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## OLR Bill Analysis

sSB 29 (File 653, as amended by Senate “A” and “B”)\*

### ***AN ACT AUTHORIZING AND ADJUSTING BONDS OF THE STATE FOR CAPITAL IMPROVEMENTS, TRANSPORTATION AND OTHER PURPOSES.***

#### **SUMMARY:**

A section-by-section analysis follows.

\*Senate Amendment “A” replaces the underlying bill. Among other things, it adds provisions:

1. broadening the scope of the existing Stem Cell Research Fund to include regenerative medicine, (b) changing the fund’s name to the Regenerative Medicine Fund, (c) requiring Connecticut Innovations, Inc. to administer the fund, and (d) authorizing bonds for the fund;
2. allowing general obligation bond proceeds to pass to a proposed project through entities eligible for federal New Markets tax credits;
3. establishing a new grant program for eligible drinking water projects approved for loans by the Department of Public Health;
4. establishing the Connecticut Manufacturing Innovation Fund;
5. (a) authorizing new bonding under the Connecticut State University System 2020 infrastructure program, (b) renaming the program the Connecticut State Colleges and Universities 2020 program, and (c) expanding it to include the community colleges and Charter Oak State College.

It also (1) adds bond authorizations for specific state capital projects and grant programs, (2) modifies the bond authorizations for the

preschool competitive grant program (i.e., Smart Start), and (3) expands the school security infrastructure grant program to include endowed academies.

\*Senate Amendment "B" (1) expands a bond authorization for the Connecticut Science Center to include additional nonprofits, including a \$6.6 million earmark for the Maritime Aquarium in Norwalk, (2) expands the municipalities for which the Department of Housing must use a \$20 million bond authorization to promote homeownership, (3) adds the provision concerning commercial rail freight line competitive grants, and (3) makes minor and technical changes.

EFFECTIVE DATE: July 1, 2014, unless otherwise noted below.

### **§§ 1-15, 26 & 82 — BOND AUTHORIZATIONS FOR STATE AGENCY PROJECTS AND GRANTS**

The bill authorizes up to \$345.0 million in general obligation (GO) bonds for FY 15 for the state capital projects and grant programs listed in Table 1. The bonds are subject to standard issuance procedures and have a maximum term of 20 years.

The bill 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 grantee 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 15**

<b>§</b>	<b>AGENCY</b>	<b>FOR</b>	<b>FY 15</b>
<b>State Projects and Programs</b>			
2(a)	Office of Legislative Management (OLM)	Information technology upgrades, replacements and improvements; Capitol complex equipment replacement, including updated technology for the Office of State Capitol Police; and renovations, repairs, and minor capital improvements at the Capitol and Old State House	\$4,892,200
		Production and studio equipment for the Connecticut Network	3,230,000

2(b)	Office of Governmental Accountability	Information technology improvements	1,000,000
2(c)	Office of the State Comptroller (OSC)	Enhancements and upgrades to the CORE financial system for the retirement module	50,000,000
		Enhancements and upgrades to UConn's Core-CT human resources system	7,000,000
2(d)	Office of Policy and Management (OPM)	Transit-oriented development and predevelopment activities	7,000,000
2(e)	Department of Veterans' Affairs (DVA)	State matching funds for federal grants for renovations and code improvements to existing facilities	1,409,450
		Planning and feasibility study for additional veterans' housing at the Rocky Hill campus, including vacant building demolition	500,000
2(f)	Department of Administrative Services (DAS)	Construction, improvements, repairs, renovations, and land acquisition at fire training schools	15,777,672
		Building acquisition and renovation for Probate Court offices	3,000,000
		Infrastructure improvements, including engineering and construction of an offsite storm water improvement related to the construction of a new courthouse in Torrington	800,000
2(g)	Office of the Healthcare Advocate	Development, acquisition, and implementation of health information technology systems and equipment to support the state innovation model	1,900,000
2(h)	Agricultural Experiment Station	Planning, design, construction, and equipment for additions and renovations to the Valley Laboratory in Windsor	1,000,000
2(i)	Capital Region Development Authority (CRDA)	CRDA's statutory uses and purposes	30,000,000
2(j)	Department of Energy and Environmental Protection (DEEP)	Public, educational, and governmental programming and education account (PEGPETIA)	3,500,000
2(k)	State Library	Creation and maintenance of a statewide platform for the distribution of electronic books to public library patrons	2,200,000
26	Judicial Department	Development of courthouse facility in Torrington, including land acquisition and parking	8,817,000
82	State Department of Education (SDE)	Technical high school system: establish a pilot program to provide expanded educational opportunities, for academic enrichment and trades training for secondary and adult learners, by extending hours at technical high schools in Hamden, Hartford, New Britain, and Waterbury	3,500,000
<b>Grants</b>			
9(a)	OSC	Grant to Connecticut Public Broadcasting Network for transmission, broadcast, production, and information technology equipment	3,300,000

9(b)	Department of Consumer Protection	Grants or reimbursement to municipalities of up to \$1,000 each for the initial installation of a prescription drug drop box	100,000
9(c)	Department of Labor	Subsidized Training and Employment program	10,000,000
9(d)	DEEP	Grants or loans to municipalities for (1) acquiring land or public parks or (2) recreational and water quality improvements	20,000,000
9(e)	Department of Economic and Community Development (DECD)	Connecticut Manufacturing Innovation Fund; earmarks \$5 million for a grant to the Connecticut Center for Advanced Technology for research and development of advanced composite materials machining	30,000,000
		Grant to Northeast Connecticut Economic Development Alliance	2,000,000
		Grant to nonprofit organizations sponsoring cultural and historic sites	10,000,000
		Grants to nonprofit organizations sponsoring children's museums, aquariums, and science-related programs; earmarks (1) \$10.5 million for a grant to the Connecticut Science Center and (2) \$6.6 million for a grant to the Maritime Aquarium in Norwalk	17,100,000
		Grant to the Hartford Economic Development Corporation for grants and revolving loans to small and minority-owned businesses in urban areas	5,000,000
9(f)	Department of Housing (85)	Shoreline Resiliency Fund	25,000,000
9(g)	Department of Transportation (DOT)	Grants to municipalities for the Town-Aid-Road program (see § 55)	60,000,000
9(h)	Department of Social Services	Grant to Oak Hill for acquisition of Camp Hemlocks or related capital improvements	1,000,000
9(i)	Department of Rehabilitation Services	Grants for home modifications and assistance technology devices related to aging in place	6,000,000
9(j)	State Department of Education (SDE)	Grants for alterations, repairs, improvements, technology, equipment, and capital start-up costs to expand the availability of high-quality school models and assist in implementing common core state standards and assessments, in accordance with procedures the SDE commissioner establishes	10,000,000

EFFECTIVE DATE: July 1, 2014, except for the provision authorizing bonds for the development of a courthouse facility in Torrington (§ 26), which is effective upon passage.

### §§ 16-21 — TRANSPORTATION PROJECTS

The bill authorizes up to \$28.4 million in special tax obligation (STO) bonds in FY 15 for the following transportation projects in DOT's Bureau of Engineering and Highways Operations:

1. \$10,000,000 for the development of a comprehensive asset management plan in accordance with federal requirements,
2. \$5,400,000 for highway and bridge renewal equipment,
3. \$10,000,000 for the local bridge program, and
4. \$3,000,000 to reconfigure an existing off ramp on the Merritt Parkway in Westport.

**§§ 22-23, 32-40, & 88 — REGENERATIVE MEDICINE RESEARCH FUND**

**§§ 33 & 40 — *Fund Administration***

The bill broadens the scope of the existing Stem Cell Research Fund to include regenerative medicine. It renames fund the Regenerative Medicine Research Fund, reflecting its broader scope encompassing stem cell and regenerative medicine research. The latter encompasses research into the process for creating living, functional tissue to repair or replace tissues or organ functions lost due to aging, disease, damage, or congenital defects. Regenerative medicine includes basic stem cell research, which the law does not define.

The bill shifts the administrative responsibility for awarding grants from the DPH commissioner to Connecticut Innovations, Inc.'s (CII) chief executive officer (CEO). CII is the state's quasi-public economic development agency that, among other things, invests venture capital in new and established businesses developing new technologies. The bill also authorizes CII to enter into agreements with various other entities that allow grant recipients to collaborate with other researchers on advance research.

**§ 33 — *Regenerative Medicine Research Advisory Committee***

**Purpose.** The bill renames the Stem Cell Research Advisory Committee the Regenerative Medicine Advisory Committee. The committee's current stem cell-related duties include developing grant applications and requiring eligible institutions seeking research grants to describe themselves, their plans for stem cell research, and the possible financial benefits to the state resulting from their research.

The bill assigns these duties to CII, which it designates as the fund's administrator, and requires CII to perform them with respect to regenerative medicine and in consultation with the advisory committee. The bill also requires the committee to direct CII's CEO, instead of the DPH commissioner, on awarding grants, which it must do after considering the recommendations of the peer review committee.

**Composition.** The bill retains the structure of the current 17-member committee, but changes the members' qualification to reflect the inclusion of regenerative medicine research. The bill keeps the DPH commissioner on the committee but removes her as chairperson. It adds CII's CEO (or her designee) to the renamed committee, increasing its membership to 18, and making the CEO or her designee the board's chairperson.

The bill keeps the current appointing authorities, but changes the qualifications of the members they must appoint to reflect the inclusion of regenerative medicine research.

1. The governor continues to appoint four members, but one must have background and experience in embryonic stem cell or regenerative medicine research and three must have background and experience in business and financial investment.
2. The Senate president pro tempore and the House speaker each continue to appoint two members, but they must have background and experience in private-sector regenerative medicine research and development (R&D) instead of embryonic stem cell R&D.
3. The House and Senate majority leaders each continue to appoint two members, but they must be academic researchers specializing in regenerative medicine, instead of stem cell, research.
4. The Senate and House minority leaders continue to appoint two

members, but the former must appoint someone with background and experience in public- or private-sector regenerative medicine, instead of stem cell, research and development. Instead of appointing two members with experience in business and financial investments, the latter must appoint one member with a background and experience in bioethics and another with experience in business law and ethics.

The bill makes conforming technical changes to the board's makeup, member terms, and operations, including the requirement prohibiting a member from reviewing or considering a grant application in which he or she has a financial stake.

**Duties.** The bill realigns the board's duties to encompass regenerative medicine research and adds a new one. It requires the committee to prepare a comprehensive strategic plan, including awarding grants. At a minimum, the plan must identify methods or strategies to achieve the fund's economic development objectives, build capacity for innovation, and sustain the money invested in the fund.

The bill also requires the committee to work with CII, instead of the DPH commissioner, to develop a program that encourages the development of nonappropriated state funds and promotes regenerative medicine, among other things.

**CII Support.** Under the bill, CII must perform several tasks in consultation with the advisory committee. CII must (1) develop and review grant applications, (2) conduct an external scientific peer review process, (3) prepare and execute funding agreements, (4) make recommendations to the Regenerative Medicine Research Advisory Committee, and (5) perform other administrative duties. But, under the bill, CII must also help the committee evaluate the grant-funded research's economic impact.

Specifically, CII must develop performance measures and data collection systems. The data must include each recipient's employment

statistics; its business accomplishments and outcomes; peer-reviewed articles and published papers; partnerships and collaborations with other entities; licenses, patents, and invention disclosures; intellectual property developed with the grant that was put to commercial use; and research funds from other sources.

**§ 35 — Regenerative Medicine Research Peer Review Committee**

**Purpose.** The bill renames the Stem Cell Research Peer Review Committee the Regenerative Medicine Research Peer Review Committee, changing its composition and purpose to reflect the inclusion of regenerative medicine research.

**Composition.** The bill changes the qualifications and appointing authority of the committee members, also reflecting its emphasis on regenerative medicine research. It ends the DPH's commissioner authority to appoint people to the five-member committee after September 30, 2014. Until that date, the commissioner must fill any vacancies by appointing members with a background and knowledge related to regenerative medicine research, instead of stem cell research.

The law's current requirements regarding attendance, ethics, and conflicts of interest apply to these members. As under current law, these DPH-appointed members serve four-year terms. But they cannot serve consecutive four-year terms nor concurrently serve on the Regenerative Medicine Advisory Committee.

The DPH-appointed members may continue serving on the committee until their terms expire. However, on October 1, 2014, appointing power shifts to the CII CEO and her appointees must meet the bill's requirements for background and knowledge related to regenerative medicine. The CII appointees serve four-year terms, except for the first three, who serve two-year terms. Like the DPH appointees, these appointees cannot serve consecutive four-year terms nor concurrently serve on the Regenerative Medicine Advisory Committee. The law's current requirements regarding attendance, ethics, and conflicts of interest also apply to them.

**Duties.** Under current law, before the advisory committee awards grants, the peer review committee considers grant applications and makes recommendations to the DPH commissioner and the advisory committee about their ethical and scientific merit. Under the bill, the peer review committee must make recommendations to CII with respect to regenerative medicine research.

The bill does not extend to the reconstituted committee the requirement that its members make themselves aware of the National Academies Guidelines for Human Embryonic Stem Cell Research and make recommendations to the advisory committee and the DPH commissioner about adopting any or all of these guidelines in regulations.

**Compensation.** The bill changes the funding source for compensating committee members for their reviews. Under current law, the funds come from the Stem Cell Research Fund, and the compensation rate is determined by the DPH commissioner, in consultation with the Department of Administrative Services and the Office of Policy and Management. Under the bill, CII compensates the members with its funds at a rate its board of directors sets.

**§§ 22-23 & 88 — Funding**

The bill (1) authorizes up to \$10 million in GO bonds each year from FYs 16 through FY 19 for the fund and (2) transfers an existing \$10 million bond authorization from DPH to CII for the fund.

It also allows CII to use up to 4% of the fund's FY 15 funding to pay or reimburse its administrative costs.

EFFECTIVE DATE: October 1, 2014, except that the (1) provision authorizing new bonds for the fund is effective July 1, 2015 and (2) provisions concerning CII's administrative costs and transferring an existing bond authorization, which are effective July 1, 2014.

**§§ 24-25 — SMART START COMPETITIVE GRANT PROGRAM FUNDING**

sSB 25 (File 750) of the current session requires the Office of Early

Childhood (OEC), in consultation with SDE, to design and administer the Connecticut Smart Start competitive grant program for FYs 15-24. The program, reimburses local and regional boards of education in the form of capital and operating grants for expenses related to establishing or expanding a preschool program under the board's jurisdiction. School boards must apply to OEC for the grants.

The bill authorizes up to \$105 million in GO bonds over FYs 15 through 24 for the program: \$15 million for FY 15 and \$10 million for each of FYs 16 through FY 24. It establishes the smart start competitive grant account, a separate, nonlapsing General Fund account, to fund the grant program and directs the bond proceeds to the account.

EFFECTIVE DATE: Upon passage for the provision creating the account.

## **§ 27 — NEW MARKETS TAX CREDITS**

State GO bond proceeds are often used for grants to municipalities and nonprofit and other organizations to fund capital improvement projects. The bill allows bond proceeds, with the approval of the bond commission and the state treasurer, to pass to a proposed project through entities eligible for federal New Markets tax credits (see BACKGROUND).

The bill allows bond-funded grants for proposed projects to be paid directly to a federally certified "qualified community development entity" (CDE) (see BACKGROUND) or to a business that invests exclusively in such an entity. Grants can be paid in this way only if (1) the proposed grant recipient requests it and (2) substantially all of the grant proceeds are available to the proposed recipient to fund the authorized project

Under federal law, the U. S. Treasury allocates a share of the annual aggregate New Markets tax credits to qualified CDEs. They in turn make the credits available to private entities that invest in business projects in low-income areas. The credits equal 39% of the qualified investments, taken over seven years.

EFFECTIVE DATE: Upon passage

**§§ 28-30, 41-42, & 45 — STATUTORY BOND-FUNDED PROGRAMS AND GRANTS**

**§ 28 — *Urban Action***

The bill increases the bond authorization limit for the Urban Action program by \$80 million for economic and community development projects OPM undertakes. It reserves \$10 million of this amount for a grant to develop an intermodal transportation facility in northeastern Connecticut.

**§ 29 — *UConn 2000 Projects Financed with University Resources***

By law, the UConn 2000 infrastructure program caps the amount of bonds UConn may issue each year that are secured by a state debt service commitment (CGS § 10a-109g). The bill specifies that projects secured by other revenue sources (i.e., university fee revenue) are not subject to these annual bond caps.

EFFECTIVE DATE: Upon passage

**§ 30 — *UConn Technology Park***

The bill decreases by \$3 million, from \$172.5 million to \$169.5 million, an existing bond authorization for the UConn technology park.

**§§ 41-42 — *DEEP and DESPP Buy-Out Program***

Current law authorizes \$4 million in bonds for DEEP and the Department of Emergency Services and Public Protection (DESPP) (\$2 million each) to implement a buy-out program that provides grants to homeowners and businesses that receive Federal Emergency Management Agency funds for flood hazard mitigation or property damage due to storms in 2011 and subsequent years. The bill transfers, from DEEP to DESPP, \$1 million of its existing \$2 million bond authorization for the program, thus increasing DESPP's authorization for the program from \$2 million to \$3 million.

**§ 45 — *Manufacturing Assistance Act Programs***

The bill increases the bond authorization limit for the Manufacturing Assistance Act program by \$100 million.

**§ 31 — HARTFORD-NEW BRITAIN BUSWAY**

The bill requires the DOT commissioner, in implementing the Hartford-New Britain busway, to ensure that all Hartford streets intersecting with the busway are equipped with sufficient signage, gates, traffic lights, and other equipment in order to (1) keep such streets open to vehicles and pedestrians for at least 20 hours per day and (2) allow trains to safely cross the streets at any time.

**§ 43 — SMALL BUSINESS EXPRESS MATCHING GRANTS**

The bill authorizes the DECD commissioner to waive, for small businesses in the state's 25 distressed municipalities, the requirement that they provide a match for grants received under the small business express program.

**§ 44 — URBAN AND INDUSTRIAL SITE REINVESTMENT PROGRAM**

The bill increases the total amount of business tax credits available under the Urban and Industrial Site Reinvestment Program from \$650 million to \$800 million.

**§ 46 — PUBLIC WATER SYSTEM IMPROVEMENT PROGRAM**

The bill establishes a new grant program for eligible drinking water projects approved for loans by the Department of Public Health (DPH) under the Drinking Water State Revolving Fund (DWSRF) program and authorizes up to \$50 million in GO bonds in FY 15 for the program.

***Eligible Projects***

The grants are awarded to eligible public water systems for eligible drinking water projects entering into a project funding agreement with DPH on or after July 1, 2014 under the DWSRF program. The bill defines "eligible public water systems" as (1) water companies (private or municipal) that serve at least 25 people or 15 year-round service connections and (2) nonprofit noncommunity water systems (i.e.,

facilities served by their own water supply), excluding public water systems that are public service companies. By law, “eligible drinking water projects” are those to plan, design, develop, construct, repair, extend, improve, remodel, alter, rehabilitate, reconstruct, or acquire all or part of a public water system. Under the bill, eligible public water systems that are for-profit companies may not receive additional financial assistance under the grant program.

Under the DWSRF program, DPH awards loans equal to 100% of eligible project costs to eligible drinking water projects, based on a priority list for funding it establishes and maintains. The bill allows DPH to award the public water system improvement grants to forgive the principal on DWSRF loans.

### **Grant Amounts**

The grants are limited to (1) 50% of eligible project costs for systems serving up to 10,000 people and (2) 30% of eligible project costs for systems serving more than 10,000 people.

### **§§ 47-49 — CONNECTICUT MANUFACTURING INNOVATION FUND**

The bill establishes the Connecticut Manufacturing Innovation Fund, which is dedicated, nonlapsing, and separate from the General Fund. The fund must contain (1) any funds required or permitted by law to be deposited in it; (2) repayments of loans granted from the fund; (3) private donations, gifts, grants, bequests, or devices received by the fund; and (4) any local, state, or federal funds the fund received. Until it is used to award financial assistance, the treasurer must invest the money held by the fund as she sees fit, including in banks, investment funds, and state and federal bonds, among other investments. Investment earnings on the fund’s assets become part of the fund.

DECD must provide necessary staff, space, office systems, and administrative support to operate the fund. DECD may exercise all of its statutory powers in administering the fund, provided the advisory board approves all fund expenditures other than DECD administrative

costs.

***Use of Funds***

Any money held in the fund must be used to provide financial assistance to approved eligible recipients or reimburse DECD for its administrative costs (e.g., peer review costs, professional fees, and allocated staff costs).

Under the bill, an “eligible recipient” for financial assistance is (1) an aerospace, medical device, or other company or nonprofit organization specializing in or providing technologically advanced commercial products or services; (2) an entity looking to leverage federal grant funds to support manufacturing advancement; or (3) a certified education or training program designed to meet future workforce needs.

The fund’s financial assistance can be in the form of grants, extensions of credit, loans, loan guarantees, equity investments, or other forms of financing. It must be used for:

1. further developing or modernizing manufacturing equipment;
2. supporting advancements in manufacturing;
3. supporting advanced manufacturing research and development;
4. supporting expansion and training by eligible recipients;
5. attracting new manufacturers to the state;
6. supporting education and training programs that help meet the anticipated skilled workforce demands;
7. matching or leveraging federal funds to help Connecticut universities increase research efforts; or
8. funding a voucher program for technical assistance.

Recipients of financial assistance must use funds for costs related to facilities, necessary furniture, fixtures and equipment, tooling development and manufacture, materials and supplies, proof of concept or relevance, research and development, compensation, apprenticeships, or other costs that the advisory board deems eligible.

### ***Voucher Program***

The bill allows the advisory board to establish, and DECD to develop regulations for, a voucher program to help recipients access technical experts at universities, nonprofits, and other organizations. These experts can provide specialized expertise to help solve a recipient's engineering, marketing, and other challenges.

### ***Targeting and Priority Consideration***

Any financial assistance awarded from the fund must target the supply chains and related disciplines of aerospace, medical device, composite materials, digital manufacturing, and other technologically advanced commercial products and services. These supply chains and related disciplines must also (1) be likely to improve or develop commercial products that advance the state of technology and the recipient's competitive position and (2) promise to directly or indirectly grow jobs in the state in related fields.

DECD, in consultation with the advisory board, must give priority to proposals from any company that is located in or plans to relocate to (1) a distressed municipality, (2) a targeted investment community, (3) a public investment community, (4) an enterprise zone, or (5) a manufacturing innovation district. The bill allows DECD to establish, in consultation with the advisory board, "manufacturing innovation districts" in order to promote DECD's economic development priorities. The bill does not specify the number or size of districts that may be established, nor does it provide criteria for selecting them.

### ***Application and Approval Process***

The advisory board must establish an application and approval process with guidelines and terms for financial assistance awarded

from the fund. These guidelines and terms must:

1. require any applicant for financial assistance to operate, in whole or in part, in the state or plan to relocate to the state;
2. limit the amount of financial assistance that can be awarded in the form of loans or grants;
3. include eligibility requirements for loans and grants, including a requirement to match state funds with funds from nonstate sources;
4. create a preliminary review process to be carried out by DECD before presenting proposals to the board;
5. include return on investment objectives, such as job growth and leveraged investment opportunities; and
6. include any other guidelines the advisory board determines to be necessary and appropriate.

### ***Budget and Operating Plan***

Each fiscal year beginning July 1, 2015, DECD must prepare an operating plan and an operating and capital budget for the fund. DECD must submit the budgets and plan to the advisory board for review and approval 90 days before the start of each fiscal year. DECD is entitled to reimbursement for administrative costs associated with administering the fund, but the total administrative cost must not exceed 5% of the funds allocated in the operating budget for the year.

### ***Approval of Expenditures***

All expenditures from the fund (except for DECD's administrative costs) must be approved by the advisory board. Any approval by the board must be (1) specific to an individual expenditure, (2) for budgeted expenditures with variations authorized by the board, or (3) for a financial assistance program administered by DECD. The advisory board may delegate the approval of transactions valued at less than \$100,000 to DECD staff.

### ***Reporting***

DECD must submit a report on the fund's activities annually beginning January 1, 2016 to the advisory board for approval. After approving the report, the advisory board must submit the report to the Commerce Committee. The report must contain information on the status and progress of the fund's operations and funding, financial assistance awarded, and any returns on investment (e.g., principal or interest payments, returns on equity investments).

### ***Manufacturing Innovation Advisory Board***

The bill creates an 11-member advisory board with 10 appointed members and the DECD commissioner, or her designee, as chair. The governor appoints four members; the Senate president pro tempore, House speaker, and Senate and House majority and minority leaders each appoint one. Each board member serves a term coterminous with his or her appointing authority. If a vacancy occurs for a reason other than the expiration of the appointing authority's term, the vacancy must be filled in the same manner. Each member hold his or her position on the board until a successor is appointed. All initial appointments to the advisory board must be made by July 1, 2014.

Each board member appointed must:

1. have skill, knowledge, and experience, in industries and science related to aerospace, medical devices, digital manufacturing, digital communication, or advanced manufacturing;
2. be a university faculty member or hold a graduate degree in a related discipline;
3. have manufacturing education and training expertise; or
4. represent manufacturing-related business or professional organizations.

A majority of members constitutes a quorum for exercising the boards powers, and the board may act by majority vote at any meeting at which a quorum in present. The chair must call the first meeting by

September 30, 2014, and future meetings as she deems necessary.

**Reimbursement and Conflicts of Interest.** Advisory board members are not paid for their service, but are entitled to reimbursement for actual and necessary expenses incurred in the performances of their duties. However, regardless of law, it is not a conflict of interest for a trustee, director, partner, officer, manager, shareholder, proprietor, counsel, or employee of an eligible recipient to serve as a member of the advisory board, provided he or she abstains from acting, deliberating, or voting on any matter concerning the eligible recipient.

EFFECTIVE DATE: Upon passage

**§§ 50-57 — CONNECTICUT STATE COLLEGES AND UNIVERSITIES (CSCU) 2020 PROGRAM**

The bill authorizes \$103.5 million in new bonding under the Connecticut State University System (CSUS) 2020 infrastructure program (renamed by the bill as the Connecticut State Colleges and Universities (CSCU) 2020 program). It expands the program to include the regional community-technical colleges and Charter Oak State College and extends the program by one year (to FY 19).

The bill also allows the Board of Regents for Higher Education (BOR), which administers the program, to (1) submit a revised allocation request to the governor in the event the legislature increases the bond authorization for a year in which the governor has already approved the allocation and (2) revise CSCU 2020 project amounts without legislative approval if the revision is due to reallocating unspent funds from a completed project. It requires BOR to report biannually to the legislature on how it allocated project funds among the state universities and community colleges.

Under current law, a program project includes, among other things, improvements, reconstruction, replacements, additions, and equipment acquired in connection with any facilities existing on July 1, 2008. The bill eliminates the requirement for these facilities to have been in existence on July 1, 2008. It also eliminates a requirement that

BOR receive approval from the administrative services commissioner before acquiring or purchasing equipment, furniture, or personal property using funds from bond proceeds.

The bill also renames the board's biennial facilities plan as the facilities and academic plans and makes technical and conforming changes.

### **CSCU 2020**

The bill authorizes \$103.5 million in new bonding under the CSCU 2020 program. It adds new projects, replaces others, and adds, decreases, or cancels existing authorizations, as shown in Table 2. The table also indicates to which phase of the program the changes apply: Phase I (FY 09-FY 11), Phase II (FY 12-FY 14), and Phase III (FY 15-FY 18; extended by the bill to FY 19). The bill makes no net changes to phases I and II; it increases Phase III authorizations by \$103.5 million.

**Table 2: Project Authorizations**

<b>Project</b>	<b>Phase</b>	<b>Current Authorization</b>	<b>Proposed Authorization</b>	<b>Change</b>
<b>Central</b>				
Code Compliance/Infrastructure Improvements	I	\$18,146,445	\$16,418,636	(\$1,727,809)
	II	6,704,000	6,894,000	190,000
	III	5,000,000	0	(5,000,000)
New Classroom Office Building	I	33,978,000	29,478,000	(4,500,000)
East Campus Infrastructure Development (replaced by bill with Renovate Barnard Hall)	I	13,244,000	3,680,000	(9,564,000)
	III	0	18,320,000	18,320,000
Burritt Library Expansion (design/construction)(replaced by bill with New Engineering Building(design/construction and equipment))	I	0	9,900,000	9,900,000
	III	96,262,000	52,800,000	(43,462,000)
Burritt Library Renovation (design)(expanded by bill to include addition and equipment)	III	11,387,000	16,500,000	5,113,000
Renovate Kaiser Hall and Annex (new)	I	0	6,491,809	6,491,809
	II	0	210,000	210,000
	III	0	18,684,000	18,684,000
<b>Eastern</b>				
Code Compliance/ Infrastructure Improvements	I	8,255,113	8,938,849	683,736
	III	5,000,000	0	(5,000,000)
Outdoor Track-Phase II	I	1,816,000	1,506,396	(309,604)
New Warehouse	I	2,269,000	1,894,868	(374,132)
<b>Southern</b>				

Code Compliance/ Infrastructure Improvements	III	5,000,000	0	(5,000,000)
<b>Western</b>				
Code Compliance/ Infrastructure Improvements	III	7,212,000	0	(7,212,000)
<b>Board of Regents (formerly CSUS System Office)</b>				
New and Replacement Equipment (bill adds Smart Classroom Technology and Technology Upgrades)	III	31,844,000	61,844,000	30,000,000
Land and Property Acquisition	I	4,250,190	3,650,190	(600,000)
	II	3,000,000	2,600,000	(400,000)
Deferred Maintenance/Code Compliance Infrastructure Improvements	III	0	48,557,000	48,557,000
Strategic Master Plan of Academic Programs (new)	III	0	3,000,000	3,000,000
Consolidation and Upgrade of Student System and Financial Information technology Systems (new)	III	0	20,000,000	20,000,000
Advanced Manufacturing Center at Asnuntuck Community College (new)	III	0	25,500,000	25,500,000
<b>TOTAL CHANGE</b>				<b>\$103,500,000</b>

The bill reduces authorizations for the four state universities by an aggregate total of \$22.557 million and increases BOR authorizations by \$126.057 million, as shown in Table 3.

**Table 3: Authorization Changes**

<b>Entity</b>	<b>Net Change</b>
Central	(\$5,345,000)
Eastern	(5,000,000)
Southern	(5,000,000)
Western	(7,212,000)
BOR (formerly CSUS System Office)	126,057,000
<b>Total</b>	<b>\$103,500,000</b>

### **Annual Bond Limits**

To conform to the increased bond authorizations, the bill (1) adjusts the annual bond limits for the CSCU 2020 program in FYs 15 and 16, (2) cancels the FY 10 authorization, and (3) extends the program to FY 19 (see Table 4). The FY 10 change is attributable to that year's

allocation being disapproved by the governor in 2009.

**Table 4: Annual Bond Limits**

<i><b>FY</b></i>	<i><b>Current Limit (Millions)</b></i>	<i><b>Proposed Limit (Millions)</b></i>	<i><b>Change (Millions)</b></i>
2009	\$95.0	\$95.0	-
2010	95.0	0	(95.0)
2011	95.0	95.0	-
2012	95.0	95.0	-
2013	95.0	95.0	-
2014	95.0	95.0	-
2015	95.0	175.0	80.0
2016	95.0	118.5	23.5
2017	95.0	95.0	-
2018	95.0	95.0	-
2019	-	95.0	95.0

Under current law, any difference between the amount actually issued in any year and the cap can be carried forward to the next succeeding fiscal year. Financing transaction costs can be added to the caps. The bill allows funds to be carried forward to any subsequent fiscal year but specifies that they cannot be carried forward past FY 19.

By law, BOR must annually, by March 1, submit to the governor, state treasurer, and Office of Policy and Management secretary the amount of bonds required for the program for the ensuing fiscal year. The governor has 30 days to approve or disapprove the amount in whole or in part; if he does not act within 30 days of the submission, the whole amount is deemed approved. The bill allows BOR, in the event the legislature increases a bond limit that was already approved by the governor, to submit an addendum for the amount of the increased authorization. It must do so within 30 days of the act's effective date. The governor has 30 days from BOR's submission of the addendum to approve or disapprove it in the manner described above.

### ***Project Revisions***

Under current law, the following types of revisions in the CSCU 2020 plan require both formal approval by BOR and passage of a

public or special act: (1) the addition or deletion of a project or (2) an increase or decrease in the original project cost by 10% or more for projects estimated to cost \$ 1 million or less, or 5% or more for projects estimated to cost more than \$ 1 million, unless the change in cost is due solely to changes in material costs. The bill eliminates the requirement for a public or special act for revisions that are due to reallocating unspent funds from a completed project.

### ***Reporting Requirements***

By law, BOR must report, biannually to the governor and legislature, specified information on projects under the program (e.g., costs and timeliness). The bill additionally requires the board, biannually beginning July 1, 2015, to report to the Finance and Higher Education committees on how it allocated proceeds for each BOR project among each state university and regional community-technical college.

### **§§ 58 & 59 — BONDS FOR LAND PRESERVATION**

The bill authorizes up to \$2 million in state GO bonds to DEEP to purchase and preserve specified properties in Old Saybrook and Westbrook. The property consists of approximately (1) 924 acres in Old Saybrook and (2) four acres in Westbrook, and is commonly referred to as the Preserve. The bill describes the property's location and dimensions. Bond proceeds used for maintaining the land must be deposited in the land stewardship account.

The commissioner may enter into a contract with the Trust for Public Land to purchase the property, setting terms and conditions to preserve it as open space. The terms and conditions may include joint ownership and management by the state as a tenant in common with Old Saybrook as long as they include deeds, restrictions, easements, or agreements (documents) requiring the land to be preserved in perpetuity in its natural and open space condition to protect natural resources. Any party to the contract may file the documents on the land records. The documents may favor a nonprofit conservation organization the DEEP commissioner approves.

The documents may prohibit recreational uses requiring intense development, such as ball fields and swimming pools, but must allow the public to use the land for purposes other than those the documents prohibit. They may allow the installation of permanent fixtures consistent with the permitted recreational activities.

The bill also makes a conforming technical change.

EFFECTIVE DATE: Upon passage

**§§ 60-72, 75-81, 83-87, & 89-96 —BOND CANCELLATIONS AND CHANGES TO EXISTING AUTHORIZATIONS**

**§§ 62 & 68 — *Supertotal Changes***

The bill adjusts bond supertotals in PA 07-7 and PA 11-57 that correspond to FY 08 and FY 12 bond authorizations, respectively, for state capital projects to align them with the specific bond authorizations that make up those totals.

**§§ 61, 63-65, 69, 71, & 72 — *Cancellations***

The bill cancels all or part of bond authorizations for the projects and grants shown in Table 5.

**Table 5: Bond Cancellations**

<b>§</b>	<b>Agency</b>	<b>For</b>	<b>Existing Authorization</b>	<b>Amount Cancelled</b>
61	Judicial Department	Hartford Juvenile Matters and Detention Center: renovation and expansion of courtrooms	\$7,000,000	\$4,817,000
63	Community College System (Northwestern Community College)	Nursing and allied health program infrastructure development and improvements	340,000	340,000
64	Judicial Department	Alterations and improvements to existing facilities relating to change in age jurisdiction	4,000,000	4,000,000
65	Connecticut State University System (all universities)	Land and property acquisitions	100,000	5,490
71	Community College System (all colleges)	Facilities alterations and improvements, including fire, safety, energy conservation, code compliance, and property acquisition	5,000,000	5,000,000
97	DECD	Grants (\$500,000 each) to (1) the Metropolitan Economic Development Commission to create elderly housing, (2) the John E. Rogers African	1,500,000	1,500,000

		American Cultural Center to convert the former Northwest-Jones School to a cultural center, and (3) Catholic Charities of Hartford to create affordable housing with supportive services		
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EFFECTIVE DATE: July 1, 2014, except for the Judicial Department cancellations, which are effective upon passage.

**§ 66 — Restored Bond Authorizations**

The bill restores the following the DAS bond authorizations, repealed by PA 13-239 (§ 116):

1. \$4,100,000 for the development and implementation of the Connecticut Education Network,
2. \$2,165,000 for planning and design of an alternate state data center, and
3. \$4,180,847 for the development and implementation of information technology systems to comply with the Health Insurance Portability and Accountability Act.

EFFECTIVE DATE: Upon passage

**§§ 67, 72, 75, & 91 — Bond Authorizations Transferred to OEC**

The bill transfers the following existing bond authorizations for SDE to OEC:

1. \$1,500,000 for grants for minor capital improvements and wiring for technology for school readiness programs and
2. \$36,500,000 for grants for improvements and minor capital repairs to facilities housing school readiness programs and state-funded day care centers.

It also expands the entities to which OEC may award the grants for school readiness programs and state-funded day care centers. Under current law, the grants are for municipalities and nonprofit organizations operating such programs and centers. The bill instead

directs the grants to sponsors of such programs and centers.

**§§ 70, 76, & 92 — Modification in Authorization Language**

**DAS Improvements to State Office Building and Parking Facilities.** The bill modifies the purposes for which DAS may use an existing authorization of up to \$24 million for improvements to the State Office Building and associated parking facilities in Hartford. Specifically, it eliminates planning, design, development, and demolition work related to the improvements as a permissible use of the funds.

**§ 76 & 92 — Exemption from Grant Repayment Requirements**

The act exempts nonprofit, tax-exempt health and human service organizations from liability for repaying grants 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.

OPM awards the grants under PA 13-239, which authorized \$20 million for the program for FYs 14 and 15.

**§§ 77-81, 83-87, 89-90, & 93-96 — Changes to FY 15 Bond Authorizations**

The bill changes certain FY 15 GO and STO bond authorizations enacted in PA 13-239, as listed in Tables 6 and 7.

**Table 6: Changes to FY 15 GO Bond Authorizations in PA 13-239**

§	Agency	For	PA 13-239 Auth. for FY 15	Change	Total Auth. For FY 15
78	OPM	Information technology capital investment program	\$25,000,000	\$25,000,000	\$50,000,000
79	Department of Veterans' Affairs	Alterations, renovations, and improvements to buildings and grounds	750,000	300,000	1,050,000
80	DESPP	Alterations and improvements to buildings and grounds, including utilities, mechanical systems, and energy conservation	5,000,000	3,000,000	8,000,000
81	DEEP	Recreation and Natural Heritage Trust	10,000,000	(2,000,000)	8,000,000

		Program: recreation, open space, and resource management			
83	Board of Regents for Higher Education	All community colleges: New and replacement instruction, research, or laboratory equipment	5,000,000	(5,000,000)	0
		All community colleges: System technology initiative	5,000,000	(5,000,000)	0
		All community colleges: Alterations, and improvements to facilities, including fire, safety, energy conservation, code compliance and acquisition of property	5,000,000	(5,000,000)	0
84, 85	DOH	Housing development and rehabilitation, including improvements to various kinds of state-assisted affordable housing  <b>New:</b> The bill (1) eliminates a \$30 million earmark for revitalizing moderate rental housing units in the Connecticut Housing Finance Authority's state housing portfolio, allowing DOH to use any portion of the bond funds for such purposes and (2) earmarks \$20 million to promote homeownership through new home construction or home conversion in Bridgeport, Hartford, New Britain, Stamford, New Haven, New London and Norwalk.	70,000,000	20,000,000	90,000,000
87	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  <b>New:</b> The bill (1) restricts the grants to nonprofits that receive state funds to provide direct health or human services to state agency clients, (2) allows the grants to be used for property acquisition, and (3) allows OPM to allocate \$20 million of the total authorization to FY 14 project applications	20,000,000	30,000,000	50,000,000
89	DOT	Grants for improvements to ports and marinas, including dredging and navigational direction	5,000,000	20,000,000	25,000,000
90	SDE	Grants for <i>Sheff</i> magnet school program start-up costs: Purchasing a building or portable classrooms, leasing space, and purchasing	7,500,000	9,900,000	17,400,000

		<p>equipment, including computers and classroom furniture, 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</p> <p><b>New:</b> The bill specifies that the funds are to assist the state in meeting the goals of the current, rather than 2008, <i>Sheff v. O'Neill</i> stipulation and order.</p>			
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**Table 7: Changes to FY 15 STO Bond Authorizations in PA 13-239**

<b>§</b>	<b>Authorized Program Areas</b>	<b>For</b>	<b>PA 13-239 Auth. for FY 15</b>	<b>Change</b>	<b>Total Auth. For FY 15</b>
94	Bureau of Engineering and Highway Operations	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	\$13,990,000	\$6,700,000	\$20,690,000
95	Bureau of Engineering and Highway Operations	Town-Aid-Road program	60,000,000	(60,000,000)	0 (authorized as GO bonds in § 9(g))
96	Bureau of Public Transportation	<p>Bus and rail facilities and equipment, including rights-of-way, other property acquisition, and related projects</p> <p><b>New:</b> The bill expands the authorization's purposes to include signage, traffic lights, and other equipment enabling Flower Street in Hartford to remain open to vehicular traffic for at least 20 hours per day</p>	143,000,000	42,450,000	185,450,000

**§§ 73-74 — SCHOOL SECURITY INFRASTRUCTURE GRANT PROGRAM**

The state's competitive school security grant program reimburses towns for certain expenses they incur in improving their school security infrastructure. The Department of Emergency Services and Public Protection (DESPP), DAS, and SDE jointly administer the program.

The bill expands the program, as described below, and increases its bond authorization by \$22 million, from \$15 million to \$37 million.

***Eligible Schools***

The bill expands the program to RESCs, state charter schools, technical high schools, endowed academies (i.e., Gilbert School, Norwich Free Academy, and Woodstock Academy), and private schools.

By law, local or regional boards of education can apply to DESPP for funds on behalf of their town or member towns for costs incurred for eligible security improvements on or after January 1, 2013. Decisions to approve or deny applications, and which expenses are eligible for reimbursement, must meet the most recent standards established by the School Safety Infrastructure Council. Beginning in FY 15, the bill extends these provisions to the aforementioned schools and requires the RESC, charter school’s governing authority, technical high school’s superintendent, endowed academy, or nonpublic school’s supervisory agent, respectively, to apply for the funds.

***Eligible Infrastructure***

The bill expands the security infrastructure eligible for reimbursement to include real time interoperable communications and multimedia sharing infrastructure. As under existing law, eligible infrastructure also includes the installation of surveillance cameras, penetration resistant vestibules, ballistic glass, solid core doors, double-door access, computer-controlled electronic locks, entry door buzzer systems, scan card systems, panic alarms, and other systems.

***Grant Amount and Set-Aside***

By law, the grants reimburse school districts for 20% to 80% of the eligible expenses for security measures, based on a scale of town wealth. In addition, under the bill:

1. RESCs receive grants according to the same scale, based on the weighted average of the wealth of their member towns;
2. state charter schools receive the same reimbursement percentage

their host towns receive;

3. SDE, on behalf of technical high schools, receives grants for 100% of the schools' eligible expenses;
4. endowed academies receive grants according to the same scale, based on the weighted average of their designating towns' populations (the towns must designate the school as their high school for at least five years in order to be included in the calculation); and
5. private schools receive grants for 50% of their eligible expenses.

The bill sets aside 10% of the grant funds available for FY 15 for private schools.

***Grant Priority***

If there is not enough money to reimburse every district for its full percentage, existing law requires the DESPP commissioner, in consultation with the DAS (formerly the Department of Construction Services) and education commissioners, to give first priority to applicants with schools they determine have the greatest need for security infrastructure based on the school security assessments the districts submits. Of the applicants with the greatest security infrastructure need, the commissioners must give first priority to applicants that have no security infrastructure at the time of the assessment and secondary priority to applicants from priority school districts.

The bill extends these same requirements to RESCs, state charter schools, endowed academies, and technical high schools. For private schools, the bill requires the commissioners to give first priority to applicants that they determine have the greatest need, instead of basing it on each school's security assessment.

As under existing law, to receive a grant, an applicant must show that it (1) has conducted a uniform security assessment of its schools and any security infrastructure, (2) has an emergency plan at its

schools developed with applicable state and local first responders, and (3) periodically practices the plan. The security assessment must be carried out under the supervision of the district's local law enforcement agency and use the Safe Schools Facilities Check List published by the National Clearinghouse for Educational Facilities.

EFFECTIVE DATE: Upon passage, except for the bond authorization, which is effective July 1, 2014.

### **§ 501 — FOUR CORNERS PROJECT IN MANSFIELD**

The bill authorizes up to \$3 million in GO bonds to DEEP for a grant to Mansfield for the Four Corners project's wastewater component.

### **§ 502 — COMMERCIAL RAIL FREIGHT LINE COMPETITIVE GRANTS**

The bill increases by \$10 million, from \$7.5 million to \$17.5 million, the existing bond authorization for DOT's commercial rail freight line competitive grant program. It also expands the range of eligible projects for which the DOT commissioner must give preference to include those (1) furthering DOT's Connecticut State Rail Plan goals and objectives and (2) increasing the capacity of the state's freight rail infrastructure.

## **BACKGROUND**

### ***New Markets Tax Credits***

The New Markets tax credit program uses federal income tax credits to attract private capital for business projects in low-income areas. Investors seeking credits must access them through federally certified for-profit CDEs. The credits equal 39% of the invested amount, and investors must claim them over seven years according to a statutory schedule.

CDEs must lend to or invest the funds in business projects or use them for other specified activities. Business projects include mixed residential and commercial real estate developments where the housing units generate no more than 80% of the project's income.

### ***Community Development Entities***

CDEs are certified by the U. S. Treasury Department through a competitive application process. A CDE must (1) primarily serve low-income people or provide capital to areas where they live and (2) answer to a board of directors that includes people who live in those areas. Investors can access the new market tax credits only by acquiring stock or capital interest in the CDE. The CDE must invest most of the investment proceeds in projects or activities located in low-income communities. For purposes of the credit, federal law defines a low-income area as one where at least 20% of the residents are below the poverty level or earn no more than 80% of the area's median income (26 USC § 45D).

**COMMITTEE ACTION**

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 44 Nay 6 (04/01/2014)