House of Representatives

General Assembly **File No. 693**

January Session, 2007 Substitute House Bill No. 5490

House of Representatives, May 2, 2007

The Committee on Commerce reported through REP. BERGER of the 73rd Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT ESTABLISHING A FIRST-TIME HOMEBUYER SAVINGS PROGRAM.

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

Section 1. (NEW) (*Effective July 1, 2007*) (a) The Commissioner of Economic and Community Development, in consultation with the Commissioner of Revenue Services, shall establish a first-time homebuyer savings program whereby graduates of a public or independent institution of higher education in the state, or graduates of the regional vocational-technical school system in the state, for the period ending ten years after the date of graduation, may elect to have one hundred per cent of the amount paid by such graduate for the income tax under chapter 229 of the general statutes in each calendar year segregated by the Commissioner of Revenue Services and deposited into the fund established by section 2 of this act and used for the purchase of the first home of such graduate. Taxes shall be segregated for tax years commencing on January 1, 2008. Payments to a graduate shall equal the amount paid for the income taxes by the graduate. Enrollment in the program shall begin on January 1, 2008, and shall be open to graduates who graduate from a public or independent institution of higher education in the state, or from the regional vocational-technical school system in the state, on or after January 1, 2007.

(b) The Commissioner of Economic and Community Development, in consultation with the Commissioner of Revenue Services, shall adopt regulations, in accordance with the provisions of chapter 54 of the general statutes, to carry out the provisions of this section.

(c) Not later than December 1, 2007, within available appropriations, the Commissioner of Economic and Community Development shall develop a comprehensive public education program to educate recent graduates of a public or independent institution of higher education in the state, or of the regional vocational-technical school system in the state, about the first-time homebuyer savings program established under this section. The public education program shall include, but not be limited to, information concerning lifetime savings plans and information on the purchase of a house. The department shall begin to implement the outreach program not later than January 1, 2008.

(e) Not later than January 1, 2009, and annually thereafter, the Commissioner of Economic and Community Development shall submit a report to the select committee of the General Assembly having cognizance of matters relating to housing, and to the joint standing committee of the General Assembly having cognizance of matters relating to commerce, on the program established pursuant to this section. Said report shall review the program and may include recommendations for legislation.

Sec. 2. (NEW) (*Effective July 1, 2007*) There is created a "Connecticut First-time Homebuyers Fund". Moneys segregated by the Commissioner of Revenue Services pursuant to section 1 of this act shall be deposited in the fund. Amounts deposited in the fund shall be available to the Commissioner of Economic and Community Development for payments to participants in the first-time home buyer program established pursuant to section 1 of this act. The State Treasurer shall invest the proceeds of the fund and investment earnings shall be credited to and become part of the General Fund. Annually, on or before September first, the Treasurer shall notify the Commissioner of Economic and Community Development of the total amount in the fund. Any balance remaining in the fund at the end of each fiscal year shall be carried forward in the fund for the succeeding fiscal year. Any funds segregated for a participant in the program that are not used in the purchase of a home shall be transferred to the General Fund. Any costs incurred by the State Treasurer in administering the fund shall be paid from the fund.

This act shall take effect as follows and shall amend the following sections:		
Section 1	*July 1, 2007*	New section
Sec. 2	*July 1, 2007*	New section

CE *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 chamber thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 08 $	FY 09 $
Department of Economic & Community Development	GF - Cost	See Below	See Below
Department of Revenue Services	GF - Cost	See Below	See Below
Resources of the General Fund	GF - Revenue Loss	See Below	See Below

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill creates a first-time homebuyer savings program for graduates from in-state public or independent institutions of higher education. The program is capitalized with 100% of the personal income taxes paid by program participants.

The program applies to anyone that has graduated after 1/1/08 from an in-state public or private higher education institution or regional vocational-technical school who has never owned a home. It is expected to result in a significant General Fund revenue loss that could initially approach $54 million[1] per year.

The bill is expected to result in a cost to the Department of Revenue Services of $330,000 plus additional costs for fringe benefits[2] in FY 08

[1] Up to 30,000 graduates may be eligible to participate in this program with each individual having an average of $1,800 per year withheld in taxes on their wages.

[2] The fringe benefit costs for state employees are budgeted centrally in the Miscellaneous Accounts administered by the Comptroller. The estimated first year fringe benefit rate for a new employee as a percentage of average salary is 25.8%, effective July 1, 2006. The first year fringe benefit costs for new positions do not include pension costs. The state's pension contribution is based upon the prior year's certification by the actuary for the State Employees Retirement System (SERS). The

and 70,000 in FY 09 to administer the reporting and tax provisions of the bill. The cost in the first year includes one-time set-up and programming costs as well as ongoing costs for a Systems Developer.

The bill requires the Department of Economic and Community Development (DECD) to establish and administer the program. The bill also requires the DECD to develop a comprehensive public education program within available appropriations. No additional funds are currently available for a new education program. It is estimated that the DECD will require 2 community development specialists starting in FY 08 at a cost of approximately $122,000 for salaries plus fringe benefits and an assistant development agent at a cost of $50,000 plus fringe benefits. Additional personnel could be needed depending upon participation. Associated other expense costs estimated at $15,000 will be needed for program start up and a minimum of $30,000 in other expenses is anticipated to be required for the public education/outreach effort.

The Out Years

The annualized ongoing costs identified above would continue into the future subject to inflation. The revenue loss outlined above is expected to grow significantly as participation in the program escalates.

SERS 2006-07 fringe benefit rate is 34.4%, which when combined with the non pension fringe benefit rate totals 60.2%.

OLR Bill Analysis
sHB 5490

AN ACT ESTABLISHING A FIRST-TIME HOMEBUYER SAVINGS PROGRAM.

SUMMARY:

This bill creates a voluntary first-time homebuyer savings program for graduates of state public or independent universities, colleges, and regional vocational-technical schools consisting of 100% of participating graduates' state income tax for 10 years after graduation. It requires the Department of Economic and Community Development (DECD) to establish the program and regulations for it in consultation with the Department of Revenue Services (DRS).

Under the bill, students who graduate from these institutions, beginning January 1, 2007, can enroll in the program beginning January 1, 2008. DRS will place into a special fund 100% of such graduates state income tax, beginning with tax year 2008, for up to 10 years after their graduation date. The bill creates a "Connecticut First-Time Homebuyers Fund" in which DRS must place funds it segregates for graduates enrolled in the homebuyer program. It requires, DECD to use the funds to make payments to program participants who receive the equivalent of their income tax contributions while enrolled in the program when buying their first home.

The bill requires the state treasurer to invest the program's fund proceeds and credit investment earnings to the General Fund.

It requires the DECD commissioner, within available appropriations and by December 1, 2007, to develop a comprehensive public education outreach program to inform recent graduates about the program. The public education program must include information on

lifetime savings plans and information on purchasing a home. DECD must begin to implement the outreach program by January 1, 2008.

The bill requires DECD to report on the first-time homebuyer program to the Commerce and Housing committees by January 1, 2009 and annually thereafter. The report must provide a review of the program and may include recommendations for legislation.

EFFECTIVE DATE: July 1, 2007

CONNECTICUT FIRST-TIME HOMEBUYERS FUND

The bill requires the treasurer to notify the DECD commissioner of the balance in the fund by September 1 annually. Any balance at fiscal year-end is carried forward to the succeeding fiscal year. Any funds segregated for a program participant that are not used to purchase a home are transferred to the General Fund. Presumably, a program participant forfeits his or her program funds after some period of time or under certain circumstances (e.g., buying a first home in another state). The fund pays any costs the treasurer incurs in administering it.

BACKGROUND

Legislative History

The House referred the bill (File 409) to the Commerce Committee, which reported this substitute, making vocational-technical schools graduates eligible for the program and adding the Commerce Committee as a recipient of a required report.

COMMITTEE ACTION

Select Committee on Housing

Joint Favorable Change of Reference
Yea 10 Nay 0 (03/06/2007)

Planning and Development Committee

Joint Favorable Substitute
Yea 19 Nay 0 (03/21/2007)

Commerce Committee

Joint Favorable Substitute

Yea	19	Nay	0	(04/18/2007)