

Connecticut's Payment in Lieu of Taxes Program-A Model for the Nation

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States have grappled over the years with ways to tax their citizens, especially in times like these when money is tight. But the notion of granting a property tax exemption to nonprofit institutions of higher education has been in effect at least since the adoption of the U.S. Constitution in 1787. At that time, states began to model their property tax systems based on the British model, which incorporated an exemption for institutions of higher education.

These tax exemptions, given to colleges and universities as well as to non-profit hospitals, schools and cultural organizations, come about in recognition of the long-standing tradition that such institutions serve the public good by enhancing the education, health and general welfare of a state's citizenry.

Over time, each state has developed some form of exemption for property owned by colleges and universities, either through specific charters, constitutional provisions or statutes. As with the federal tax exemption, the unifying concepts supporting this exemption are the public benefit derived from these educational activities and a belief that the government should not be the sole provider of such services. Tax-exempt status for institutions of higher education provides necessary and important support allowing colleges and universities to pursue their basic mission of teaching, research, and service. Because of such policies, universities are able to survive now and for future generations.

While the tax exemption outlined above is common in all states, Connecticut's response to it is not. Connecticut's payment in lieu of taxes program is one of a handful in the nation. In almost every other state, there is no state payment to towns for the revenue that would have otherwise come in from tax-exempt institutions. Additionally, it is the only PILOT program that mandates reimbursement at such a high level.

Connecticut's PILOT program of grants to municipalities is an important recognition of the fact that colleges, universities and hospitals benefit everyone residing here and not just those who happen to live in the particular city or town in which such an institution is located. Although the State does not always pay the statutorily mandated amount to towns, funding levels have been close to the mandated 77 percent level for a number of years and climb even higher with the addition of the Pequot funds that are distributed according to the PILOT formula.

This fiscal year, PILOT reimbursement is at 63 percent and the additional Pequot funds bring the reimbursement to towns up to 76 percent. Most states have no such funding mechanism for colleges and hospitals. In other words, we are ahead of the curve as Connecticut goes the extra mile in providing revenue to towns in recognition of the statewide benefits provided by these institutions.

In looking at New London, I am compelled to note that Connecticut College and Mitchell College are the kind of higher education neighbors that all towns seek to have. They are strong community partners year round, bringing national and international exposure to their home city. This summer, for example, the Connecticut College campus will be the site of an international United Nations environmental conference for children during which eleven tall ships will visit New London and will help draw additional visitors to the city. In the fall, the entire Mitchell community will be out in force supporting Boats, Books & Brushes.

In the arts, both institutions open their campuses to thousands of visitors each year. Their theater and musical performances and lecture series are open to the public, as are such college facilities as art galleries, libraries and observatories. Connecticut College, a strong advocate for environmental awareness, conducts valuable research locally and opens its arboretum to the community. Mitchell College has a public recreation area in Mitchell Woods and children from area schools use the College's beach for science and educational activities.

The colleges have extensive partnerships with New London schools and community agencies. Mitchell and Connecticut College students tutor local children, bring children to the campus for programs, and help develop innovative educational experiences. Hundreds of students do volunteer work in the local community. Finally, these institutions provide employment to 1000 people, have a combined payroll of \$40 million and spend millions on local purchases, bringing tax revenue to the city.

Connecticut and Mitchell Colleges are educators, employers and true community partners in New London. Rather than concocting new schemes that work against strong town-gown relationships and that fly in the face of established state policy, we should work together to ensure statutory funding of the PILOT program.