



House of Representatives

General Assembly

File No. 265

January Session, 2009

Substitute House Bill No. 5073

House of Representatives, March 26, 2009

The Committee on Housing reported through REP. GREEN of the 1st 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:

1 Section 1. (NEW) (*Effective July 1, 2009*) (a) The Commissioner of
2 Economic and Community Development, in consultation with the
3 Commissioner of Revenue Services, shall establish a first-time
4 homebuyer savings program whereby any graduate of a public or
5 independent institution of higher education in the state, for the period
6 ending ten years after the date of graduation, may elect to have fifty
7 per cent of the amount paid by such graduate for the income tax under
8 chapter 229 of the general statutes in each calendar year segregated by
9 the Commissioner of Revenue Services and deposited into the fund
10 established by section 2 of this act and used for the purchase of the first
11 home of such graduate. Taxes shall be segregated for tax years
12 commencing on January 1, 2010. Enrollment in the program shall begin
13 on January 1, 2010.

14 (b) The Commissioner of Economic and Community Development,

15 in consultation with the Commissioner of Revenue Services, shall
16 adopt regulations, in accordance with the provisions of chapter 54 of
17 the general statutes, to carry out the provisions of this section.

18 (c) Not later than December 1, 2009, within available appropriations,
19 the Commissioner of Economic and Community Development shall
20 develop a comprehensive public education program to educate recent
21 graduates of a public or independent institution of higher education in
22 the state about the first-time homebuyer savings program established
23 under this section. The public education program shall include, but not
24 be limited to, information concerning lifetime savings plans and
25 information on the purchase of a home. The department shall begin to
26 implement the public education program not later than January 1,
27 2010.

28 (d) Not later than January 1, 2011, and annually thereafter, the
29 Commissioner of Economic and Community Development shall
30 submit a report to the Joint Standing Committee on Housing on the
31 program established pursuant to subsection (a) of this section. Said
32 report shall review the program and may include recommendations
33 for legislation.

34 Sec. 2. (NEW) (*Effective July 1, 2009*) There is created a "Connecticut
35 First-time Homebuyers Fund". Moneys segregated by the
36 Commissioner of Revenue Services pursuant to section 1 of this act
37 shall be deposited in the fund. Amounts deposited in the fund shall be
38 available to the Commissioner of Economic and Community
39 Development for payments to participants in the first-time home buyer
40 program established pursuant to section 1 of this act. The State
41 Treasurer shall invest the proceeds of the fund and investment
42 earnings shall be credited to and become part of the General Fund. On
43 or before September 1, 2010, and annually thereafter, the State
44 Treasurer shall notify the Commissioner of Economic and Community
45 Development of the total amount in the fund. Any balance remaining
46 in the fund at the end of each fiscal year shall be carried forward in the
47 fund for the succeeding fiscal year. Any funds segregated for a

48 participant in the program that are not used in the purchase of a home
 49 shall be transferred to the General Fund. Any costs incurred by the
 50 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, 2009	New section
Sec. 2	July 1, 2009	New section

Statement of Legislative Commissioners:

In subsection (a) of section 1, the sentence "Payments to a graduate shall equal the amount paid for the income taxes by the graduate." was deleted for consistency with the intent of the bill; in subsection (d) "select committee of the General Assembly having cognizance of matters relating to housing" was replaced by "Joint Standing Committee on Housing" for accuracy; in section 2, "On or before September, 2010, and annually thereafter," replaced "Annually, on or before September first" for consistency with the intent of the bill and other changes were made in the bill for grammatical reasons.

HSG *Joint Favorable Subst.-LCO*

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:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 10 \$	FY 11 \$
Department of Economic & Community Development	GF - Cost	118,000	168,000
Comptroller Misc. Accounts (Fringe Benefits) ¹	GF - Cost	35,000	35,000
Department of Revenue Services	GF - Cost	330,000	70,000
Department of Revenue Services	GF - Revenue Loss	See Below	See Below

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill will result in a cost to the Department of Economic and Community Development (DECD) and the Department of Revenue Services (DRS) associated with establishing and administering a first-time homebuyer savings program.

The bill is also expected to result in a significant General Fund revenue loss that could exceed \$100 million per year. The program applies to anyone that has graduated in the last ten years from an in-state public or private higher education institution who is purchasing their first home. It is unclear if the program funds are only eligible to be used for a down payment or can be used to pay mortgage

¹ The fringe benefit costs for state employees are budgeted centrally in the Miscellaneous Accounts administered by the Comptroller on an actual cost basis. The following is provided for estimated costs associated with additional personnel. The estimated non-pension fringe benefit rate as a percentage of payroll is 25.43%. Fringe benefit costs for new positions do not initially include pension costs as the state's pension contribution is based upon the 6/30/08 actuarial valuation for the State Employees Retirement System (SERS) which certifies the contribution for FY 10 and FY 11. Therefore, new positions will not impact the state's pension contribution until FY 12 after the next scheduled certification on 6/30/2010.

payments.

The bill will result in a cost to DECD associated with staff and marketing materials to implement the public education portion of the first-time homebuyer savings program for recent graduates of public or independent institutions of higher education. The cost to DECD is dependent upon the number of people eligible for the program and the program design. DECD could need a full-time Community Development Specialist at an annual cost of approximately \$84,905 (\$67,691 salary, \$17,214 fringe benefits). The program must include information concerning lifetime savings plans and information on the purchase of a home. Additional costs associated with marketing materials could range from \$50,000-\$100,000.

The bill is expected to result in a cost to the Department of Revenue Services (DRS) to administer the reporting and tax provisions of the bill. DRS would need a Systems Developer with an annual cost of \$87,801 (\$70,000 salary, \$17,801 fringe benefits) and \$260,000 in FY 10 for a one-time set-up and programming cost.

The Out Years

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

Sources: Department of Administrative Services, CORE-CT Financial Accounting System, Connecticut Housing Finance Authority,

http://www.chfa.org/FirstHome/counseling_classes.asp

OLR Bill Analysis

HB 5073

AN ACT ESTABLISHING A FIRST-TIME HOMEBUYER SAVINGS PROGRAM.

SUMMARY:

This bill requires the Department of Economic and Community Development (DECD) to establish a voluntary first-time homebuyer savings program for graduates of state public or independent higher education institutions. The program is funded by tax revenue that the state receives from the graduates. Graduates have 10 years from the date of graduation to use money in the fund to purchase a home. Funds unused at the end of this time are transferred to the General Fund. DECD must consult with the Department of Revenue Services (DRS) when establishing the program and adopting and implementing regulations.

Graduates from higher education institutions in the state can enroll in the program beginning January 1, 2010. Beginning on the same date, program participants must elect to have 50% of the amount they pay for state income taxes placed into a special revolving fund that the bill establishes. DRS must place the taxes into the "Connecticut First-Time Homebuyers Fund" for up to 10 years after a participant's graduation date. DECD must use the funds to make payments to program participants buying their first home. The payment must be the equivalent of a participant's income tax contributions while enrolled in the program.

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

It requires the DECD commissioner, within available appropriations

and by December 1, 2009, to develop a comprehensive public education outreach program to inform recent graduates about the first-time homebuyer 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, 2010.

The bill requires DECD to report on the first-time homebuyer program to the Housing Committee by January 1, 2011 and annually thereafter. The report must provide a review of the program and may include recommendations for legislation.

EFFECTIVE DATE: July 1, 2009

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, beginning in 2010. 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 the treasurer's administrative costs, if any.

COMMITTEE ACTION

Housing Committee

Joint Favorable

Yea 10 Nay 0 (03/10/2009)