Senate

General Assembly

File No. 490

February Session, 2014

Substitute Senate Bill No. 469

Senate, April 10, 2014

The Committee on Finance, Revenue and Bonding reported through SEN. FONFARA of the 1st Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING TELEVISION COVERAGE OF STATE GOVERNMENT DELIBERATIONS AND DISTRIBUTION OF PROCEEDS FROM NEW LOTTERY GAMES.

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

Section 1. Section 2-71x of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

For the fiscal year ending June 30, [2007] 2014, and each fiscal year thereafter, the Comptroller shall segregate [two million five hundred thousand] six million dollars of the amount of the funds received by the state from the tax imposed under chapter 211 on public service companies providing community antenna television service in this state. The moneys segregated by the Comptroller shall be deposited with the Treasurer and made available to the Office of Legislative Management to defray the cost of providing the citizens of this state with Connecticut Television Network coverage of state government deliberations and public policy events.

Sec. 2. (NEW) (*Effective July 1, 2014*) Any gross operating revenues to the state from the operation of keno, as defined in section 12-801 of the general statutes, shall, after subtraction of all sums distributed pursuant to an agreement as provided in section 12-806c of the general statutes, be distributed to municipalities of the state as follows: (1) Fifty per cent of such revenues shall be distributed to municipalities on a per capita basis, as determined by the most recent federal decennial census, and (2) fifty per cent of such revenues shall be distributed to distressed municipalities, as defined in section 32-9p of the general statutes.

This act shall take effect as follows and shall amend the following sections:		
Section 1	*from passage*	2-71x
Sec. 2	*July 1, 2014*	New section

FIN *Joint Favorable Subst.*

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

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 14 $	FY 15 $	FY 16 $
Revenue Serv., Dept.; Division of Special Revenue	GF - Revenue Loss	3.5 Million	11.0 Million to 21.9 Million	18.5 Million to 29.5 Million

Municipal Impact:

Municipalities	Effect	FY 14 $	FY 15 $	FY 16 $
Various Municipalities (Aggregate, Statewide Impact)	Revenue Gain	None	13 Million	26 Million

Explanation

Television Coverage of State Government Deliberations

Section 1 increases, from $2.5 million to $6.0 million, the annual General Fund revenue diversion from the Public Service Tax to provide television coverage of state government deliberations and public policy events. The increase applies to the current fiscal year and each fiscal year thereafter. In FY 14, expenditures are anticipated to be $2.75 million including the use of up to $250,000 of carry forward appropriations to the Office of Legislative Management.

Approximately $3.23 million of the additional funds would be used to pay for capital expenditures in 2015 and 2016, including the purchase of equipment. (sSB 29, as favorably reported by the Finance, Revenue and Bonding Committee provides $3.23 million for this purpose.) Staffing levels would increase from 29.5 Full Time Equivalents to 80.0 Full Time Equivalents over the next three fiscal years. In addition, significant increases are planned in management, production and education/outreach. See the table below.

Planned Operating Budget Increases

CT-N Public Hearing Testimony, 3/13	2014 $	2017 $	% Change
Salaries and Benefits	2,100,000	4,700,000	124
Management Expenses	225,000	440,000	96
Production Expenses	89,000	350,000	293
Education and Outreach	110,000	260,000	136
Other Expenses	60,000	250,000	317
TOTAL	**2,584,000**	**6,000,000**	**132**
CT-N Revised, 3/21	**2014 $**	**2017 $**	**% Change**
Salaries and Benefits	2,100,000	4,230,000	101
Management Expenses	225,000	358,000	59
Production Expenses	89,000	350,000	293
Education and Outreach	110,000	188,000	71
Other Expenses	60,000	60,000	0
TOTAL	**2,584,000**	**5,186,000**	**101**

Management expenses are based on the number of employees, so the growth in that line is tied to the hiring of additional employees as described above: particularly, new computers, office furniture, etc. for new employees. Growth in production expenses is driven by the cost of cloud storage of newly-produced programming going forward.

Keno Gambling Revenue

Section 2 diverts from the state to municipalities the anticipated operating revenue from Keno gambling, which is estimated to be $26 million annually. Under the bill, the diversion would take place after the transfer of funds to the tribes per agreement, but before accounting for operating costs incurred by the Connecticut Lottery Corporation (CLC). It is uncertain whether or not the CLC would pass along its operating costs to the General Fund in the form of reductions to special revenue transfers.

Current law will distribute (after the transfer to the tribes) annual operating revenue from Keno gambling to the CLC to cover its costs, estimated to be $11 million including commissions, marketing and other CLC overhead, and $15 million to the state's General Fund.[1] The annual revenue loss to the state under the bill therefore ranges from $15 million to $26 million if the CLC decides to reduce its special revenue transfers in order to recoup its costs.

The estimated FY 15 municipal revenue gain is approximately ½ of the annual amount indicated above i.e. $13 million because the implementation of Keno is not anticipated until January 1, 2015. The associated FY 15 revenue loss to the state could range from $7.5 million to $18.4 million, including CLC's ongoing (½ year) and start-up costs ($5.4 million) to implement Keno.

The Out Years

The annual General Fund revenue loss indicated under **Section 1** of the bill would remain constant into the future because it is unchanged per statute. The annualized ongoing impacts indicated under **Section 2** of the bill would continue into the future subject to inflation.

Sources: Public Hearing Testimony

[1] The estimated, total $27 million state revenue from gambling includes: 1) $15 million from Keno sales; and 2) $12 million in additional lottery sales attributable to Keno.

OLR Bill Analysis
sSB 469

AN ACT CONCERNING TELEVISION COVERAGE OF STATE GOVERNMENT DELIBERATIONS AND DISTRIBUTION OF PROCEEDS FROM NEW LOTTERY GAMES.

SUMMARY:

This bill creates a new source of state aid for municipalities by tapping the keno operating revenue that remains after subtracting the amounts the state must share with the Mashantucket Pequot and Mohegan tribes. It requires the state to distribute (1) half of the remaining revenue to all municipalities on a per capita basis, as determined by the most recent 10-year federal census and (2) half to the state's 25 distressed municipalities (see BACKGROUND). The bill does not specify how the latter amount must be allocated.

The bill also increases, from $2.5 million to $6 million, the amount the comptroller must set aside from the cable television companies tax each fiscal year to defray the Office of Legislative Management's cost of providing Connecticut Television Network coverage of state government deliberations and public policy events.

EFFECTIVE DATE: Upon passage, except for the provision distributing keno revenue to municipalities, which takes effect July 1, 2014.

BACKGROUND

Distressed Municipalities

The economic and community development commissioner annually ranks municipalities based on economic criteria and designates the top 25 as "distressed municipalities." Listed according to their 2013 rankings, these municipalities are Waterbury, Hartford, New Britain, Bridgeport, Naugatuck, New London, Ansonia, Windham, Plainfield, Derby, Torrington, Killingly, Bristol, North Canaan, Sprague, New Haven, East Hartford, Meriden, Enfield, Winchester, West Haven, Groton, Putnam, Montville, and Plymouth.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute				
Yea	33	Nay	17	(03/25/2014)