

OFFICE OF LEGISLATIVE RESEARCH  
PUBLIC ACT SUMMARY



**PA 13-239**—sSB 842

*Finance, Revenue and Bonding Committee*

**AN ACT AUTHORIZING AND ADJUSTING BONDS OF THE STATE  
FOR CAPITAL IMPROVEMENTS, TRANSPORTATION,  
ELIMINATION OF THE ACCUMULATED GAAP DEFICIT AND  
OTHER PURPOSES**

**SUMMARY:** This act authorizes up to \$1.559 billion in state general obligation (GO) bonds for FY 14 and up to \$1.522 billion for FY 15 for state capital projects and grant programs, including school construction, water quality, and economic development projects; farmland and open space acquisition and preservation; improvements to state buildings and property; and grants to municipalities and nonprofit entities.

The act additionally authorizes (1) up to \$712.4 million in revenue bonds over the two years for Clean Water Fund loans and (2) up to \$706.9 million special tax obligation (STO) bonds in FY 14 and up to \$588.8 million in FY 15 for transportation projects, including \$120 million over the two years for the town-aid road grant program.

The act authorizes the treasurer to issue (1) up to \$750 million in bonds, notes, or other obligations to reduce the state's accumulated General Fund deficit, determined according to generally accepted accounting principles (GAAP), and (2) additional bonds or other debt to fund up to two years of interest payable or accrued on the bonds and issuance costs. It also commits the state to paying off the remaining GAAP deficit in annual increments over 13 years, beginning in FY 16, and authorizes actions to assure bondholders that the state will do so.

The act establishes the Connecticut Bioscience Innovation Fund (CBIF) to finance a wide range of commercially viable bioscience projects that will create jobs while lowering health care costs and improving the delivery of health care services. It capitalizes the fund by authorizing up to \$200 million in GO bonds over 10 years and allows the proceeds to be used for grants or loans to, or investments in, projects proposed by start-up or early stage businesses, colleges and universities, and nonprofit organizations (eligible recipients). It establishes a 13-member advisory committee to oversee the fund's operations and requires Connecticut Innovations, Inc. (CII), the state's quasi-public economic development agency, to administer the fund under the committee's supervision.

The act requires the transportation commissioner to establish a local transportation capital program to provide state funding, instead of specific available federal funding, to municipalities and local planning agencies to improve certain state or local roads or facilities. It also increases the amount of state grant money available to municipalities under the local bridge program, eliminates the program's loan component, and makes other changes to the program.

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The act makes numerous changes to previous bond authorizations. Among other things, it (1) cancels or reduces \$22.5 million in GO bond authorizations for past years; (2) transfers, from the Department of Construction Services (DCS) to the Department of Administrative Services (DAS), responsibility for existing bond authorizations for school construction and various state capital projects; and (3) transfers, from the Office of Policy and Management (OPM) to the Department of Housing (DOH), responsibility for the Main Street Investment Fund program and a previous bond authorization for the incentive housing zone program.

Lastly, the act repeals laws requiring the use of unappropriated General Fund surpluses to (1) reduce the state’s accumulated GAAP deficit and (2) redeem outstanding economic recovery notes (ERNs) and economic recovery revenue bonds (ERBs), thus restoring a requirement that these surpluses be deposited in the Budget Reserve (“Rainy Day”) Fund at the end of each fiscal year.

EFFECTIVE DATE: July 1, 2013 for FY 14 bond authorizations and July 1, 2014 for FY 15 authorizations. Other sections are effective July 1, 2013 unless otherwise noted below.

**§§ 1-38 & 55 — BOND AUTHORIZATIONS FOR STATE AGENCY PROJECTS AND GRANTS**

The act authorizes up to \$695.7 million in GO bonds for FY 14 and up to \$649.8 million for FY 15 for the state capital projects, housing, and grant programs listed in Table 1. The bonds are subject to standard issuance procedures and have a maximum term of 20 years.

The act includes a standard provision requiring that, as a condition of bond authorizations for grants to private entities, each granting agency include repayment provisions in its grant contract in case the facility for which the grant is made ceases to be used for the grant purposes within 10 years of the entity receiving it. The required repayment is reduced by 10% for each full year that the facility is used for the grant purpose.

**Table 1: GO Bond Authorizations for FY 14 and FY 15**

§§	Agency	For	FY 14	FY 15
<b>State Projects and Programs</b>				
2(a), 21(a)	OPM	Design and implement the consolidation of higher education systems with the state's CORE system	\$5,000,000	\$5,000,000
		Development and implementation of CORE financial system databases associated with results-based accountability	5,000,000	0

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		Design and implementation of the Criminal Justice Information Sharing System	7,900,000	5,500,000
		Information technology capital investment program	50,000,000	25,000,000
		Transit-oriented development predevelopment fund, provided the fund (1) is developed as a public-private partnership and (2) raises at least \$2 million from nonstate resources	1,000,000	0
2(b), 21(b)	Department of Veterans' Affairs	Alterations, renovations, and improvements to state buildings and grounds	750,000	750,000
2(c), 21(c)	DAS	Alterations and improvements (1) to comply with the Americans with Disabilities Act (ADA) or (2) for improved accessibility to state facilities	2,000,000	2,000,000
		Infrastructure repairs and improvements, including (1) fire, safety, and ADA compliance improvements and (2) improvements to state-owned buildings and grounds, including (a) energy conservation, off-site improvements, and preservation of unoccupied buildings and grounds and (b) office development, acquisition, renovations for additional parking, and security improvements at state-occupied buildings	25,000,000	25,000,000
		Development, including acquisition and equipment, of a new thermal facility, including extension of the distribution pipeline, for the capital area district heating and cooling	29,000,000	0

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		system in Hartford		
		Removal or encapsulation of asbestos and hazardous materials in state-owned buildings	10,000,000	10,000,000
2(d), 21(d)	Department of Emergency Services and Public Protection (DESPP)	Design, construction, and equipment for a consolidated communications center at the Middletown headquarters building	4,000,000	0
		Replacement and upgrade of radio communication systems	19,500,000	45,000,000
		Alterations and improvements to buildings and grounds, including utilities, mechanical systems, and energy conservation	5,000,000	5,000,000
		Alterations, renovations, and improvements to the Forensic Science Laboratory in Meriden	1,500,000	0
2(e), 21(e)	Department of Motor Vehicles	Alterations, renovations, and improvements to buildings and grounds	1,703,000	1,697,000
2(f), 21(f)	Military Department	Alterations and improvements to buildings and grounds, including utilities, mechanical systems, and energy conservation	1,000,000	1,000,000
		State matching funds for anticipated federal reimbursable projects	2,000,000	2,000,000
		Renovations and improvements to the skylight and water and heating systems at the William A. O'Neill Armory in Hartford	3,150,000	0
2(g), 21(g)	Department of Energy and Environmental	Dam repairs, including state-owned dams	6,000,000	5,000,000

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	Protection (DEEP)	Energy efficiency and renewable energy projects in state-owned buildings	0	25,000,000
		Various flood control improvements, flood repair, erosion damage repairs, and municipal dam repairs	4,500,000	6,900,000
		Recreation and Natural Heritage Trust Program: recreation, open space, and resource management	10,000,000	10,000,000
2(h), 21(h)	Capitol Region Development Authority	Alterations, renovations, and improvements to the Connecticut Convention Center and Rentschler Field	4,122,000	3,727,500
		Alterations, renovations, and improvements at the XL Center	35,000,000	0
2(i), 21(i)	Department of Developmental Services (DDS)	(1) Fire, safety, and environmental improvements to regional facilities and intermediate care facilities for client and staff needs, including improvements in compliance with current codes and (2) site improvements, handicapped access improvements, utilities, repair or replacement of roofs, air conditioning, and other interior and exterior building renovations and additions at all state-owned facilities	5,000,000	5,000,000
2(j), 21(j)	Department of Mental Health and Addiction Services	Design and installation of sprinkler systems in direct patient care buildings, including related fire safety improvements	2,275,000	4,175,000
		(1) Fire, safety, and environmental improvements to regional facilities and intermediate care facilities for client and staff needs, including improvements in compliance with current codes and (2)	0	5,000,000

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		site improvements, handicapped access improvements, utilities, repair or replacement of roofs, air conditioning, and other interior and exterior building renovations and additions at all state-owned facilities		
2(k), 21(k)	State Department of Education (SDE)	For the technical high school system: Alterations and improvements to buildings and grounds, including new and replacement equipment, tools and supplies necessary to update curricula, vehicles, and technology upgrades	28,000,000	15,500,000
2(l), 21(l)	Board of Regents for Higher Education (BOR)	All community colleges: New and replacement instruction, research, or laboratory equipment	9,000,000	5,000,000
		All community colleges: System technology initiative	5,000,000	5,000,000
		All community colleges: Alterations, and improvements to facilities, including fire, safety, energy conservation, code compliance and acquisition of property	2,000,000	5,000,000
		Quinebaug Community College: Parking and site improvements	2,189,622	0
		Quinebaug Community College: Heating, ventilating, and air conditioning system improvements	1,750,000	0
		Tunxis Community College: Feasibility study for acquiring property to create a premanufacturing workspace and relocate continuing education operations	250,000	0
		Middlesex Community College: New academic building planning, design, and construction	4,800,000	39,200,000

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		Housatonic Community College: Parking garage improvements	0	3,907,258
		Housatonic Community College: Implementation of phase III of the master plan for renovations and additions to Lafayette Hall	0	40,467,047
2(m), 21(m)	Department of Correction	Renovations and improvements to existing state-owned buildings for inmate housing, programming and staff training space, additional inmate capacity, and for support facilities and off-site improvements	10,000,000	10,000,000
2(n), 21(n)	Department of Children and Families (DCF)	Alterations, renovations, and improvements to buildings and grounds	1,230,900	1,515,000
2(o), 21(o)	Judicial Department	Alterations, renovations, and improvements to buildings and grounds at state-owned and maintained facilities	7,500,000	7,500,000
		Development of a juvenile court in Meriden or Middletown	2,000,000	13,000,000
		Mechanical upgrades and code-required improvements at the superior courthouse in New Haven	1,000,000	8,500,000
		Security improvements at various state-owned and maintained facilities	1,000,000	1,000,000
<b>Housing Projects</b>				
9, 28	DOH	Housing development and rehabilitation, including improvements to various kinds of state-assisted affordable housing; earmarks (1)	70,000,000	70,000,000

\$30 million to revitalize moderate rental housing units in the Connecticut Housing Finance Authority's state

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		housing portfolio, (2) \$1 million to develop adult family homes, and (3) \$1 million for grants for accessibility modifications for those transitioning from institutions to homes under the Money Follows the Person program (a Department of Social Services program that moves people out of nursing homes or other institutional settings into less restrictive, community-based settings)		
		Supportive housing initiatives	20,000,000	0
<b>Grants</b>				
13(a), 32(a), 55	OPM	Grants to private, nonprofit, tax-exempt health and human service organizations for alterations, renovations, improvements, additions, and new construction, including (1) health, safety, ADA compliance, and energy conservation improvements; (2) information technology systems; (3) technology for independence; and (4) vehicle purchases	20,000,000	20,000,000
		Grants to municipalities for infrastructure projects and programs, including planning, property acquisition, site preparation, construction, and off-site improvements	50,000,000	0
		Grants to municipalities for municipal purposes and projects*	56,429,907	56,429,907
13(b), 32(b)	Department of Agriculture	Farm Reinvestment program	500,000	500,000
13(c), 32(c)	DEEP	Grants to municipalities for open space acquisition and development for	10,000,000	10,000,000

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		conservation or recreational purposes		
		Grants to municipalities for improvements to incinerators and landfills, including bulky waste landfills	1,400,000	1,000,000
		Grants for identifying, investigating, containing, removing, or mitigating contaminated industrial sites in urban areas	5,000,000	5,000,000
		Grants to municipalities for providing potable water	0	1,000,000
		Program to establish energy microgrids to support critical municipal infrastructure	15,000,000	15,000,000
13(d), 32(d)	Department of Economic and Community Development (DECD)	Grants to nursing homes for alterations, renovations, and improvements for conversion to other uses in support of right-sizing	10,000,000	10,000,000
		Small Business Express program	50,000,000	50,000,000
		Brownfield remediation and redevelopment projects	20,000,000	10,000,000
13(e)	DOH	Grants to municipalities for the incentive housing zone program	2,000,000	0
13(f), 32(e)	Department of Public Health	Stem Cell Research Fund	10,000,000	10,000,000
13(g), 32(f)	Department of Transportation (DOT)	Grants for improvements to ports and marinas, including dredging and navigational direction	5,000,000	5,000,000
13(h), 32(g)	SDE	Grants for <i>Sheff</i> magnet school program start-up costs: Purchasing a building or portable classrooms, leasing space, and purchasing equipment, including computers and classroom furniture,	17,000,000	7,500,000

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		provided that title to any such building that ceases to be used as an interdistrict magnet school may revert to the state as the education commissioner determines		
		Grants to towns and tax-exempt organizations for facility improvements and minor capital repairs to school readiness programs and state-funded day care centers operated by towns and organizations	11,500,000	15,000,000
		Grants to targeted local and regional school districts for alterations, repairs, improvements, technology, and equipment in low-performing schools	0	10,000,000
		Grants to local or regional boards of education for capital costs related to enrollment expansion in the <i>Sheff</i> statewide interdistrict public school attendance program (i.e., Open Choice): Building renovations, classroom expansions, and equipment, including computers, laboratory equipment, and classroom furniture	750,000	0
13(i), 32(h)	State Library	Grants to public libraries not located in distressed municipalities for construction, renovations, expansions, energy conservation, and handicapped accessibility	5,000,000	5,000,000

\* PA 13-247 (§ 128) lists the amount each municipality receives under this grant in FY 14 and FY 15 and requires them to use the funds for town-aid road program purposes, unless the OPM secretary approves their use for other purposes.

§§ 39-50 — TRANSPORTATION PROJECTS

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The act authorizes up to \$706.9 million in STO bonds in FY 14 and up to \$588.8 million in FY 15 for DOT’s capital improvement program, as shown in Table 2. The authorizations include \$286 million for bus and rail facilities and equipment and \$126 million for DOT’s interstate highway program.

**Table 2: STO Bond Authorizations for DOT Projects**

<i>Authorized Program Areas</i>	<i>FY 14</i>	<i>FY 15</i>
<b><i>Bureau of Engineering and Highway Operations</i></b>		
Interstate highway program	\$113,000,000	\$13,000,000
Urban systems	8,500,000	8,500,000
Intrastate highway program	54,000,000	44,000,000
Environmental compliance, soil and groundwater remediation, hazardous materials abatement, demolition, salt shed construction and renovation, storage tank replacement, and environmental emergency response at or near state-owned properties or related to DOT operations	5,000,000	13,990,000
State bridge improvement, rehabilitation, and replacement	33,000,000	33,000,000
Capital resurfacing and related reconstruction	68,900,000	68,900,000
Fix-it-First bridge repair program	60,687,500	60,440,000
Fix-it-First road repair program	55,000,000	55,000,000
Local Transportation Capital Program	45,000,000	45,000,000
Town-aid road (TAR) (see below)	60,000,000	60,000,000
Local bridge program	15,000,000	0
Preliminary engineering studies to improve and widen the interchange of I-91 and I-84 in Hartford	200,000	0
<b><i>Bureau of Aviation and Ports</i></b>		
Developing and improving general aviation airports, including grants to municipal airports other than Bradley International Airport	2,000,000	2,000,000
<b><i>Bureau of Public Transportation</i></b>		
Bus and rail facilities and equipment, including rights-of-way, other property acquisition, and related projects	143,000,000	143,000,000
Preliminary engineering studies for upgrades of MetroNorth track infrastructure between New Haven and New York state	200,000	0
<b><i>Bureau of Administration</i></b>		
Department facilities	18,731,600	16,000,000
STO bonds, cost of issuance and debt service reserve	24,700,000	26,000,000

*§§ 40 & 46 — TAR*

The act authorizes up \$60 million in STO bonds each year for FY 14 and FY 15 to fund TAR grants to municipalities. The law requires the state to allocate specified annual amounts from DOT appropriations to provide grants to towns for highway and bridge improvements and for emergency aid to repair damage to roads, bridges, and dams caused by natural disasters. The authorizations in this act

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replace these allocations from DOT's annual budget.

**§§ 51-54 & 56-67 — BOND AUTHORIZATIONS FOR STATUTORY PROGRAMS AND GRANTS**

The act increases bond authorization limits for various statutory grants and purposes and allocates new bonding for these purposes for FY 14 and FY 15, as shown in Table 3.

**Table 3: Statutory Bond Authorizations for FY 14 and FY 15**

§	Agency	Purpose/Fund	FY 14	FY 15
51	OPM	Urban Action (economic and community development project grants)	\$50,000,000	\$50,000,000
52	OPM	Small Town Economic Assistance Program (STEAP)	20,000,000	20,000,000
53	OPM	Capital Equipment Purchase Fund	40,000,000	35,000,000
54	OPM	Local Capital Improvement Program (LoCIP)	30,000,000	30,000,000
56	DECD	Housing Trust Fund	30,000,000	30,000,000
57	SDE	Charter school capital expenses	5,000,000	5,000,000
58	DCS (transfers to DAS)	School construction projects	510,300,000	469,900,000
59	SDE	School construction interest subsidy grants	1,000,000	4,300,000
63	DEEP	Farmland preservation	10,000,000	10,000,000
65	DEEP	Clean Water Fund grants	67,000,000	218,000,000
66	DEEP	Clean Water Fund loans (revenue bonds)	380,430,000	331,970,000
67	DECD	Manufacturing Assistance Act	100,000,000	0

*§§ 60 & 61 — Construction Grants for Public Libraries*

The act increases, from one-third to one-half of total construction costs, the State Library Board’s grants for public library construction for project applications submitted on or after July 1, 2013. As under existing law, the maximum grant is \$1 million. The grants are subject to available funding.

The act also allows the board to make grants to public libraries for emergency repairs to buildings and equipment of up to one-half of the repair cost, up to \$100,000 for each approved project. The grants are subject to the board’s approval and available funding.

*§ 62 — Microgrid Grant and Loan PILOT Program*

The act eliminates the \$15 million limit on total grants and loans that DEEP may issue under its microgrid grant and loan pilot program. PA 12-148 required DEEP to establish the program to help develop microgrid infrastructure to support critical facilities, including hospitals, police and fire stations, water and sewage

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treatment plants, and correctional facilities.

### *§ 64 — Clean Water Funds for Certain Phosphorus Removal Projects*

The act increases, from 30% to 50%, the share of the cost of phosphorus removal that is covered by clean water fund grants for certain phosphorus removal projects.

Under the act, the first three construction contracts awarded by a municipality by July 1, 2018 that are eligible for clean water funds as phosphorus removal projects (at or below 0.2 milligrams per liter effluent discharge) must receive a (1) grant of 50% of the project's phosphorus removal cost, (2) 20% grant for the project costs unrelated to phosphorus removal, and (3) loan for the rest. These funds cannot exceed 100% of the eligible water quality project costs. If there are more than three eligible projects, DEEP must first give priority to those with the lowest permitted phosphorus discharge limit, as contained in their valid discharge permits, and then to those that remove the most pounds of phosphorus per year.

By law, other phosphorus removal projects are eligible for clean water financing as nutrient removal projects. They receive (1) a project grant of 30% of the project's costs associated with the nutrient removal, (2) a 20% grant for project costs unrelated to nutrient removal, and (3) a loan for the rest.

### *§§ 68 & 69 — GAAP DEFICIT FUNDING*

Existing law (1) requires the state's budget and financial statements to conform to GAAP starting in FY 14 and (2) establishes a procedure under which the state must amortize and pay off any unreserved negative balances that have accumulated in state funds as a result of not applying GAAP in the past (i.e., the accumulated GAAP deficit).

The act authorizes the treasurer to issue up to \$750 million in bonds to reduce the state's accumulated General Fund deficit, determined according to GAAP, as reported in the state's FY 13 audited financial statements. It also authorizes the treasurer to issue (1) additional bonds or other debt to fund up to two years of interest payable or accrued on the bonds and issuance costs and (2) refunding bonds to retire GAAP deficit bonds issued under the act. The bonds are state general obligations and must mature before June 30, 2028. In addition to the provisions described below, the bonds are subject to standard statutory conditions. EFFECTIVE DATE: Upon passage

### *State Commitment to Repaying Deficit*

Starting in FY 16 and for each subsequent fiscal year in which the bonds are outstanding, the act automatically appropriates from the General Fund an amount, distributed from FY 16 to FY 28, equal to the difference between the (1) accumulated General Fund GAAP deficit as of June 30, 2013, estimated by the OPM secretary, and (2) amount of GAAP deficit bonds authorized under the act. The appropriations cease in the fiscal year following the year in which the comptroller's annual financial report to the governor states that there is no GAAP deficit for such fiscal year. A related act, PA 13-247 (§ 235), delays by two years,

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from FY 14 to FY 16, the date by which the state must begin paying off the accumulated GAAP deficit in annual increments.

The act pledges that the state will not treat the bond proceeds as General Fund revenue or use them for any current or future budget appropriation. It also promises, and authorizes the state treasurer to promise bondholders, that the General Assembly will not reduce the GAAP deficit appropriation until the state repays the GAAP bonds in full. It allows the state to reduce this appropriation (1) if it protects bondholders' rights in another way; (2) in an emergency or extraordinary circumstance, provided certain conditions are met; or (3) in other circumstances permitted under the bonds' terms.

*Emergency Reduction in State Contribution.* The act allows the state to reduce the GAAP deficit appropriation while the bonds are outstanding if all of the following conditions are met.

1. The governor must declare an emergency or the existence of extraordinary circumstances.
2. The governor must invoke his statutory rescission authority (CGS § 4-85). This law (a) gives him discretion to reduce allotment requisitions or allotments already in force up to certain amounts because he determines circumstances have changed since the budget was adopted or estimates that budgeted resources will be insufficient to fully fund all appropriations and (b) requires him to make such reductions when the comptroller's cumulative monthly financial statement projects a General Fund budget deficit greater than 1% of total General Fund appropriations.
3. At least three-fifths of the members of each chamber of the General Assembly must approve the reduction.

### *Federal Tax Benefits*

The act allows the treasurer to make whatever representations and agreements are necessary or appropriate to ensure that note holders receive available federal tax benefits on note interest. The agreements may include (1) promises to provide secondary market disclosure information; (2) arrangements for the information to be provided through an agent or trustee; and (3) remedies, limited to specific performance, for breaching an agreement. (A "secondary market" is any sale after the initial public offering.)

### *Investment*

The act makes the bonds legal investments for banks, insurance companies, fiduciaries, and public bodies and allows public officers to accept them for any purpose for which they may receive or deposit state obligations.

### §§ 70-73 — CONNECTICUT BIOSCIENCE INNOVATION FUND

The act establishes CBIF to finance projects to improve the delivery of health care services, lower health care costs, and directly or indirectly create bioscience jobs. The projects can involve improvements or developments in services, therapeutics, diagnostics, and devices in pharmaceuticals, bioscience, biomedical

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engineering, medical care, medical devices, medical diagnostics, personalized medicine, health information management, and other related disciplines.

Nonprofit corporations, accredited colleges and universities, and for-profit start-up or early-stage businesses can propose the projects. Early stage businesses are those that have been operating for no more than three years and are developing or testing a product or service that is not yet available for commercial release or available only in a limited manner, including clinical trials or market testing of prototypes.

The fund can provide grants, credit extensions, loans, loan guarantees, equity investments, or any other form of financial assistance. Eligible recipients can use this assistance to pay for facilities; necessary furniture, fixtures, and equipment; materials and supplies; peer reviews; proof of concept or relevance; compensation; and other costs the advisory committee approves (see below).

CII must manage the fund's assets; provide financial assistance to eligible recipients; and prepare the fund's annual plan, budget, and report. By law, unchanged by the act, CII provides different types of financial assistance, including equity investments, to businesses developing a wide range of technology-based products, techniques, and services. The act allows CII to continue providing this assistance without risking or spending its funds to administer CBIF.

Besides providing financial assistance to eligible recipients for the reasons described above, the fund must (1) repay the bonds in the amounts the bond commission requires and (2) cover CII's administrative costs.

EFFECTIVE DATE: Upon passage

*Bond Authorizations*

The act capitalizes the fund by authorizing up to \$200 million in state GO bonds over 10 years, as Table 4 shows. Any issuance costs and capitalized interest may be added to the annual authorizations. If the advisory committee does not use all or part of the maximum amount in a fiscal year, that amount is added to the following year's authorization.

**Table 4: Annual Bond Authorization for CBIF**

<i>FY</i>	<i>Amount (millions)</i>
13	\$10
14	10
15	15
16	15
17	25
18	25
19	25
20	25
21	25
22	25

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TOTAL	200
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*Bond Commission Approval.* The bond commission must authorize the total bond issuance. The act requires CII to enter into a memorandum of understanding (MOU) with the OPM secretary and state treasurer regarding the bond issuance, including the extent to which federal, private, and other available funds should be added to the bond proceeds. The bond commission must approve the MOU, which satisfies the standard approval requirements under the State General Obligation Bond Procedure Act. The act deems the principal amount of the authorized bonds to be an appropriation and allocation of the bond amounts. The bonds are subject to standard statutory conditions.

### *Managing the Fund's Assets*

CII must manage the fund by holding, administering, investing, and disbursing its assets, as the act requires. It must put funds from the following sources in the fund:

1. money the law requires or permits to be deposited in the fund;
2. public or private contributions, gifts, grants, donations, bequests, or devises made to it;
3. principal and interest payments on loans CII makes with the fund's assets; and
4. returns on the fund's equity or other investments, including loan repayments, guarantee fees, royalties, options, warrants, debentures, and all forms of remunerations received in return for the fund's financial assistance.

Lastly, CII must carry forward any of the fund's year-end balance to the next fiscal year.

The act allows CII to deposit money the fund receives, or already has, in an institution it chooses. The institutions receiving these funds must invest or pay them as CII directs. CII may tap these deposits to make payments for the purposes the act authorizes.

The act specifies that the CBIF is not a General Fund account and is available only for the purposes the act authorizes.

### *Advisory Committee*

*Composition.* The act establishes a 13-member advisory committee to oversee the fund. The committee consists of four members appointed by the governor; one appointed by each of the six top legislative leaders; the public health and economic and community development commissioners or their designees, who serve as ex-officio voting members; and CII's executive director, who serves as the committee's chairperson. The governor and the legislative leaders must make their appointments by July 1, 2013.

*Qualifications.* The appointing officials must appoint members who have skill, knowledge, and experience in health care delivery systems, medical devices, life science, insurance, or information technology-related businesses and sciences. These members serve the same term as the official who appoints them, but must

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hold their position until that official appoints a successor. Appointing officials fill any vacancies for the term's balance.

*Compensation.* The members receive no compensation for their service, but must be reimbursed for their actual and necessary expenses while performing their official duties.

*Meetings.* The chairperson must call the committee's first meeting by September 30, 2013, and the committee must meet at least quarterly thereafter and when the chairperson deems it is necessary. The committee may transact business or exercise its powers only when it has a quorum (i.e., seven members present). In these situations, the committee must decide matters by a majority vote of the attending members.

*Conflict of Interest.* The act specifies that it does not constitute a conflict of interest for committee members to be affiliated with an eligible recipient or hold a financial interest in that recipient, as long as they abstain from any deliberation, action, or vote specifically related to that recipient. The affiliation can be as a trustee, director, partner, officer, manager, shareholder, proprietor, counsel, or employee.

*Approving Financial Assistance.* The advisory committee must establish a process for receiving and approving financial assistance applications that includes guidelines and terms for receiving such assistance. The guidelines and terms must include:

1. provisions requiring that applicants operate in Connecticut or relocate all or part of their operations here as a condition of receiving the assistance,
2. limits on total grant and loan amounts,
3. grant and loan eligibility requirements that encourage and support collaboration among eligible recipients,
4. requirements for peer reviews,
5. a process for CII to screen applications for strength and eligibility before presenting them to the committee for its consideration,
6. objectives for returns on investments, and
7. any other guidelines and terms the committee determines are necessary and appropriate to further the fund's objectives.

*Expenditure Control.* The advisory committee must approve all CBIF expenditures except those made to CII to cover its administrative costs and the amounts required by the bond commission to repay the bonds issued to capitalize the fund. The committee must exercise expenditure control by approving expenditures for:

1. specific purposes;
2. budgeted amounts, with variations the committee authorizes when it approves the budget; or
3. financial assistance to eligible recipients, subject to any limits, eligibility requirements, or conditions the committee may impose.

### *CII's Fund Administration Duties*

Besides managing CBIF's assets and providing financial assistance, CII must use the fund to cover the act's administrative requirements. Specifically, it must

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provide any staff, office space and systems, and administrative support needed to do so. In administering the fund, CII may use any of its statutory powers as the state's venture capital and technology innovation arm (e.g., enter into agreements providing financial assistance for marketing new and innovative services based on the use of specific technologies, products, techniques, services, or processes).

Beginning January 1, 2014, CII must prepare an annual operations plan and operating and capital budgets for each fiscal year. It must submit these documents to the advisory committee for review and approval no later than 90 days before the fiscal year begins.

CII must recover its administrative costs from the fund's assets. These costs include peer reviews, professional fees, allocated staff costs, and other out-of-pocket costs CII attributes to operating and administering the fund. The act limits the total reimbursement for these costs to 5% of the fund's total annual allotment, as specified in the operating budget.

### *Reporting Requirement*

By April 15, 2014, and annually thereafter, CII must report on the fund's activity to the advisory committee, providing any available information on (1) the fund's status; (2) its operational performance; (3) the type, amount, and recipients of the financial assistance it provided; and (4) any returns on the fund's investment. The committee must review the report and, upon approving it, submit it to the Appropriations; Commerce; Public Health; Higher Education; and Finance, Revenue and Bonding committees.

## §§ 74 & 75 — LOCAL TRANSPORTATION CAPITAL PROGRAM

The act requires the DOT commissioner to establish a local transportation capital program to provide state funding, instead of specific available federal funding, to municipalities and local planning agencies to improve certain state or local roads or facilities. The roads or facilities must be eligible for funding under the federal Surface Transportation-Urban Program (STP-Urban). This federal program provides funds for a wide range of projects in urban areas, including road widening and reconstruction and transit projects.

The act allows the commissioner to request authorization of special tax obligation bonds to fund the program. The bonds must mature no later than 20 years after the state bond commission allocates them, and must be used to fund improvements that have a service life of approximately 20 years. The act exempts the program, when used to fund locally owned roads or facilities, from state floodplain management laws.

DOT must accept applications from eligible recipients, based on project priorities, through the appropriate regional planning agency and provide funding through guidelines it develops.

## §§ 76-82 — LOCAL BRIDGE PROGRAM

### *Grant Amounts*

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Under prior law, the local bridge program provided grants and loans to municipalities to remove, replace, reconstruct, rehabilitate, or improve local bridges.

The act (1) eliminates the loan program and (2) increases the amount of grant funding available to between 15% and 50% of a project's necessary and reasonable costs. Under prior law, a municipality could receive a grant for between 10% and 33% of these costs. The grants are awarded based on a municipality's ranking according to its adjusted equalized net grand list per capita.

### *Grant Terms and Conditions*

The act authorizes the commissioner to prescribe the grant's terms and conditions. It specifies that the grants are not deemed to be "public works contracts" for the purposes of state affirmative action, set-aside, and nondiscrimination requirements associated with such contracts. The law already exempts municipal public works contracts from these requirements. The act also exempts the grants from a law requiring the DEEP commissioner to approve or exempt the project from state floodplain management requirements.

### *Disregarding Ranking in Certain Situations*

Under prior law, the commissioner could award grants without regard to a municipality's ranking if a public emergency required a bridge's immediate removal, replacement, reconstruction, rehabilitation, or improvement. The act eliminates the need for immediate action, instead allowing the commissioner to do this if, in his opinion, an emergency makes a bridge's removal, replacement, reconstruction, rehabilitation, or improvement more urgent than other eligible bridge projects with a higher ranking.

### *Application Deadlines Changed; Hearing Eliminated*

Under the act, applicants must file grant applications with the commissioner by May 1, rather than March 1, of the fiscal year immediately preceding the year the grant is awarded. As under existing law, the commissioner may extend the application deadline for good cause.

As under existing law, a municipality may authorize the issuance and sale of supplemental project obligations to finance its portion of bridge project costs. The act eliminates the requirement that a municipal legislative body hold at least one public hearing on an eligible bridge project, including the authorization of supplemental project obligations, before voting on whether to approve the project and authorize financing.

### *Other Changes*

By law, municipalities that jointly own or maintain a bridge eligible for a grant may agree that, among other things, one municipality is responsible for (1) the project, (2) maintaining the bridge, and (3) applying for the grant. The act also allows these municipalities to agree that one municipality is responsible for

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apportioning the project's costs. As under existing law, the commissioner may deem the municipality that has agreed to undertake the project to be the only municipality eligible for that project.

By law, the commissioner may make an advance grant to a municipality to fund the engineering portion of an eligible bridge project. The grant must equal the municipality's grant percentage multiplied by the engineering costs. Under prior law, the engineering costs could not exceed 15% of the project's construction cost. The act eliminates this cap. As under existing law, the amount of this advance is subtracted from the total grant.

By law, the state deposits certain payments from municipalities in the local bridge revolving fund. The act requires the state to also deposit municipal repayments of grants.

The act also makes conforming changes.

### §§ 58, 83, 85-93, & 95-103 — CHANGES IN PRIOR GO BOND AUTHORIZATIONS

#### *§§ 58, 83, 87-88, 93, & 99 — Authorizations Transferred from DCS to DAS*

The act transfers, from DCS to DAS, responsibility for bond authorizations for school construction projects and the following capital projects related to state buildings and property:

1. various security improvements;
2. infrastructure repairs and improvements, improvements to state-owned buildings and grounds, and preservation of unoccupied buildings and grounds;
3. capital construction, improvements, repairs, renovations, and land acquisition at fire training schools; and
4. removal or encapsulation of asbestos in state buildings.

A related act, PA 13-247 (§§ 195-230), dissolves DCS and transfers its powers and duties to DAS.

EFFECTIVE DATE: Upon passage, except for the school construction provision, which is effective July 1, 2013.

#### *§§ 85, 90-91, 95, 98, & 101-102 — Authorizations Transferred to DOH*

The act transfers, from DECD to DOH, responsibility for bond authorizations for (1) housing development and rehabilitation and (2) a grant to the Connecticut Housing Finance Authority for its Emergency Mortgage Assistance Program. It also transfers, from OPM to DOH, (1) responsibility for the Main Street Investment Fund and the related grant program and (2) a previous bond authorization for the incentive housing zone program. A related act, PA 13-234, transfers various housing-related responsibilities to DOH from other agencies.

EFFECTIVE DATE: July 1, 2013, except that the provisions transferring responsibility for authorizations from DECD to DOH are effective upon passage.

#### *§ 86 — Authorization for Baseball Field Renovations in Wallingford*

The act modifies the purpose of a previous \$525,000 GO bond authorization

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for a grant to Wallingford by requiring that it be used for renovations at the town's public school athletic fields, rather than the baseball field at Sheehan High School.

### *§ 89 — Community College Manufacturing Technology Programs*

The act expands, from three to four community colleges, the schools at which BOR may use a previous \$17.8 million GO bond authorization to establish or expand manufacturing technology programs. Existing law and the act do not specify the colleges, but require those chosen to demonstrate a commitment to precision manufacturing and ability, through space and faculty, to establish or expand such programs.

### *§ 92 — Supertotal Change*

The act reduces, by \$7 million, a bond supertotal in PA 11-57 that corresponds to FY 12 bond authorizations for state capital projects, but it does not reduce any of the specific bond authorizations that make up that total. In doing so, it reduces the aggregate amount of bonds that may be issued for the state capital projects enumerated under the act by \$7 million.

### *§§ 96-97 — State Building Improvements*

The act expands the purpose of a previous \$24 million bond authorization for DAS for improvements to the State Office Building by allowing the bonds to be used for (1) improvements anywhere in the building, not just its exterior; (2) alterations, in addition to renovations and improvements; (3) planning, design, development, and demolition work related to the improvements; and (4) associated parking facilities.

The act specifies that security improvements funded by a \$192.5 million bond authorization for DAS must be used at state-occupied facilities. As under existing law, the bonds may be used for a range of infrastructure repairs and improvements to state-owned buildings and grounds, including energy conservation and off-site improvements.

It also reserves \$750,000 of a previous \$4 million bond authorization for alterations, renovations, and improvements at state-owned and maintained facilities to be used for repairs, improvements, and land acquisition for an annex and parking proximate to the courthouse facilities in Hartford.

### *§ 100 — Firearms and Vehicle Operations Training Facilities*

The act expands the purpose of a previous \$6.6 million bond authorization for the design and construction of a firearms training facility and vehicle operations training center to include land acquisition.

### *§ 103 — SDE High-Quality School Models*

PA 12-189 authorized \$25 million in GO bonds for SDE to provide grants for alterations, repairs, improvements, technology, equipment, and capital start-up costs to expand the availability of high-quality school models. The act allows

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SDE to also use the authorization for capital improvements and start-up costs that assist schools in implementing common core state standards and assessments, in accordance with procedures the education commissioner establishes.

§§ 84-85, 94-95, & 104-134 — CANCELLATIONS AND REDUCTIONS

The act cancels or reduces \$22.5 million in GO bond authorizations, as listed in Table 5.

**Table 5: Cancellations and Reductions in Prior Authorizations**

§	Agency or Grantee	For	Prior Authorization	Amount Cancelled
85	DECD (transfers to DOH)	Housing development and rehabilitation	\$21,000,000	\$600,000
95	DECD (transfers to DOH)	Housing development and rehabilitation	25,000,000	494,817
105	DEEP	Grants and loans to municipalities for acquiring land for public parks, recreational and water quality improvements, water mains, and water pollution control facilities, including sewer projects	5,000,000	42,000
107	State Library	Grant to West Hartford to expand the West Hartford Main Library	500,000	500,000
108	DCF	Grant to private nonprofit mental health clinics for children for fire, safety, and environmental improvements	1,000,000	9,060
110	Connecticut Commission on Culture and Tourism (CCCT)	Renovations and restoration at state-owned historic museums	1,000,000	1,000,000
		Old New-Gate Prison improvements	50,000	50,000
112	SDE	Grant to Project Oceanology	500,000	500,000
113	State Library	Grant to Waterbury for improvements to Silas Bronson Library	1,000,000	1,000,000
114	DCF	Grants to private, nonprofit organizations, including the Boys and Girls Clubs of America, YMCAs, YWCAs, and community centers for construction and renovation of community youth centers for neighborhood recreation or education purposes.	4,702,000	19,193
116	DAS	Development and implementation of the Connecticut Education Network	4,100,000	4,100,000

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		Planning and design of a data center	2,500,000	2,500,000
		Development and implementation of information technology systems to comply with the Health Insurance Portability and Accountability Act	6,310,500	6,310,500
117	CCCT	Prudence Crandall Museum, Carter House Visitor Center: Alterations, improvements, renovations	500,000	500,000
118	Connecticut State University System	Eastern: Facility alterations, renovations, and improvements	1,165,000	22,396
		Eastern: Develop new parking garage	18,296,000	971,000
120	Department of Public Safety (now DESPP)	Grant to Montville to convert the old town hall to a police station	800,000	800,000
121	CCCT	Grant to restore and preserve historic structures and landmarks	300,000	100,000
122	DPH	Grant to purchase digital mobile mammography unit	500,000	500,000
123	SDE	Grant to Waterford Country School to construct a gymnasium	1,000,000	100,000
124	State Library	Grant to public libraries not located in distressed municipalities for construction, renovation, expansion, energy conservation, and handicapped accessibility	3,500,000	7,902
125	State Library	Grant to North Branford for renovations and additions to Edward Smith Library in Northford	439,025	439,025
126	DCF	Grant to Pathway-Senderos Teen Pregnancy Prevention Center in New Britain to acquire new facility	825,000	500,000
		Grant to Child Guidance Center of Southern Connecticut in Stamford for expansion	2,000,000	500,000
128	Department of Mental Retardation (now DDS)	Fire, safety, and environmental improvements to regional facilities for client and staff needs	5,000,000	44,590
130	CCCT	Grant to restore and preserve historic structures and landmarks	300,000	300,000
132	Community College System	Quinebaug Valley: East wing code improvements	980,367	555,710
134	DOT	Grants for improvements to ports and marinas,	6,000,000	1,250

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		including dredging and navigational direction		
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EFFECTIVE DATE: July 1, 2013, except for the cancellations where responsibility for the authorizations is transferred from DECD to DOH, which are effective upon passage.

§ 135 — USE OF BUDGET SURPLUSES

The act repeals laws requiring unappropriated General Fund surpluses to be used (1) starting with FY 14, first to pay the annual increment required to pay off the accumulated GAAP deficit and (2) from FY 10 to FY 17, to redeem outstanding ERNs before they mature and then to reduce the state's obligations for ERBs, which were never issued. In doing so, it restores a requirement that the state treasurer transfer any unappropriated General Fund surpluses at the end of each fiscal year to the Budget Reserve ("Rainy Day") Fund.

The act also repeals a law requiring the comptroller, for FY 12 and FY 13, to apply \$75 million and \$50 million, respectively, of any such surplus to any net increase in the unreserved General Fund deficit for FY 11 before allocating the balance as otherwise required.

EFFECTIVE DATE: Upon passage

OLR Tracking: RP:KM:TA:RO/ts