



# House of Representatives

General Assembly

**File No. 546**

February Session, 2006

Substitute House Bill No. 5842

*House of Representatives, April 18, 2006*

The Committee on Finance, Revenue and Bonding reported through REP. STAPLES of the 96th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

***AN ACT REQUIRING REPORTS ON STATE ASSUMPTION OF MUNICIPAL LIABILITIES AND ON ALTERNATIVE REVALUATION PROCESSES.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

- 1 Section 1. (*Effective from passage*) (a) The Comptroller shall conduct a  
2 study of an assumption by the state of the provision of health  
3 insurance coverage to all municipal employees, including employees  
4 of local and regional boards of education. Such study shall include, but  
5 need not be limited to, (1) the cost to the state of such assumption, (2)  
6 the savings to municipalities, (3) the impact upon the health insurance  
7 coverage provided to town employees and the state's ability to offer an  
8 equivalent level of health insurance coverage, (4) the impact upon any  
9 contracts between employee organizations and municipalities, (5) in  
10 consultation with the Office of Policy and Management, the impact  
11 upon a municipality's mill rate should the state undertake such  
12 assumption, (6) the cost of administering such a program, and (7) such  
13 other factors as may impact upon the state's decision to undertake such

14 assumption.

15 (b) Not later than January 1, 2007, the Comptroller shall report the  
16 findings of the review to the joint standing committees of the General  
17 Assembly having cognizance of matters relating to insurance and  
18 finance, revenue and bonding, in accordance with section 11-4a of the  
19 general statutes.

20 Sec. 2. (*Effective from passage*) (a) The Commissioner of Education  
21 shall conduct a study of an assumption by the state of the costs  
22 currently borne by municipalities for special education. Such study  
23 shall include, but need not be limited to, (1) the cost to the state of such  
24 assumption, (2) the savings to municipalities, (3) the impact upon the  
25 provision of special education, (4) in consultation with the Office of  
26 Policy and Management, the impact upon a municipality's mill rate  
27 should the state undertake such assumption, (5) the cost of  
28 administering such a program, and (6) such other factors as may  
29 impact upon the state's decision to undertake such assumption.

30 (b) Not later than January 1, 2007, the commissioner shall report the  
31 findings of the review to the joint standing committees of the General  
32 Assembly having cognizance of matters relating to education and  
33 finance, revenue and bonding, in accordance with section 11-4a of the  
34 general statutes.

35 Sec. 3. (*Effective from passage*) (a) The Secretary of the Office of Policy  
36 and Management shall conduct a study of a system of property  
37 taxation wherein all appraised valuations are frozen until such time as  
38 there is a change of ownership or improvements are made to the real  
39 property, and valuations increase only by the cost of any  
40 improvements made, or, upon a sale, valuations increase to the sales  
41 price or fair market value. Such study shall include, but need not be  
42 limited to, (1) a review of the experience in jurisdictions where such  
43 system, or similar systems, are in place, (2) a consideration of the  
44 savings to municipalities due to removal of the requirement to perform  
45 revaluations, conduct hearings on appeals and other associated costs,  
46 (3) an analysis of the future effects of such a system on the property tax

47 burden borne by various classes of real property, (4) an analysis of the  
48 expected impact upon municipal budgets, and (5) such other review or  
49 analysis as may be deemed necessary by said secretary.

50 (b) Not later than January 1, 2007, said secretary shall report the  
51 findings of the study to the joint standing committees of the General  
52 Assembly having cognizance of matters relating to planning and  
53 development and finance, revenue and bonding, in accordance with  
54 section 11-4a of the general statutes.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	New section
Sec. 2	<i>from passage</i>	New section
Sec. 3	<i>from passage</i>	New section

**FIN**            *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

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### **OFA Fiscal Note**

#### **State Impact:**

<b>Agency Affected</b>	<b>Fund-Effect</b>	<b>FY 07 \$</b>	<b>FY 08 \$</b>
Education, Dept.	GF - None	None	None
Comptroller	GF - Cost	Up to 100,000	None
Policy & Mgmt., Off.	GF - Cost	125,000 - 250,000	None

Note: GF=General Fund

**Municipal Impact:** None

#### **Explanation**

The bill requires the Secretary of the Office of Policy and Management (OPM) to study a system of property taxation wherein all appraised valuations increase only by the costs of any improvements made, or, upon a sale, valuations increase to the sales price or fair market value, and report such findings by January 1, 2007. It is anticipated that OPM will require consultant services estimated for a one-time FY 07 cost of \$150,000 - \$250,000 for assessing, tax collection and municipal finance expertise and administrative support to collect information from all 169 towns and perform the required analysis. Funds were not specifically provided in Other Expenses in the agency's FY 07 budget for these consultant services.

The bill requires the comptroller to study the state assumption of responsibility for providing health coverage for municipal and board of education employees. It is estimated that the agency may expend up to \$100,000 in consultant services to undertake this study. Funds were not specifically provided in Other Expenses in the agency's FY 07 budget for these consultant services.

The State Department of Education can study and report on issues related to special education required in the bill within available resources as the information required is readily available within the

agency or from other sources.

***The Out Years***

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

**OLR BILL ANALYSIS****sHB 5842*****AN ACT REQUIRING REPORTS ON STATE ASSUMPTION OF MUNICIPAL LIABILITIES AND ON ALTERNATIVE REVALUATION PROCESSES.*****SUMMARY:**

This bill requires the comptroller, the education commissioner, and the Office of Policy and Management (OPM) secretary to study, respectively, (1) state assumption of health coverage for municipal and board of education employees, (2) state assumption of municipal costs for special education, and (3) a property tax system under which real property valuations are frozen until the property is sold or the owner makes improvements. The officials must report the results of their studies to the Finance, Revenue and Bonding Committee and to various other legislative committees by January 1, 2007.

EFFECTIVE DATE: Upon passage

**§ 1 — COMPTROLLER'S STUDY**

The bill requires the comptroller to study state assumption of responsibility for providing health coverage for municipal and board of education employees, including:

1. the state's cost of doing so;
2. the resulting municipal savings;
3. the effect on municipal employee health coverage and the state's ability to offer an equivalent level of coverage;
4. the effect on contracts between municipal employee unions and municipalities;

5. in consultation with the OPM, the effect on municipal mill rates;
6. the cost of administering the program; and
7. any other factors that may affect the state's decision whether to assume the responsibility.

The comptroller must report the results of her review to the Insurance and Finance, Revenue and Bonding committees by January 1, 2007.

## **§ 2 — EDUCATION COMMISSIONER'S STUDY**

The bill requires the education commissioner to study state assumption of municipal costs for special education and related services, including:

1. the state's cost of doing so;
2. the resulting municipal savings;
3. the effect on the provision of special education;
4. in consultation with OPM, the effect on municipal mill rates;
5. the cost of administering the program; and
6. any other factors that may affect the state's decision whether to assume the responsibility.

The commissioner must report the results of her review to the Education and Finance, Revenue and Bonding committees by January 1, 2007.

## **§ 3 — OPM SECRETARY'S STUDY**

The bill requires the OPM secretary to study a system that freezes all real property valuations for property tax purposes until the property changes owners or the owner makes improvements in the property and then allowing valuations to increase only (1) if sold, to the fair market value or the sale price or (2) if improved, by the cost of

the improvements. The study must include:

1. a review of experience in jurisdictions where such a system or a similar system is used;
2. consideration of municipal savings from eliminating requirements to perform revaluations, conduct appeal hearings, and other associated costs;
3. an analysis of such a system's future effect on property tax burdens borne by various property classes;
4. an analysis of its expected effect on municipal budgets; and
5. any other analyses or reviews the secretary considers necessary.

The bill requires OPM to report the study's findings to the Planning and Development and Finance, Revenue and Bonding committees by January 1, 2007.

**COMMITTEE ACTION**

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 49 Nay 0 (04/03/2006)