



House of Representatives

General Assembly

File No. 435

February Session, 2010

Substitute House Bill No. 5498

House of Representatives, April 8, 2010

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 CONCERNING MICRO BUSINESSES.

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

1 Section 1. Section 4b-57 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective July 1, 2010*):

3 (a) Whenever consultant services are required by the commissioner
4 in fulfilling the responsibilities under section 4b-1, and in the case of
5 each project, the commissioner shall invite responses from such firms
6 by advertisements inserted at least once in one or more newspapers
7 having a circulation in each county in the state except that the
8 commissioner may receive consultant services under a contract entered
9 into pursuant to subsection (d) of section 4b-51. The commissioner
10 shall prescribe, by regulations adopted in accordance with chapter 54,
11 the advance notice required for, the manner of submission, and
12 conditions and requirements of, such responses.

13 (b) In the case of a project, the responses received shall be
14 considered by the selection panel. The panel shall select from among

15 those responding no fewer than three firms, which such panel
16 determines in accordance with criteria established by the
17 commissioner are most qualified to perform the required consultant
18 services. In the case of any project that requires consultant services by
19 an architect or professional engineer, additional criteria to be
20 considered by such panel in selecting a list of the most qualified firms
21 shall include: (1) Such firm's knowledge of this state's building and fire
22 codes, and (2) the geographic location of such firm in relation to the
23 geographic location of the proposed project. The selection panel shall
24 submit a list of the most qualified firms to the commissioner for the
25 commissioner's consideration unless fewer than three responses for a
26 particular project have been received, in which case the panel shall
27 submit the names of all firms who have submitted responses.

28 (c) In the case of consultants selected under subsection (d) of section
29 4b-51, the responses received shall be considered by the selection
30 panel. The panel shall select, from among those persons responding, a
31 list of those persons most qualified to perform the consultant services.
32 Knowledge of the state building and fire code and whether the
33 consultant is a micro business, as defined in subsection (c) of section
34 4a-59, shall be considered in determining a consultant's qualifications.

35 Sec. 2. (NEW) (*Effective from passage*) (a) No public service company
36 shall require a deposit from any customer or prospective customer,
37 other than a residential customer or prospective residential customer,
38 in excess of an amount equal to such company's charges for one and
39 one-half months.

40 (b) The Department of Public Utility Control shall initiate a
41 proceeding to examine the collection of deposits by public service
42 companies from any customer or prospective customer, other than a
43 residential customer or prospective residential customer. Such
44 examination shall include, but not be limited to, consideration of (1)
45 criteria used to determine creditworthiness of such customers, (2)
46 criteria for when the public service company shall return the deposit
47 plus interest, and (3) provisions for collecting deposits from such

48 customers moving from one location to another within the same
49 service area of the same company. On or before January 1, 2011, the
50 department shall report, in accordance with section 11-4a of the
51 general statutes, the results of such proceeding to the joint standing
52 committee of the General Assembly having cognizance of matters
53 relating to energy.

54 Sec. 3. (NEW) (*Effective July 1, 2010*) (a) The Commissioner of
55 Economic and Community Development shall establish and
56 administer a small business recovery program to provide loans
57 through economic development entities and nonprofit organizations to
58 businesses that have been denied by traditional lenders. Loans
59 provided as part of this program shall be for amounts not less than
60 fifteen thousand dollars and not more than fifty thousand dollars.

61 (b) The commissioner shall adopt regulations, in accordance with
62 the provisions of chapter 54 of the general statutes, to establish small
63 business eligibility criteria and guidelines for the loan program
64 established pursuant to subsection (a) of this section. Such eligibility
65 criteria shall include, but not be limited to, small businesses having (1)
66 not fewer than five employees and not more than twenty employees,
67 (2) not more than three million dollars in annual gross receipts, and (3)
68 not less than seventy per cent collateral to secure the loan.

69 Sec. 4. (*Effective July 1, 2010*) (a) For the purposes described in
70 subsection (b) of this section, the State Bond Commission shall have
71 the power, from time to time, to authorize the issuance of bonds of the
72 state in one or more series and in principal amounts not exceeding in
73 the aggregate twenty-five million dollars.

74 (b) The proceeds of the sale of said bonds, to the extent of the
75 amount stated in subsection (a) of this section, shall be used by the
76 Department of Economic and Community Development for the small
77 business recovery program established pursuant to section 3 of this act.

78 (c) All provisions of section 3-20 of the general statutes, or the
79 exercise of any right or power granted thereby, which are not

80 inconsistent with the provisions of this section are hereby adopted and
81 shall apply to all bonds authorized by the State Bond Commission
82 pursuant to this section, and temporary notes in anticipation of the
83 money to be derived from the sale of any such bonds so authorized
84 may be issued in accordance with said section 3-20 and from time to
85 time renewed. Such bonds shall mature at such time or times not
86 exceeding twenty years from their respective dates as may be provided
87 in or pursuant to the resolution or resolutions of the State Bond
88 Commission authorizing such bonds. None of said bonds shall be
89 authorized except upon a finding by the State Bond Commission that
90 there has been filed with it a request for such authorization which is
91 signed by or on behalf of the Secretary of the Office of Policy and
92 Management and states such terms and conditions as said commission,
93 in its discretion, may require. Said bonds issued pursuant to this
94 section shall be general obligations of the state and the full faith and
95 credit of the state of Connecticut are pledged for the payment of the
96 principal of and interest on said bonds as the same become due, and
97 accordingly and as part of the contract of the state with the holders of
98 said bonds, appropriation of all amounts necessary for punctual
99 payment of such principal and interest is hereby made, and the State
100 Treasurer shall pay such principal and interest as the same become
101 due.

102 Sec. 5. (NEW) (*Effective July 1, 2010*) Notwithstanding any provision
103 of the general statutes, the Department of Transportation may set aside
104 any contract or portions thereof, or require any general or trade
105 contractor or any other entity authorized by the department to award
106 contracts to set aside a portion of any contract for contractors or
107 subcontractors that had gross revenues not exceeding three million
108 dollars in the most recently completed fiscal year prior to the contract
109 award. Nothing in this subsection shall be construed to diminish the
110 total value of contracts that are required to be set aside by the
111 department pursuant to section 4a-60g of the general statutes.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2010</i>	4b-57
Sec. 2	<i>from passage</i>	New section
Sec. 3	<i>July 1, 2010</i>	New section
Sec. 4	<i>July 1, 2010</i>	New section
Sec. 5	<i>July 1, 2010</i>	New section

CE *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 11 \$	FY 12 \$
Treasurer, Debt Serv.	GF - Cost	See Below	See Below
Department of Economic & Community Development	GF - Cost	185,707	191,277
Comptroller Misc. Accounts (Fringe Benefits) ¹	GF - Cost	49,509	127,218

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill establishes a loan program for very small businesses. Assuming 75 businesses apply, DECD would incur costs of \$185,707 in FY 11 to hire two Economic and Community Development Agents (with a salary of \$64,511 each), and one Accounts Examiner (with a salary of \$58,685). Fringe benefit costs would be \$49,509 in FY 11 and \$127,218 in FY 12.

The bill authorizes \$25.0 million in General Obligation (GO) bonds in FY 11 for the loan program. The total General Fund debt service cost for principal and interest payments to issue this amount over 20 years assuming a 5.0% interest rate is \$38.1 million. The first year that the state will experience costs associated with the bonds depends on when they are allocated through the State Bond Commission and when the funds are expended.

¹ The estimated non-pension fringe benefit rate as a percentage of payroll is 26.66% which includes health insurance, social security, Medicare, life insurance, and unemployment compensation. Fringe benefit costs for new positions do not include pension costs as new positions will not impact the state's pension contribution until FY 12 after the next scheduled actuarial valuation.

The Department of Transportation will not experience a fiscal impact to set aside contracts for businesses with gross revenues of \$3 million or less. Under current law, state agencies must set aside 25% of contracts to small contractors with gross revenues of \$10 million or less.

The bill requires the Department of Public Utility Control (DPUC) to initiate a proceeding regarding deposits made by customers. As the DPUC currently opens approximately 380 dockets a year, this provision will have no fiscal impact.

The bill makes changes to selection panels established by the Department of Public Works. This has no fiscal impact on the agency.

The Out Years

The fiscal impact identified above for the General Fund would continue into the future for the term of issuance of the bonds.

OLR Bill Analysis

sHB 5498

AN ACT CONCERNING MICRO BUSINESSES.

SUMMARY:

This bill provides several forms of assistance to smaller businesses. It:

1. requires Public Works Department (DPW) selection panels to consider a business's size in deciding which consultants are pre-qualified to work on projects,
2. prohibits a utility company from requiring nonresidential customers to pay a deposit greater than the amount the company charges for 1.5 months of service,
3. requires the Public Utility Control Department (DPUC) to study utilities' use of service deposits from nonresidential customers,
4. creates a \$25 million loan program for very small businesses, and
5. permits the Transportation Department (DOT) to set aside contracts or portions of contracts for very small businesses.

EFFECTIVE DATE: July 1, 2010, except for the provision related to utilities, which takes effect on passage.

DPW CONSULTANT SELECTION

By law, the DPW commissioner can establish a selection panel to review and recommend the most qualified consultants to provide services on certain state construction and Connecticut Health and Education Facilities Authority projects. Consultants are architects, professional engineers, landscape architects, surveyors, accountants,

interior designers, environmental professionals, construction administrators, planners, and financial specialists.

The bill requires the selection panel to consider whether a business is a "micro business," that is a business that had less than \$3 million dollars in gross revenues in the most recently completed fiscal year. The panel must already consider a consultant's knowledge of state building and fire codes.

UTILITY DEPOSITS

The bill prohibits a utility company (electric, gas, water, telecommunication) from requiring a nonresidential customer to pay a deposit that is more than the amount the company charges for 1.5 months of service.

It requires DPUC to open a proceeding to look at utility company deposit collection from nonresidential customers. DPUC must examine, at a minimum, (1) criteria for determining these customers' creditworthiness, (2) criteria for returning deposits plus interest, and (3) provisions for collecting deposits from customers that move within the same service area of the same company. The bill requires DPUC to report to the Energy and Technology Committee by January 1, 2011.

SMALL BUSINESS LOAN PROGRAM

The bill authorizes \$25 million in state general obligation bonds for the Department of Economic and Community Development (DECD) to establish and administer a loan program for small business that have been denied loans from traditional sources. Loans can be for between \$15,000 and \$50,000. DECD must provide the loans through economic development entities and nonprofit organizations. The 20-year bonds are subject to standard statutory bond issuance procedures and repayment requirements.

The bill requires DECD to adopt eligibility criteria and guidelines in regulation. The eligibility criteria must include (1) businesses having between five and 20 employees, (2) annual gross revenues under \$3 million, and (3) at least 70% collateral to secure a loan.

DOT SET-ASIDE

The bill permits DOT to set aside contracts or parts of contracts for contractors or subcontractors that had less than \$3 million dollars in gross revenues in the most recently completed fiscal year. It also permits DOT to require general or trade contractors or other entities DOT authorizes to award contracts to do this.

By law, each state agency must set aside at least 25% of the value of its contracts each year for small contractors and minority-owned businesses. Under this law (CGS § 4a-60g), a small contractor is one that, among other criteria, had less than \$15 million in gross revenues in the most recently completed fiscal year. The bill specifies that it is not to be construed to diminish the total value of contracts that DOT must set aside under this law.

COMMITTEE ACTION

Commerce Committee

Joint Favorable Substitute

Yea 19 Nay 1 (03/23/2010)