



Senate

General Assembly

File No. 692

January Session, 2015

Substitute Senate Bill No. 188

Senate, April 16, 2015

The Committee on Planning and Development reported through SEN. OSTEN of the 19th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

***AN ACT CONCERNING MUNICIPAL MANDATE RELIEF AND
AUTHORIZING DISTRESSED MUNICIPALITIES TO FUND
SCHOLARSHIPS THROUGH MUNICIPAL BONDING.***

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

1 Section 1. Subsection (a) of section 45a-8 of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective*
3 *October 1, 2015*):

4 (a) The town or towns comprising each probate district shall
5 provide court facilities meeting the minimum standards required by
6 this section. Any expenses incurred by such town or towns for such
7 court facilities pursuant to this section shall be reimbursed to such
8 town or towns by the State Treasurer from the Probate Court
9 Administration Fund established pursuant to section 45a-82. If a
10 probate district consists of more than one town, the expense shall be
11 allocated to the towns in such proportion as the towns may determine
12 by agreement or, in the absence of such agreement, in proportion to

13 their grand lists last perfected. Such court facilities shall include: (1)
14 Office space appropriate for the conduct of judicial business, including
15 (A) a room for the judge of probate sufficient in size for ordinary
16 matters in which judicial proceedings may be conducted in private, (B)
17 a separate room for the court staff, and (C) on a prearranged basis,
18 access to a larger hearing room for the conduct of unusually large
19 court hearings; (2) furniture and furnishings appropriate to a court
20 facility; (3) use and maintenance of a copying machine and the
21 necessary supplies; (4) use and maintenance of court record systems
22 and equipment, including such record books and electronic, digital,
23 microfilming or similar systems required to maintain, provide access
24 to and produce court records, and the necessary supplies for such
25 systems, equipment and records; (5) the necessary stationery, postage
26 and other related supplies in order that the court may properly carry
27 out its duties; (6) typing equipment with which to complete the
28 necessary records; (7) basic telephone service, which shall include all
29 local calls; (8) if a court is computerized, a dedicated telephone line
30 and maintenance of the computer equipment; and (9) adequate
31 liability, fire, loss, theft and replacement insurance on the furniture,
32 furnishings, equipment, court facilities and the records of the court.

33 Sec. 2. Subsection (b) of section 12-202a of the general statutes is
34 repealed and the following is substituted in lieu thereof (*Effective from*
35 *passage*):

36 (b) Notwithstanding the provisions of subsection (a) of this section,
37 the tax shall not apply to:

38 (1) Any new or renewal contract or policy entered into with the state
39 on or after July 1, 1997, to provide health care coverage to state
40 employees, retirees and their dependents;

41 (2) Any subscriber charges received from the federal government to
42 provide coverage for Medicare patients;

43 (3) Any subscriber charges received under a contract or policy
44 entered into with the state to provide health care coverage to Medicaid

45 recipients which charges are attributable to a period on or after
46 January 1, 1998;

47 (4) Any new or renewal contract or policy entered into with the state
48 on or after April 1, 1998, to provide health care coverage to eligible
49 beneficiaries under the HUSKY Plan, Part A, HUSKY Plan, Part B, or
50 HUSKY Plus programs, each as defined in section 17b-290;

51 (5) Any new or renewal contract or policy entered into with the state
52 on or after February 1, 2000, to provide health care coverage to retired
53 teachers, spouses or surviving spouses covered by plans offered by the
54 state teachers' retirement system;

55 (6) Any new or renewal contract or policy entered into on or after
56 July 1, 2001, and prior to July 1, 2015, to provide health care coverage
57 to employees of a municipality and their dependents under a plan
58 procured pursuant to section 5-259;

59 (7) Any new or renewal contract or policy entered into on or after
60 July 1, 2001, to provide health care coverage to employees of nonprofit
61 organizations and their dependents under a plan procured pursuant to
62 section 5-259;

63 (8) Any new or renewal contract or policy entered into on or after
64 July 1, 2003, to provide health care coverage to individuals eligible for
65 a health coverage tax credit and their dependents under a plan
66 procured pursuant to section 5-259;

67 (9) Any new or renewal contract or policy entered into on or after
68 July 1, 2005, to provide health care coverage to employees of
69 community action agencies and their dependents under a plan
70 procured pursuant to section 5-259; [or]

71 (10) Any new or renewal contract or policy entered into on or after
72 July 1, 2005, to provide health care coverage to retired members and
73 their dependents under a plan procured pursuant to section 5-259; or

74 (11) Any new or renewal contract or policy entered into on or after

75 July 1, 2015, to provide health care coverage to municipal employees,
76 municipal retirees and dependents of such employees or retirees.

77 Sec. 3. (NEW) (*Effective October 1, 2015*) (a) Any distressed
78 municipality, as defined in section 32-9p of the general statutes, may,
79 upon approval by its legislative body or, in any municipality in which
80 the legislative body is a town meeting, by the board of selectmen,
81 adopt an ordinance establishing a scholarship fund. Such ordinance
82 shall include provisions for (1) the establishment of scholarship
83 eligibility requirements that include a requirement that the person
84 seeking the scholarship apply for every appropriate grant and
85 scholarship to offset postsecondary education expenses, enroll in a
86 degree-granting program at an institution of higher education that is
87 accredited by the Board of Governors of Higher Education or
88 regionally accredited, complete at least twelve credit hours per
89 semester and maintain a grade point average of at least 2.5; (2) the
90 establishment of scholarship retention requirements, that may include
91 performance of community service in such municipality; (3) the
92 establishment of a committee to review applications and award
93 scholarships from the fund; (4) the determination of factors to be
94 considered for revocation and reinstatement of a scholarship award;
95 (5) scholarship fund discontinuance that is consistent with subsection
96 (e) of this section; (6) limitation on the amount of scholarship awards
97 so that no such award shall exceed the annual rate of tuition, room and
98 board and fees charged to in-state students to attend The University of
99 Connecticut at Storrs; (7) allowing the fund to accept gifts, donations,
100 bequests or funds from any other private or public source; (8) the
101 funding of tuition, room and board and fees for residents of the
102 municipality who are United States citizens or permanent residents of
103 the United States to attend a public or independent institution of
104 higher education in this state and who remain residents of such
105 municipality while attending such institution of higher education; (9)
106 voter registration in a different municipality while attending an
107 institution of higher education, without affecting eligibility for a
108 scholarship award provided pursuant to this section; and (10)
109 conditions that recipients of a scholarship award pursuant to this

110 section shall agree to work and live in this state for a certain number of
111 years, as determined by the municipality, and that if a recipient fails to
112 satisfy such agreement, the municipality may require repayment of all
113 or part of the scholarship award.

114 (b) A distressed municipality may authorize the issuance of bonds,
115 notes or other obligations in accordance with the provisions of chapter
116 109 of the general statutes for the purpose of funding a scholarship
117 fund established pursuant to subsection (a) of this section. The
118 provisions of section 7-374 of the general statutes shall apply to any
119 bonds issued pursuant to this section. Any scholarship for tuition,
120 room and board and fees provided pursuant to this section shall be
121 paid directly to the institution of higher education. The proceeds of
122 bonds, notes or other obligations issued pursuant to this section shall
123 be paid into the fund created pursuant to subsection (a) of this section.

124 (c) The budget-making authority of such municipality may, from
125 time to time, direct the town treasurer to invest such portion of such
126 fund as in its opinion is advisable, provided: (1) Not more than forty
127 per cent of the total amount of the fund shall be invested in equity
128 securities, and (2) any portion of such fund not so invested may be
129 invested in (A) bonds or obligations of, or guaranteed by, the state or
130 the United States, or agencies or instrumentalities of the United States,
131 (B) certificates of deposit, commercial paper, savings accounts and
132 bank acceptances, (C) the obligations of any state of the United States
133 or any political subdivision thereof or the obligations of any
134 instrumentality, authority or agency of any state or political
135 subdivision thereof, provided at the time of investment such
136 obligations are rated within the top rating category of any nationally
137 recognized rating service or of any rating service recognized by the
138 Banking Commissioner and applicable to such obligations, (D) the
139 obligations of any regional school district in this state, of any
140 municipality in this state or any metropolitan district in this state,
141 provided at the time of investment such obligations of such
142 government entity are rated within one of the top two rating categories
143 of any nationally recognized rating service or of any rating service

144 recognized by the Banking Commissioner and applicable to such
145 obligations, (E) any obligations in which a trustee may invest pursuant
146 to section 36a-353 of the general statutes, (F) investment agreements
147 with financial institutions whose long-term obligations are rated
148 within one of the top two rating categories of any nationally
149 recognized rating service or of any rating service recognized by the
150 Banking Commissioner or whose short-term obligations are rated
151 within the top rating category of any nationally recognized rating
152 service or of any rating service recognized by the Banking
153 Commissioner, or (G) investment agreements fully secured by
154 obligations of, or guaranteed by, the United States or agencies or
155 instrumentalities of the United States.

156 (d) The town treasurer shall annually submit a complete and
157 detailed report of the condition of such fund to the chief executive
158 officer, the budget-making authority and the legislative body of such
159 municipality and such report shall be made a part of the annual report
160 of the municipality. Such report shall comply with the standard
161 auditing procedures of such municipality.

162 (e) Such fund may be discontinued after recommendation by the
163 chief executive officer and the budget-making authority to the
164 legislative body and upon approval of such body. To the extent there is
165 any remaining portion of such fund, the fund shall be converted into,
166 or added to, a sinking fund to provide for the retirement of the bonded
167 indebtedness of the municipality. If the municipality has no bonded
168 indebtedness, such fund shall be transferred to the general fund of the
169 municipality.

170 Sec. 4. (NEW) (*Effective October 1, 2015*) If a resident who enrolls in a
171 degree-granting program offered by a public institution of higher
172 education receives a scholarship from a fund established by an
173 ordinance pursuant to section 3 of this act, the public institution of
174 higher education shall not reduce any financial aid offered by such
175 institution of higher education to such resident based on such
176 resident's receipt of the scholarship, except when a reduction in

177 financial aid is required by federal law or regulation.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2015</i>	45a-8(a)
Sec. 2	<i>from passage</i>	12-202a(b)
Sec. 3	<i>October 1, 2015</i>	New section
Sec. 4	<i>October 1, 2015</i>	New section

PD *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 16 \$	FY 17 \$
Probate Court	PCAF - Cost	Less than \$1 million	Less than \$1 million
Revenue Serv., Dept.	GF - Revenue Loss	\$12.4 million	\$13.2 million

Note: PCAF=Probate Court Administration Fund; GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 16 \$	FY 17 \$
Various Municipalities	Savings	Less than \$1 million statewide	Less than \$1 million statewide
All Municipalities	Savings	\$12.4 million statewide	\$13.2 million statewide
Various Municipalities	Cost	See Below	See Below

Explanation

Section 1 requires the Probate Court Administration Fund to reimburse towns for probate court facilities and results in a cost of less than \$1 million in total or \$10,000 - \$50,000 for each of the 54 probate court districts. These costs include office equipment and furniture, postage, telephone and internet service, and rent for some courts. Municipalities that administer probate courts would incur corresponding savings.

Section 2 establishes an exemption from the Insurance Premiums Tax for health care coverage to municipal employees and retirees, and their dependents. This results in a revenue loss of \$12.4 million and \$13.2 million in FY 16 and FY 17, respectively, and a corresponding savings to municipalities in those years.

The bill also allows distressed municipalities to establish a scholarship fund. Distressed municipalities that choose to establish such a fund would incur a cost to issue bonds to fund scholarships. The cost would vary based on how many scholarships a municipality chose to award each year, and the dollar amount of those scholarships.

The Out Years

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

OLR Bill Analysis**sSB 188*****AN ACT CONCERNING MUNICIPAL MANDATE RELIEF AND AUTHORIZING DISTRESSED MUNICIPALITIES TO FUND SCHOLARSHIPS THROUGH MUNICIPAL BONDING.*****SUMMARY:**

This bill:

1. requires the state to reimburse municipalities for any costs they incur in providing probate court facilities;
2. exempts new and renewed health insurance plans sold to municipalities on or after July 1, 2015 from the 1.75% insurance premium tax paid by Connecticut-based HMOs; and
3. authorizes each of the state's 25 distressed municipalities (see BACKGROUND) to (a) establish a fund to provide scholarships to eligible municipal residents attending public or private colleges and universities in the state and (b) issue taxable or tax-exempt municipal bonds to fund the scholarships, subject to their individual municipal bond caps.

EFFECTIVE DATE: October 1, 2015, except for the insurance premium tax exemption, which is effective upon passage.

§ 1 — PROBATE COURT COSTS

By law, the town or towns comprising each probate district must provide facilities for the probate court that meet the minimum standards established in statute. These include such things as office space, a room for the judge to use for private proceedings, access to larger hearing rooms, furniture, and office and related supplies.

The bill requires the state treasurer to reimburse towns, from the

probate court administration fund, for the costs they incur in providing these facilities.

§ 2 — INSURANCE PREMIUM TAX EXEMPTION FOR MUNICIPALITIES

The bill exempts from the 1.75% insurance premium tax all new and renewed health insurance plans sold to municipalities by HMOs on or after July 1, 2015. It applies to plans covering municipal employees, retirees, and their dependents. Current law exempts such plans from the tax only if they are sold through the Municipal Employee Health Insurance Plan.

§ 3 — SCHOLARSHIP FUNDS FOR DISTRESSED MUNICIPALITIES

Ordinance Establishing the Fund

Under the bill, distressed municipalities may establish a fund to provide scholarships to eligible municipal residents. The municipality's legislative body (or if the legislative body is a town meeting, its board of selectmen) must adopt an ordinance to establish the fund. The ordinance creating the scholarship fund must:

1. establish the scholarship's eligibility requirements, including requiring applicants to (a) apply for every appropriate grant and scholarship to offset college expenses, (b) enroll in a degree-granting program at a higher education institution accredited by the Board of Governors of Higher Education or regionally accredited, (c) complete at least 12 credit hours per semester, and (d) maintain a minimum 2.5 grade point average;
2. establish the scholarship's retention requirements, which may include community service in the municipality;
3. establish a committee to review applications and award scholarships;
4. determine the factors for revoking and reinstating a scholarship award;

5. provide for the fund's discontinuance;
6. limit the scholarship amount to UConn's annual in-state rate for tuition, room and board, and fees; and
7. allow the fund to accept gifts, donations, bequests, and money from any other legal sources.

Eligibility Requirements

The bill restricts the scholarship funds to residents of the municipality who (1) are U.S. citizens or permanent residents, (2) attend a public or private higher education institution in Connecticut, and (3) maintain their municipal residency while attending the institution. It specifies that a student may register to vote in a different municipality while attending a higher education institution without affecting his or her eligibility for the scholarship.

The bill also requires recipients, as a condition of receiving a scholarship, to agree to work and live in Connecticut for the number of years the municipality determines. Municipalities may require recipients to repay all or part of their scholarship award if they fail to satisfy this requirement.

Scholarship Awards

The bill requires municipalities to pay the scholarships directly to each recipient's college or university. It bars public colleges and universities from reducing the amount of financial aid offered to recipients based on the municipal scholarship awards, unless federal law or regulation requires it.

Fund Investment Options

The bill allows the municipalities to issue taxable or tax-exempt bonds to fund the scholarships, subject to their individual municipal bond caps. It directs any such bond proceeds to the scholarship fund described above.

The municipality's budget-making authority may direct the

municipal treasurer to invest a portion of the fund it considers advisable within the parameters set by the bill. The treasurer may invest up to 40% of the fund in equity securities and the remaining amount in:

1. bonds or obligations (a) of the U.S. government or its agencies or instrumentalities, (b) of Connecticut, or (c) guaranteed by the state or U.S. government;
2. certificates of deposit, commercial paper, savings accounts, and bank acceptances;
3. obligations of any state or political subdivision, or its instrumentalities, authorities, or agencies, as long as, at time of the investment, it is rated in the top rating category of any nationally recognized rating service or one the banking commissioner recognizes;
4. obligations of any Connecticut municipality, regional school district, or metropolitan district, as long as, at the time of the investment, it is rated in one of the two highest rating categories by a nationally recognized rating service or one the banking commissioner recognizes;
5. any U.S.-registered investment company or investment trust (a) whose portfolio is limited to U. S. government obligations and repurchase agreements fully collateralized by such obligations and (b) is rated in one of the two highest rating categories by a nationally recognized rating service;
6. investment agreements with a financial institution whose (a) long-term obligations are rated in one of the two highest rating categories by a nationally recognized rating service or one the banking commissioner recognizes or (b) short-term obligations are rated in the top rating category by such a rating service; or
7. U.S.-secured or -guaranteed investment agreements.

Reporting Requirement

The municipal treasurer must annually submit a complete and detailed report on the fund's condition to the municipality's chief executive officer, budget-making authority, and legislative body. The report must (1) comply with the municipality's standard auditing procedures and (2) be included in the municipality's annual report.

Discontinuing the Fund

The bill allows a municipality to discontinue its fund if its chief executive officer and budget-making authority recommends, and its legislative body approves, the fund's discontinuance. Once the fund is discontinued, the remaining money must be (1) converted or added to a sinking fund to retire the municipality's debt or (2) transferred to its general fund if the municipality has no debt.

BACKGROUND***Distressed Municipalities***

The Department of Economic and Community Development commissioner annually ranks municipalities based on the extent to which they are economically distressed and designates the top 25 most distressed. In 2014 these were: Ansonia, Bridgeport, Bristol, Derby, East Hartford, Enfield, Hartford, Killingly, Meriden, Montville, Naugatuck, New Britain, New Haven, New London, North Canaan, Plainfield, Plymouth, Preston, Putnam, Sprague, Torrington, Waterbury, West Haven, Winchester, and Windham.

COMMITTEE ACTION

Planning and Development Committee

Joint Favorable Substitute

Yea 12 Nay 9 (03/27/2015)