequot, state owned property and college/hospital programs. Table 5 reports these correlation coefficients for each state grant program.

Table 4 Impact of State Grants on Range of Fiscal Disparities Calculated by the Boston Federal Reserve Bank			
	Pequot	State Owned	College/ Hospital
Lowest Capacity	1277	1220	1136
Highest Capacity	-5112	-5110	-5124
Gap Between Lowest and Highest Capacities	-6388	-6330	-6260

The positive correlations indicate that municipalities with higher fiscal gaps (low capacity to provide a given level and quality of public services) tend to receive higher payments under all three grant programs. The relatively low values of the correlation coefficients indicate that this equalizing impact is modest at best. The college/hospital state grant program appears to have the greatest equalization impact, in large part because two of the three cities with the highest fiscal gaps (Hartford and New Haven) receive 55 percent of the funds under this program.

Table 5 Correlations Between Fiscal Gaps and State Grant Payments		
0.214582	correlation fiscal gap and Pequot grant payment	
0.140535	correlation fiscal gap and state owned property grant payments	
0.262972	correlation fiscal gap and college/hospital grant payments	

Changes in State Grants-In-Lieu-Of-Taxes[21]

PA 15-244, passed by the Connecticut legislature in June, overhauls the state grant programs reimbursing local governments for property tax revenues foregone because of state imposed property tax exemptions. Beginning in FY2017 the existing PILOT programs end and requires the GILOTs be paid under a new consolidated program. The new program reimburses municipalities for the same types of properties and at the same target reimbursement rates enumerated in Table 8 above. A number of other changes in the program will become effective in FY2017, including

- Extending the GILOTs to towns, boroughs, cities, consolidated towns and cities, and consolidated towns and boroughs, as well as village, fire, sewer or combination fire and sewer districts, and other municipal organizations authorized to levy and collect taxes;

[21] This section draws on material in the PA 15-244 Summary prepared by the Office of Legislative Research, no date, available at https://www.cga.ct.gov/2015/SUM/2015SUM00244-R02HB-07061-SUM.htm.

- Continues the requirement to proportionally reduce grant payments if appropriated funds did not fully fund the programs, but for FY2017adds two features:
    - o Municipalities and districts are to receive GILOTs that equal or exceed the reimbursement rates they received in FY2015, and
    - o Establishes an additional GILOT grant, funded from a select GILOT account, for specified municipalities and districts to receive additional grant amounts.

In FY2018 the act maintains the requirement that the GILOTs be proportionally reduced, but creates a new approach for doing so. Under the new approach OPM ranks each municipality based on 1) its mill rate and 2) the percentage of tax-exempt property on its 2012 grand list, excluding correctional and juvenile detention facilities. Using this ranking, municipalities are divided into three tiers with different reimbursement rates as listed in Table 6.

Table 6: Minimum PILOT Reimbursement Rates

Municipalities	*Select College and Hospital Property*	*Select State Property*
Tier one: 10 municipalities with the highest percentage of tax-exempt property and a mill rate of at least 25	42%	32%
Tier two: Next 25 municipalities with a mill rate of at least 25	37%	28%
Tier three: All other municipalities	32%	24%
Source: Office of Legislative Research, summary of analysis of PA 15-244, https://www.cga.ct.gov/2015/SUM/2015SUM00244-R02HB-07061-SUM.htm		

The act also creates a new Select GILOT account which is a non-lapsing General Fund account. The fund is capitalized with sales tax revenue transferred from the municipal revenue sharing account. OPM is directed to use this account to fund 1) the additional GILOT grants in FY2017 and 2) the portion of GILOT grants paid to tier one and two municipalities exceeding the reimbursement rates paid to tier three municipalities, beginning in FY2018.

The act also modifies the Mashantucket Pequot and Mohegan Fund distribution. Currently, municipalities have been allocated a portion of this fund according to two statutory formulas linked to the state's GILOT distributions. Specifically,

- $20 million of the fund is allocated to municipalities so that each one received one-third of the difference between what it was eligible to receive as a state-owned property GILOT in a given year and what it would have received if that GILOT program had been funded at $85,205,085, subject to a minimum grant amount of $1,667; and

- $20.1 million of the fund is allocated to municipalities according to the distribution formula for college and hospital GILOTs.

The act sets each municipality's allocation of the two pools of funds equal to the amount they received in total Pequot and Mohegan Fund distributions in FY2015. The act also provides that these grants, when added to the newly consolidated GILOTs, may not exceed 100 percent of the property taxes the municipalities would have received from such property based on the grand lists for the fiscal year preceding the year in which the grans were payable.