

MISTER PRESIDENT AND FELLOW COUNCIL MEMBERS:

TWO WEEKS AGO, WE DEBATED A RESOLUTION THAT FOCUSED ON OUR DISAPPOINTMENT WITH BROWN UNIVERSITY'S FAILURE TO INCREASE ITS SUPPORT OF THE CITY. I SUGGESTED THAT THE PROBLEM WE HAD WITH BROWN WAS ACTUALLY PART OF A MUCH LARGER ISSUE, AND WE AMENDED THE RESOLUTION TO ACKNOWLEDGE THIS FACT.

IN MY OPINION, THE SOLUTION TO THE CITY'S ERODING TAX BASE REQUIRES THE INVOLVEMENT OF THE STATE ON THE ONE HAND, AND ALL OF THE MAJOR NONPROFITS ON THE OTHER. THE RESOLUTION BEFORE YOU TONIGHT ADDRESSES THE STATE'S ROLE.

AS WE KNOW, PROPERTY TAX EXEMPTIONS FOR NONPROFITS ARE GRANTED BY THE STATE, BUT THE EXPENSE THAT RESULTS FROM THE EXEMPTION IS SHOULDERED BY THE TAXPAYERS OF CITIES AND TOWNS. AS A RESULT, THESE EXEMPTIONS ARE CLASSIC EXAMPLES OF UNFUNDED MANDATES. THE NONPROFITS LOBBY FOR THESE EXEMPTIONS, TELLING THE STATE THEY WILL RESULT IN JOBS AND ECONOMIC ACTIVITY. JOBS GENERATE INCOME TAX, WHICH GOES TO THE STATE, NOT THE HOST CITY.

ECONOMIC ACTIVITY GENERATES SALES TAX, WHICH GOES TO THE STATE, NOT THE HOST CITY. ON THE OTHER HAND, THE TAXPAYERS IN THE HOST CITY PAY FOR MUNICIPAL SERVICES TO THE NONPROFIT.

THE STATE RECOGNIZED THIS MISMATCH 25 YEARS AGO, AND ENACTED A PROGRAM TO REIMBURSE HOST CITIES FOR 27% OF THE COST OF LOST TAXES RESULTING FROM MAJOR NONPROFIT INSTITUTIONS. UNFORTUNATELY, THE STATE HAS NOT PROVIDED THE FULL 27% FOR MANY YEARS. THE FIRST PART OF THE RESOLUTION URGES THE GENERAL ASSEMBLY TO FUND FULLY THE CURRENT PROGRAM, WHICH WOULD PROVIDE AN ADDITIONAL \$3.5 MILLION TO OUR CITY. IN THEORY, ALL OF THE NONPROFITS SHOULD BE ASKING THEIR LOBBYISTS TO HELP US WITH THIS.

THE RATIONALE THE STATE HAD FOR CHOOSING TO REIMBURSE AT 27% WAS THAT NONPROFITS DO NOT CONSUME ALL OF THE SERVICES THAT OUR CITY PROVIDES, AND THAT THE CORE SERVICES THEY USE (SUCH AS FIRE AND POLICE PROTECTION) AMOUNT TO ONLY 27% OF THE CITY'S BUDGET. IN AN EARLIER TIME, WHEN THE NONPROFITS'

FOOTPRINT ON OUR CITY'S REAL PROPERTY WAS 5% OR LESS, THIS CALCULATION COULD MAKE SENSE. TODAY, HOWEVER, APPROXIMATELY HALF OF OUR CITY'S TAX BASE CANNOT BE TAXED FOR ONE REASON OR ANOTHER, AND THE RESULTING BURDEN ON HOMEOWNERS AND BUSINESS IS UNSUSTAINABLE.

TO EXPLAIN THE SIGNIFICANCE OF THIS CHANGE, IMAGINE IF A NEIGHBORHOOD ORGANIZED A COMMUNITY BUS, WHERE EVERYBODY PITCHED IN TO PAY FOR THE VEHICLE, THE BUS DRIVER, THE INSURANCE, THE MAINTENANCE, THE STORAGE, AND OF COURSE THE MOTOR VEHICLE TAX. SUPPOSE THAT THERE WAS AN EMPTY SEAT ON THE BUS AND SOMEBODY OFFERED TO PAY A PORTION OF THE GASOLINE COST TO "PAY THEIR WAY." IF THERE ARE 49 OTHER PEOPLE ON THE BUS WHO ARE PAYING FOR EVERYTHING AND ONE WHO IS PAYING ONLY FOR THE GASOLINE, THIS MODEL CAN WORK. IMAGINE, HOWEVER, IF OUR BUS HAD HALF THE PEOPLE PAYING ONLY FOR GASOLINE, WHILE EVERYONE ELSE HAS TO SHARE THE FULL COST OF EVERYTHING ELSE. AT THAT POINT, THE COMMUNITY BUS BECOMES UNSUSTAINABLE AND UNAFFORDABLE.

THAT IS WHY WE HAVE THE SECOND HIGHEST COMMERCIAL PROPERTY TAX RATE IN THE COUNTRY, SECOND ONLY TO DETROIT.

IT IS FOR THAT REASON THAT THE WISE CITIZENS OF CONNECTICUT SET A TARGET OF 77%, NOT 27% OF REIMBURSEMENT FOR CITIES AND TOWNS DUE TO THE IMPACT OF NONPROFITS. DUE TO TOUGH TIMES, CONNECTICUT DOES NOT PROVIDE FULL FUNDING, REIMBURSING AT A RATE OF 53% INSTEAD. WITH THAT SAID, IF RHODE ISLAND FOLLOWED CONNECTICUT'S EXAMPLE, EVEN IN THESE DIFFICULT TIMES, OUR STATE AID WOULD INCREASE BY MORE THAN \$20 MILLION PER YEAR, WHICH WOULD MAKE A MEANINGFUL DIFFERENCE IN OUR CURRENT STRUGGLE. FOR THESE REASONS, THE RESOLUTION ALSO CALLS FOR THE GENERAL ASSEMBLY TO RAISE THE REIMBURSEMENT RATE TO 77% OVER THE NEXT FIVE YEARS. I WOULD BE GRATEFUL FOR YOUR SUPPORT.

LATER IN THE AGENDA, I WILL RISE AGAIN AND WITH THE PERMISSION OF THE PRESIDENT, DISCUSS THE ROLE OF NONPROFITS AS OUTLINED IN THE REVENUE STUDY COMMISSION REPORT. AT THAT TIME, I WILL EXPLAIN TO YOU THE SIX-BOX, TWO COLOR CHART AT YOUR DESK.