House of Representatives

General Assembly **_File No. 898_**

January Session, 2009 Substitute House Bill No. 6561

House of Representatives, May 4, 2009

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 CONCERNING STATE SUPPORT FOR REGIONAL INITIATIVES.

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

Section 1. (NEW) (*Effective October 1, 2009*) Commencing July 1, 2010, and annually thereafter, the Commissioner of Revenue Services shall segregate fifty million dollars from the revenues received pursuant to chapter 219 of the general statutes. Such segregated funds shall be allocated to the municipalities that are parties to an agreement pursuant to section 2 of this act on a per capita basis, as established by the last annual population estimate by the Department of Public Health for each such municipality, and expended for such purposes as are jointly determined by the municipalities.

Sec. 2. (NEW) (*Effective October 1, 2009*) (a) As used in this section, "legislative body" means the council, commission, board, body or town meeting, by whatever name it may be known, having or exercising the general legislative powers and functions of a municipality and "municipality" means any town, city or borough, consolidated town and city or consolidated town and borough.

(b) Notwithstanding any provision of the general statutes or any special act, municipal charter or home rule ordinance, the chief elected officials of two or more municipalities that are members of the same federal economic development district, established under 42 USC 3171, may initiate a process for such municipalities to enter into an agreement to promote regional economic development and share the real and personal property tax revenue from new economic development. Such agreement shall provide that the municipalities agree not to compete for new economic development and shall specify the types of new economic development projects subject to the agreement. The agreement shall also have terms providing for (1) identification of areas for (A) new economic development, (B) open space and natural resource preservation, and (C) transit oriented development, including housing; (2) capital improvements, including the shared use of buildings and other capital assets; (3) regional energy consumption, including strategies for cooperative energy use and development of distributive generation and sustainable energy projects; and (4) promotion and sharing of arts and cultural assets. The agreement shall also include terms providing for at least three municipal cooperative programs and at least three educational cooperative programs, including, but not limited to, the following: (A) Collective bargaining, (B) purchasing cooperatives, (C) health care pooling with each other or the state, (D) regional shared school curriculum and special education services, through regional educational service centers, established under section 10-66a of the general statutes, and (E) any other initiatives mutually agreed upon. Each municipality that is party to the agreement shall participate in at least one municipal cooperative program and one educational cooperative program. The provisions of this section shall not be construed to require each municipality that is party to the agreement to participate in all municipal cooperative programs and educational cooperative programs described in the agreement.

(c) The agreement shall be prepared pursuant to negotiations and shall contain all provisions on which there is mutual agreement between the municipalities. The agreement shall establish procedures for amendment, termination and withdrawal. The negotiations shall include an opportunity for public participation. The agreement shall be approved by each municipality that is a party to the agreement by resolution of the legislative body.

(d) The municipality in which real property with new economic development is located that is subject to shared revenue pursuant to an agreement under this section shall maintain a separate list describing such properties. The mill rate used to determine the amount of taxes imposed on such new economic development shall be the mill rate of the municipality in which the development is located.

This act shall take effect as follows and shall amend the following sections:		
Section 1	*October 1, 2009*	New section
Sec.	*October 1, 2009*	New section

FIN *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 10 $	FY 11 $
Department of Revenue Services	GF - Revenue Loss	50 million	50 million

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 10 $	FY 11 $
Various Municipalities	Revenue Gain	50 million	50 million
Various Municipalities	Revenue Gain	See Below	See Below

Explanation

The bill allows two or more municipalities that belong to the same federal economic development district to enter into mutual agreements to (1) promote regional economic development and (2) share the real and personal property tax revenue from new economic development.

This could result in a revenue impact to certain municipalities who are eligible to enter into such an agreement and choose to share property tax revenue with their partner municipality. The revenue impact is dependent on the stipulations of the agreement and the location and extent of new economic development in the participating municipalities.

In addition, the bill required the Department of Revenue Services (DRS) to segregate $50 million of sales tax revenue annually and distribute it to municipalities that are parties to such mutual agreements. This will result in a General Fund revenue loss of $50 million per year beginning in FY 11 and a corresponding annual revenue gain to municipalities that elect to enter into regional cooperative economic development agreements with neighboring towns.

The bill also requires each municipality choosing to enter into an agreement to meet various requirements including participation in at least two cooperative programs with their partner municipality. These provisions may result in an impact on the costs incurred by the municipalities.

The bill will result in a revenue gain to municipalities from federal Economic Development Administration (EDA) Funds to the extent; 1) the bill provides an incentive to municipalities to enter into Economic Development Districts (EDD), 2) the state approves the formation of an EDA and EDD plan, and 3) the federal government provides funding for the EDD plans.

The Out Years

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

OLR Bill Analysis

sHB 6561

AN ACT CONCERNING STATE SUPPORT FOR REGIONAL INITIATIVES.

SUMMARY:

This bill allows the chief elected officials of two or more municipalities that belong to the same federal economic development district to enter into mutual agreements, upon approval of their legislative bodies, to (1) promote regional economic development and (2) share the real and personal property tax revenue from new economic development. The agreement must (1) promise that the municipalities will not compete for new economic development and (2) specify the types of projects subject to the agreement.

Starting July 1, 2010, the bill requires the Department of Revenue Services commissioner to segregate $50 million of sales tax revenue annually and distribute it to municipalities that are parties to such mutual agreements. The commissioner must allocate the money on a per capita basis, based on the Department of Public Health's latest annual population estimate. The municipalities must use the money for the purposes they jointly determine.

EFFECTIVE DATE: October 1, 2009

MUNICIPAL AGREEMENTS

Under the bill, agreements must provide for:

1. identification of areas for (a) new economic development, (b) open space and natural resource preservation, and (c) transit oriented development, including housing;

2. capital improvements, including the shared use of buildings

and other capital assets;

3. regional energy consumption, including strategies for cooperative energy use and development of distributive (on-site) generation and sustainable energy projects; and

4. promoting and sharing arts and cultural assets.

The agreement must also provide for at least three municipal and three educational cooperative programs covering such areas as: (1) collective bargaining; (2) purchasing cooperatives; (3) health care pooling with each other or the state; (4) regional shared school curriculum and special education services, through regional education service centers; and (5) any other mutually agreed upon initiatives. Each party to the agreement must participate in at least one municipal cooperative and one educational cooperative program. The bill explicitly states that the parties do not have to participate in all of these cooperative programs.

The agreement must be negotiated and contain all provisions on which the municipalities agree. It must establish procedures for amendment and termination and withdrawal of members. It must provide an opportunity for public participation. The legislative body of each participating municipality must adopt a resolution to approve the agreement. Under the bill, the "legislative body" is the council, commission, board, body or town meeting, or other body that has or exercises general legislative powers and functions in a municipality. A "municipality" is a town, city, or borough; consolidated town and city; or consolidated town and borough.

SHARED TAX REVENUE FROM ECONOMIC DEVELOPMENT

The mill rate used to determine the amount of taxes imposed on the new economic development to be shared under the agreement must be the mill rate of the municipality where the development is located. This municipality must maintain a separate list describing these properties.

BACKGROUND

Federal Regional Economic Development Districts

Federal law allows entities to designate districts, establish organizations to plan and implement strategies to develop them, and qualify for economic development dollars. It specifies the criteria the U.S. Department of Commerce (DOC) must use to approve a proposed district. DOC may approve a district if it:

1. contains at least one economically distressed area,

2. encompasses a sufficiently large area and have enough people and resources to foster economic development of more than one economically distressed area, and

3. has a DOC-approved comprehensive economic development strategy approved by a majority of the counties in the proposed district and the state or states within which the district is located.

An area is economically distressed if:

1. its per capita income is 80% or less of the national average,

2. its unemployment rate for the most recent 24-month period exceeded the nation's by at least 1%, or

3. the commerce secretary finds that it faces or will face special needs arising from severe unemployment or short- or long-term economic changes (13 CFR § 302. 1).

Related Bill

sHB 6585 (File 457) allows two or more municipalities in the same federal regional economic development district to enter into the same agreements as allowed under this bill and, if they do, to levy a local hotel tax of up to 1% within their region.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea	40	Nay	15	(04/16/2009)