PA 16-3, May 2016 Special Session—SB 502

Emergency Certification

AN ACT CONCERNING REVENUE AND OTHER ITEMS TO IMPLEMENT THE BUDGET FOR THE BIENNium ENDING JUNE 30, 2017

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§§ 1-4, 11 & 12 — CTNEXT
Establishes CTNext as a subsidiary of the quasi-public Connecticut Innovations, Inc. (CI) to foster innovation and entrepreneurship and help newly formed businesses grow

CI Subsidiary (§ 1)

The act requires Connecticut Innovations (CI), the state’s quasi-public venture capital agency, to establish a subsidiary called CTNext according to the act’s specifications. In doing so, it requires CI to take no other actions to create the subsidiary except adopting a resolution. As discussed below, the act transfers some of CI’s statutory purposes to CTNext, specifying that it is CI’s successor with respect to those purposes.

Purpose (§ 1)

CTNext’s major purpose is to assist entrepreneurs and startup and growth-stage businesses (i.e., those that have been incorporated for no more than 10 years, raised private capital, and saw a 20% increase in their annual gross revenues in each of their previous three income years). CTNext must do this by:

1. fostering innovation, start-up, and growth-stage businesses, and building
entrepreneur communities;
2. serving as a catalyst to protect and enhance the innovation ecosystem;
3. connecting start-up entrepreneurs and growth-stage businesses with each other and state, federal, and private resources;
4. facilitating (a) the establishment of innovation places and (b) mentoring for entrepreneurs and start-up and growth-stage businesses;
5. providing technical training and resources to start-up and growth-stage businesses and entrepreneurs; and
6. facilitating innovation and entrepreneurship at higher education institutions.

CTNext continues as long as it has outstanding obligations and until it is legally terminated. Termination does not affect any of its outstanding contractual obligations. Upon termination, (1) the state succeeds to CTNext’s obligations under any contract and (2) CTNext’s rights and properties pass to and vest in CI.

CTNext is not subject to state collective bargaining laws.

CTNext Board (§ 1)

CTNext is governed by an 11-member board of directors, most of whom must be serial entrepreneurs representing a diverse range of Connecticut’s growth sectors. For the act’s purposes, a serial entrepreneur is a person who has brought one or more start-up businesses to a point where institutional investors invested venture capital in the business. The act does not impose the requirement applicable to other CI subsidiary boards that at least half of the members be CI employees, officers, or directors or their designees.

Board members must have education or experience in at least one of the following areas:
1. start-up and growth-stage business development,
2. investment,
3. innovation place development,
4. urban planning, and
5. technology commercialization in higher education.

Appointment and Length of Terms. Five members of the board serve initial two-year terms, and four members serve initial one-year terms. The chairpersons of the Finance, Revenue and Bonding Committee jointly appoint two of the members serving initial two-year terms; the governor, the House speaker, and Senate president pro tempore each appoint one member to serve an initial two-year term; and the House and Senate majority and minority leaders each appoint one member to serve an initial one-year term. Successor members, appointed by the original appointing authorities, serve two-year terms.

The act designates as ex officio board members CI’s executive director and the economic and community development commissioner.

Board members are eligible for reappointment, and the original appointing authority fills any vacancy for the balance of an unexpired term. The appointing authority may remove, for misfeasance, malfeasance, willful neglect of duty, or failure to attend three consecutive board meetings, any member it appoints.

Reimbursement and Conflicts of Interest. Board members are entitled to
reimbursement for the actual and necessary expenses they incur performing their official duties. They may engage in private employment or in a profession or business, subject to applicable state laws, rules, and regulations on ethics and conflict of interest. The act deems them public officials and subjects them to the State Code of Ethics, but exempts them from filing statements of financial interests (CGS § 1-83).

Under the act, it does not constitute a conflict of interest for a trustee, director, partner, or officer of any person, firm, or corporation or any individual with a financial interest in a person, firm, or corporation to serve on the board, but they must comply with the State Code of Ethics. Among other things, this means that members must abstain from taking official action on a matter if they have a substantial conflict of interest.

By law, directors, officers, and employees of quasi-public agencies, including CI and their subsidiaries, are generally not personally liable for the debts, obligations, or liabilities of the agency, and such agencies must generally protect, save harmless, and indemnify them from financial loss and expense arising from claims against the agency (CGS §§ 1-125 and 32-11e(e)).

**Officers, Meetings, and Quorum.** The board’s chairperson is CI’s chief executive officer. Initial appointments to the board must be made by September 1, 2016, and the chairperson must schedule the board’s first meeting, which must be held by October 15, 2016. The board must meet at least quarterly and at other times the chairperson deems necessary.

A majority of members constitute a quorum to transact business and exercise any power. Except as the act provides otherwise, the board may act by a majority of the members present at any meeting at which there is a quorum. A board member may not, in his or her absence, designate a representative to perform his or her official duties under the act.

**Executive Director.** The chairperson, with board approval, must appoint an executive director to supervise CTNext’s administrative affairs and technical activities as the board directs. The executive director is a CTNext employee and receives a salary set by the board.

**CTNext Powers and Duties (§§ 2, 11 & 12)**

**General Administrative Powers.** The act gives CTNext many of the following general administrative powers and duties the law also grants to other state quasi-public agencies:

1. employing assistants, agents, and other employees, who are not state employees;
2. establishing necessary and appropriate personnel practices and policies, including hiring, promotion, compensation, retirement, and collective bargaining policies, which may align with CI’s but do not have to align with the state’s;
3. engaging consultants, attorneys, and appraisers to fulfill its purposes;
4. receiving and accepting grants or contributions from any source to fulfill its purposes, subject to the source’s terms and conditions;
5. making and entering into contracts and agreements to execute its powers
and fulfill its purposes, including contracts for financial consultants, technical specialists, and professional services;
6. insuring its property, assets, and employees;
7. auditing its funds and those of the parties it funds;
8. measuring and evaluating how CTNext administers its programs to ensure that they are administered appropriately and efficiently, comply with the law, are cost effective, and achieve the act’s purposes; and
9. establishing advisory committees to help fulfill CTNext’s duties.

Powers and Duties Specific to Innovation and Entrepreneurship. The act also authorizes CTNext to fulfill the following broad purposes:
1. encouraging younger generation start-up entrepreneurs to stay in Connecticut,
2. promoting entrepreneurship at Connecticut public and independent institutions of higher education, and
3. doing all things necessary to carry out its purposes and execute its powers.

The act authorizes CTNext to pursue these goals by taking the following programmatic actions:
1. counseling and assisting start-up and growth-stage entrepreneurs with preparing business plans and managing, financing, and marketing their businesses;
2. holding workshops, seminars, and conferences on business topics with other organizations, including municipalities, chambers of commerce, higher education institutions, and small business development organizations;
3. facilitating partnerships between innovative start-up and growth-stage businesses and research institutions and venture capitalists or financial institutions;
4. increasing the capital supply for entrepreneurs and start-up and growth-stage businesses, including capital supplied by angel investors and venture capitalists;
5. awarding higher education entrepreneurship grants the Higher Education Entrepreneurship Advisory Committee recommends (§ 28);
6. awarding planning grants to entities seeking designation as an innovation place, as long as the entities demonstrate that the proposed place meets the innovation place program’s purposes (see §§ 5-9); and
7. encouraging and promoting the establishment of business accelerators, including the satellite of a major national business accelerator.

The act also requires CTNext to implement several specific practices and programs. In addition to designating innovation places as described below, CTNext must connect entrepreneurs operating in these places to municipal and state resources that will help them comply with government regulations.

CTNext must also help relatively new businesses survive past the early, startup stage by awarding them maximum $25,000 grants, one-third of which must be matched with funds from other sources. To administer the grants, CTNext must establish an application process that gives priority to businesses that will use the funds in a way that is most likely to help them grow, including sales
assistance, marketing, strategy, organizational development, technology assistance, bid assistance, beta testing of products from new purchasers, and prototype development. (Beta testing is the last stage in the process of developing new products and usually involves testing the product outside the company in a real-world setting.)

Lastly, the act requires CTNext to advise several state officials on science, engineering, and technology matters that may affect (1) state policies, programs, employers, and residents and (2) the state’s efforts to create and retain jobs. Those officials are the governor, legislators, the economic and community development commissioner, UConn’s president, and the Board of Regents for Higher Education president. (UConn’s president is not included among the officials CI must advise about science, engineering, and technology matters.)

This requirement is one of several duties and powers CTNext shares with CI. Those other shared duties and powers are:

1. promoting technology-based development in Connecticut;
2. encouraging and promoting the establishment of advanced technology centers and, within available resources, providing financial assistance to them;
3. promoting and encouraging the coordination of public and private resources and activities in Connecticut aimed at helping technology-based entrepreneurs and business enterprises;
4. promoting science, engineering, mathematics, and other disciplines necessary for developing and applying technology;
5. coordinating efforts with existing business outreach centers; and
6. providing financial aid to people developing smart buildings, incubator facilities, or other offices and laboratories that rely heavily on information technology.

The act also transfers the following CI powers to CTNext:

1. maintaining an inventory of information on state and federal programs and serving as a clearinghouse and referral service for such information;
2. promoting and encouraging the establishment, maintenance, and operation of incubator facilities and, within available resources, providing financial assistance to them; and
3. coordinating the development and implementation of strategies regarding technology-based talent and innovation among state and quasi-public agencies, which include creating and administering the Connecticut Small Business Innovation Research Office to provide information and technical assistance to businesses seeking to participate in the federal small business research and development programs.

Although the act transfers power to create and administer the office, it requires CI to fund it.

CTNext and CI may jointly exercise these powers until September 1, 2016, after which only CTNext may exercise them.

Specific Powers and Duties Given to CTNext. The act requires CTNext to designate innovation places (see §§ 5-8) and develop a plan to support entrepreneurial research and develop entrepreneurial talent by strengthening the
relationships between the state’s businesses and institutions of higher education.

Informational Website. CTNext must also (1) create an informational website that offers information and services of value to entrepreneurs and (2) publicize the website and other workshops, seminars, and conferences CTNext offers. (In practice, CI maintains a website called CTNext that provides similar information.) The website must:

1. list services, programs, and events aimed at entrepreneurs;
2. function as an online community for entrepreneurs;
3. list entrepreneurial and innovation-related research projects that professors at higher education institutions are undertaking;
4. provide information about college and university innovation and entrepreneurial programs, including those related to engineering, computer science, and bioscience; and
5. connect businesses seeking to buy Connecticut-made products for their business inputs.

Marketing. CTNext must also annually develop, update, and implement a strategic statewide plan for promoting Connecticut as a hub for innovation and entrepreneurship. CTNext’s executive director must report on the plan to the Commerce and Finance, Revenue and Bonding committees by February 1, 2017 and annually thereafter.

CTNext Written Policies and Procedures (§ 3)

The CTNext board must adopt written procedures, according to the laws that quasi-public agencies follow, for the following:

1. adopting an annual budget and operations plan, including requiring the board to approve these items before they take effect;
2. hiring, dismissing, promoting, and compensating CTNext employees, which may be consistent with CI’s procedures, as long as they (a) include an affirmative action policy and (b) require the board to approve new positions or filling vacant ones;
3. acquiring personal property and personal services, including a requirement that the board approve any non-budgeted expenditure above a board-determined amount;
4. contracting for financial, legal, and professional services, including a requirement that CTNext solicit proposals at least once every three years for the services it uses;
5. awarding grants and other financial assistance, including specifying eligibility criteria, the application process, and the roles of CTNext’s staff and board;
6. using surplus funds, to the extent allowed under the act and the law; and
7. disclosing conflicts of interests at board meetings.

CTNext Fund (§ 4)

The act establishes the CTNext Fund as a nonlapsing fund outside the General Fund and requires CI to administer it. The fund must contain any money the law
requires and any contributions, gifts, grants, donations, bequests, or devises from any public or private source. As described below, the act earmarks in FYs 17-21 $67.25 million in previously authorized bonds for CTNext (§§ 10 & 16).

CI may invest the fund’s money in any institution it chooses, and these institutions must invest or pay that money as CI directs. CI must deposit and hold any returns on these investments for the fund’s benefit.

CI may tap the fund, with approval by the CTNext board, to fund the following:

1. grants to entities planning and developing designated innovation places (§§ 5 & 7),
2. projects that connect such places (§ 8),
3. CTNext’s statutory powers and duties (§ 1 & 2),
4. higher education entrepreneurship programs recommended by the Higher Education Entrepreneurship Advisory Committee the act creates (§§ 2 & 28),
5. required assessments, audits, and analyses of CTNext’s programs and initiatives (§25),
6. grants to startup businesses located in or relocating to designated innovation places (§ 29), and
7. any other statutorily authorized purpose or activity.

Under the act, CTNext’s board must approve individual and budgeted expenditures under the conditions it established when it approved the budget.

CI must administer the fund and provide any staff, office space, office systems, and administrative support needed to operate it. CI can do so by using all of its statutory powers but must obtain the board’s approval before it can spend funds.

Starting January 1, 2017, CI must annually prepare an operations plan and operating and capital budget for the fund and submit it to the board for review and approval at least 90 days before the fiscal year begins.

Starting April 15, 2017, CI must also submit an annual report on the fund’s activities to the board for review and approval. The report must provide available information on the fund’s status and operations, including information on the grants it awarded. After the board approves the report, it must submit the report to the Commerce and Finance, Revenue and Bonding committees.

EFFECTIVE DATE: Upon passage, except the provisions transferring CI powers to CTNext take effect September 1, 2016.

§§ 5-9, 17, 26 & 29 — INNOVATION PLACE PROGRAM

Establishes a grant program to foster innovation and entrepreneurship in compact, mixed use geographic areas

The act establishes, within CTNext, a program to foster innovation and entrepreneurship in compact, mixed use geographic areas with start-ups, “growth stage businesses,” “anchor institutions,” and access to public transit (i.e., innovation places). Under the act, an innovation place must include certain types of institutions, businesses, and public transportation. Specifically:
1. an entity having a significant and stable presence in the community, including an institution of higher education, hospital, major corporation, research institution, or business incubator or accelerator (i.e., anchor institution);

2. businesses (a) that have been incorporated for no more than 10 years, (b) that have raised private capital, and (c) whose annual gross revenue has increased by 20 percent for each of the three preceding income years (i.e., growth stage businesses); and

3. access to public transit, specifically, the New Haven rail line (including the Danbury, Waterbury, and New Canaan branch lines), the Shore Line East rail line, the New Haven-Hartford-Springfield rail line, and the New Britain to Hartford busway and any planned expansion of the busway.

CTNext must foster the development of innovation places by providing grants to specific types of entities to identify potential innovation places and develop their capacity to foster and promote innovation and entrepreneurship. Under the act, such entities include corporations, associations, nonprofit organizations, municipalities, and institutions of higher education, and these entities may submit applications for the designation of an innovation place. The act (1) establishes eligibility and selection criteria and (2) specifies the information an application must include. Among other things, an application must outline a plan for developing the place and leveraging private investment. Grants are available to (1) entities preparing such applications (planning grants) and (2) successful applicants.

The act also authorizes the CTNext board to initiate, or provide grants to entities for, projects that network innovation places with one another.

The act requires the CTNext board to report by September 30, 2017 and annually for three years thereafter to the Commerce and Finance, Revenue and Bonding committees on the operation and effectiveness of the innovation place program and grants distributed under it.

EFFECTIVE DATE: July 1, 2016, except the provision requiring the Department of Economic and Community Development (DECD) and CI to publicize and post on their websites certain information is effective upon passage and the provisions concerning priority for financial assistance for entities located in innovation places are effective October 1, 2016.

Program’s Purposes

Under the act, the innovation place program must:

1. foster innovation and entrepreneurship by facilitating the designation and establishment of innovation places consisting of at least one compact geographic area within the same municipality having entrepreneurial and innovation potential where: (a) existing anchor institutions, companies, institutions, and recreational spaces are in close proximity to start-up and growth stage businesses; (b) public transit is accessible; (c) a significant portion of the underlying zoning allows for mixed-use development; and (d) foot traffic is facilitated;

2. identify, designate, and fund the initial costs associated with developing an
innovation place;
3. encourage collaboration among higher education institutions, medical institutions, hospitals, existing companies, start-up and growth stage businesses, researchers, and investors;
4. encourage the leveraging of private investment in innovation places; and
5. connect entrepreneurs who are facing similar opportunities and challenges with other entrepreneurs and with private and public resources.

Applying for Planning Grants

The act authorizes the CTNext board to award planning grants to entities preparing an application for innovation place designation. By July 1, 2016, CI must post on its website a planning grant application form it prescribes. Applicants must submit the application to the CTNext board.

Planning grant applicants must apply by October 1, 2016. The board may extend this deadline by up to 60 days. The CTNext board must award grants by November 15, 2016.

Individual planning grants cannot exceed $50,000, and the total for all grants cannot exceed $500,000. Each grant must be proportionate to the anticipated grant for designated innovation places.

Applying for Innovation Place Designation

The act establishes an application process for designating proposed innovation places. It specifies the required application contents, deadlines for submitting applications, and the criteria by which the CTNext board must select several finalists.

Notice and Deadlines. Applications for innovation place designation are due by April 1, 2017.

The act requires the CTNext board to publicize and post on its website the deadline by which entities must submit an application for innovation place designation. It also requires DECD and CI to publicize and post on their websites, by July 1, 2016, the (1) application deadline for innovation place designation and (2) portion of the act setting forth definitions related to the innovation place program, the program’s purposes, and the application and review process.

Application Contents. Applicants must submit an application on a board-prescribed form and include with it information on the proposed innovation place, including (1) a plan for its development ("Master plan," see below), (2) a list of municipal and state legislative action that may be required to execute the plan, and (3) information concerning the capability of the applicant and its partners to implement and administer the plan and how such partners will be involved in the plan’s implementation.

The application must also include information on:
1. the proposed place’s conformity with the program’s purposes;
2. the place’s geographical boundaries (including a map) and walkability;
3. at least two anchor institutions in the place and how they will participate in its development and activities;
4. existing and proposed transportation-related infrastructure in and around the place;
5. existing and proposed businesses, recreational facilities, public parks, and other public or private gathering spaces in the place; and
6. the proposal’s consistency with the State Plan of Conservation and Development.

The application must also include letters of support from (1) private investors and (2) the chief elected official of the affected municipality. The latter letter must include a statement that the municipality’s legislative body has, by majority vote, indicated its support for the proposed place and for any municipal legislative action recommended in the place plan. A chief elected official may submit a letter of support for only one proposed place in his or her municipality.

Master Plan. As noted above, the application must include a master plan outlining the applicant’s plans for developing the place. The plan must include a proposal for connecting the place to public transit via rail or bus and leveraging private investment. It must also establish a proposed budget and timeline for spending grant money awarded by the CTNext board. The budget must indicate spending priorities should grants be insufficient to cover the entire proposed budget.

Applicants may include in their submitted plan letters of support from community members and plans for the following initiatives:
1. attracting and directing support to start-up and growth stage businesses and attracting anchor institutions;
2. developing, in collaboration with private partners, a business incubator, co-working space, business accelerator, or public meeting space;
3. events, community building, marketing, and outreach; and
4. open space improvement, housing development, bicycle paths, and improved technology infrastructure, including broadband.

Application Approval

The CTNext board must approve applications and designate such applications as innovation places. The board may condition its approval on modifications agreed to by the applicant. The board may not approve an application that does not meet the program’s purposes.

Minimum Requirements. The act prohibits the board from approving an application for innovation place designation unless:
1. it is consistent with the program’s purposes;
2. a significant portion of the place is in an area zoned for mixed uses or mixed use zoning is proposed;
3. it was prepared in collaboration with the local chamber of commerce or other industry association and the affected municipality’s economic development department, or similar authority; and
4. it is supported by the affected municipality’s legislative body, as demonstrated by a majority vote of the body.

Other Criteria. In determining whether to approve an application for innovation place designation, the CTNext board must consider whether the
entities partnering together to implement and administer the proposed master plan
are of the quality, and have demonstrated the commitment, to implement and
administer the master plan in a manner sufficient to achieve the program’s
purposes. The board must give preference to applicants with: (1) diverse partners
(including anchor institutions); (2) partnerships with entities located within the
proposed place; and (3) substantial private funding for expenses associated with
the proposed place’s development, in relation to the amount of grants requested.

The board must generally consider whether the plan is sufficient to achieve
the program’s purposes and specifically consider whether the plan leverages
private investment and includes the following:

1. proposed boundaries that are sufficiently compact to achieve the
   program’s purposes;
2. sufficient measures to (a) ensure walkability within the place and (b) enhance regular interpersonal interactions among the place’s residents, workers, and visitors;
3. adequate and accessible public transportation; and
4. existing or proposed restaurants, affordable housing options, and indoor or outdoor retail and public spaces providing an adequate opportunity for interpersonal interaction.

The board must also consider whether the (1) place will be self-sustaining after it spends any CTNext grants and (2) place’s underlying zoning provides for, or will be amended to provide for, dwellings with reduced square footage.

The act authorizes the board to consider any other criteria it determines are relevant for evaluating whether the proposed place will achieve the program’s purposes.

Finalists. The CTNext board must conduct a site walk of each finalist’s proposed innovation place and hold a public hearing on each finalist’s application in the affected municipality. The board’s chairperson must give at least 10 days’ notice of the hearing. The notice must include the hearing’s time and place and be posted (1) in a conspicuous place in or near the town clerk’s office and (2) on the municipality’s website, if available.

At the public hearing, the applicant must present its proposal, and the public must be given an opportunity to comment. Applicants may revise their applications based on public hearing comments.

Grants to Successful Innovation Place Applicants

The board may award grants to successful applicants, within available funding. Before awarding a grant, the board must enter into an agreement with the grantee (1) concerning allowable grant expenses and (2) requiring an annual financial audit of grant expenditures prepared by an independent auditor. The board must also confirm that (1) a significant portion of the underlying zoning of the proposed place allows for mixed-use development and (2) no portion of the grant goes to an entity that is not part of the place’s master plan.

If a grantee uses grants for expenses other than those specified in the agreement, the board may require the grantee to repay the misused amounts.
Financial Assistance for Entities Located near or in Designated Innovation Places (§§ 17, 26 & 29)

The act requires CI to establish a program to award, on a competitive basis, grants of $50,000 to start-ups located in or relocating to a CI-selected municipality with one or more designated innovation places. CI must consider investing in the start-ups that receive these grants and provide them with access to (1) mentoring opportunities, (2) coworking space or business accelerators located in the municipality for one year, (3) talent acquisition services, (4) angel or venture capital networks, and (5) a community of entrepreneurs (§ 29).

DECD’s Small Business Express program provides grants, loans, and other forms of financial assistance to eligible businesses with fewer than 100 employees. The act expands the range of businesses to which the DECD commissioner may give priority for this assistance to include those located in innovation places CTNext designates under the act (§ 17). The commissioner may already give priority to businesses that are (1) economic base industries or (2) attempting to export their products and services to foreign markets. By law, she must give priority to businesses that create jobs.

The act also authorizes the DECD, housing, energy and environmental protection, and transportation commissioners; OPM secretary; and CHFA executive director to give priority for available financial assistance to entities located in designated innovation places if they determine that doing so furthers the innovation place program’s purposes (§ 26).

§§ 10 & 16 — BONDS FOR CTNEXT AND OTHER PURPOSES

Earmarks $90 million in previously authorized bond funds for CTNext and other innovation and entrepreneurship programs

The act earmarks a total of $90 million in previously authorized Manufacturing Assistance Act (MAA) and CI bond funds for CTNext and other purposes, as shown below in Tables 1 and 2.

<table>
<thead>
<tr>
<th>Table 1: Bonds Earmarked for CTNext</th>
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<tbody>
<tr>
<td>§</td>
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<tr>
<td></td>
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<tr>
<td>10(b)(4)</td>
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<tr>
<td>16(b)(5)</td>
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<tr>
<td></td>
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</table>
### Table 2: Bonds Earmarked for Other Purposes

<table>
<thead>
<tr>
<th>§</th>
<th>Authorization</th>
<th>Amount (in Millions)</th>
<th>Total</th>
<th>To</th>
<th>Purpose</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>FY 17</td>
<td>FY 18</td>
<td>FY 19</td>
<td>FY 20</td>
</tr>
<tr>
<td>10 (b)(5)</td>
<td>MAA</td>
<td>--</td>
<td>--</td>
<td>2.0</td>
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<td>MAA</td>
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<tr>
<td>16 (b)(2)</td>
<td>CI</td>
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<td>5.0</td>
<td>5.0</td>
</tr>
<tr>
<td>16 (b)(3)</td>
<td>CI</td>
<td>--</td>
<td>--</td>
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<td>--</td>
</tr>
</tbody>
</table>

*Earmark is effective on passage

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**EFFECTIVE DATE:** Upon passage

**§ 11 — LOCATION OF CI OFFICES**

*Requires CI to consider relocating its main office to, and establishing satellite offices in, an innovation place*

The act requires CI, upon the termination of any lease it entered into on or before May 1, 2016, to consider (1) relocating its main office (currently located in Rocky Hill) to an innovation place designated under the act (see §§ 5-8) and (2) establishing satellite offices in one or more such places.

**EFFECTIVE DATE:** September 1, 2016
§§ 11, 13 & 22 — CI INVESTMENTS

Allows CI to invest in certain private equity investment funds, solicit investments from state residents, and provide capital to later-stage businesses; Requires CI to involve private partners in certain investment agreements

Investing in Private Equity Funds (§§ 11 & 22)

General Authorization. The act authorizes CI to (1) invest in private equity investment funds or “funds of funds” (which are funds that invest in other investment funds, rather than in businesses or ventures) and (2) enter into related limited partnership agreements or other contractual arrangements with these funds. (Presumably, CI must use its unrestricted funds to make these investments.) The funds may be organized and managed, and invest in, businesses in- or out-of-state, as long as their investment objectives and criteria are consistent with policies adopted by CI’s board of directors. Under the act, the policies must require funds receiving CI investments to invest an amount at least equal to CI’s investment, less reasonable management fees and closing costs, to (1) grow technology, bioscience, or precision manufacturing businesses in the state or (2) relocate these businesses to Connecticut.

Connecticut Bioscience Innovation Fund (CBIF) Funds. Under existing law, the CBIF advisory committee provides financial assistance directly to eligible recipients. Under the act, the committee may additionally provide indirect financial assistance to eligible recipients by investing in private equity investment funds, including those organized, managed, and investing in businesses in- or out-of-state.

The act requires the committee to adopt guidelines for providing this assistance, including requirements that funds receiving a CBIF investment invest an amount at least equal to the CBIF investment, less reasonable management fees and closing costs, in Connecticut entities that qualify for CBIF assistance (i.e., accredited colleges or universities, nonprofit organizations, or start-up or early stage businesses).

Investments by State Residents. The act authorizes CI to create a program to solicit investments from state residents and invest the funding they receive into a private investment fund as the act allows. CI must invest these funds in venture capital firms with offices in Connecticut. Individuals making these investments qualify for an estate tax credit under certain circumstances (see § 35).

EFFECTIVE DATE: September 1, 2016, except that CBIF provisions are effective July 1, 2016

Financial Incentives for Relocating Later-Stage Businesses (§ 11)

The act authorizes CI to invest in certain out-of-state, later-stage businesses, as long as they relocate to Connecticut. Specifically, CI may invest in businesses (1) incorporated for 10 years or less, (2) that have raised private capital, and (3) whose gross revenue has increased by 20% in each of the previous three years (i.e., growth-stage companies). CI may invest up to (1) $5 million in a business’s single venture capital funding round; (2) 50% of the total amount the business
raises in the funding round; and (3) $10 million in these companies, total.

Under the act, CI may also create financial incentives to encourage growth-stage companies, as described above, and out-of-state venture capital firms to relocate to Connecticut. It may do so only if it has made an investment in the growth stage company or is investing in the firm’s funds as a limited partner.

EFFECTIVE DATE: September 1, 2016

Private Partners (§13)

The act requires CI to involve one or more private partners in any venture agreement, investment agreement, or similar agreement in which it enters, except CBIF or Venture Clash (CI’s annual business competition) investment agreements. The act does not specify the type of involvement (e.g., financial or technical).

By law, CI invests its funds in people and businesses in Connecticut that research, develop, or apply specific technologies, procedures, services, and techniques. In exchange, CI receives rights to products or inventions, a share of the proceeds from their sale, or equity in the business that makes the product or provides the service. The equity can be in the form of common and preferred stocks (CGS § 32-39 (2)).

EFFECTIVE DATE: Upon passage

§ 14 — CI PERFORMANCE AUDIT

Requires CI to undergo a performance audit and submit it, along with a response, to the Commerce and Finance, Revenue and Bonding committees

The act requires CI to undergo a performance audit and submit it to the Commerce and Finance, Revenue and Bonding committees by December 1, 2016. An independent accounting or management consulting firm must conduct the audit, which must include recommendations as to:

1. whether CI’s staffing levels are appropriate;
2. CI’s performance, based on performance measures the firm chooses; and
3. CI’s compensation levels.

The firm must base its recommendations about CI employee compensation on an analysis of compensation policies at private investment firms and recommend compensation amounts that would maximize employee performance in a way that allows CI to achieve its statutory purpose.

By January 15, 2017, CI must submit a report to the Commerce and Finance, Revenue and Bonding committees summarizing its response to the audit.

EFFECTIVE DATE: Upon passage

§ 15 — DECD LOAN FORGIVENESS FOR BUSINESS MENTORS

Authorizes state loan forgiveness for technology-based businesses that mentor other businesses

The act creates an incentive for technology-based businesses receiving state economic development loans or other financial assistance to mentor other businesses through CTNext’s mentorship network. It allows the DECD
commissioner to forgive a portion of that assistance based on the amount of hours such business spends mentoring another business.

EFFECTIVE DATE: Upon passage

§ 18 — FIRST FIVE PLUS PROGRAM

Extends the First Five Plus Program’s authorization until June 30, 2019, increases the number of projects that may qualify for the program from 15 to 20, and expands the types of projects eligible for priority assistance

Extensions

The act extends the First Five Plus program’s sunset date by three years, from June 30, 2016 to June 30, 2019, and increases the maximum number of business development projects DECD can fund under the program from 15 to 20. The program combines financial assistance and tax incentives under existing programs for projects that create jobs and make capital investments within the law’s timeframes. Under those timeframes, projects qualify for First Five Plus assistance if they can (1) create at least 200 new jobs within 24 months after the commissioner approved assistance or (2) invest at least $25 million and create at least 200 new jobs within five years after the commissioner approves the assistance.

First Five Plus Preferences

The act expands the types of projects to which the DECD commissioner may give preference for First Five Plus assistance to those:

1. located in the state’s 25 distressed municipalities, which the commissioner annually determines based on social and economic criteria or
2. that are part of an industry that the state’s strategic economic development plan targets for assistance.

(The state’s 2015 plan targets health care, bioscience, insurance and financial services, advanced manufacturing, digital media, tourism, and green technologies industries for priority investment.)

The act also changes the criteria under which the commissioner may give preference to projects involving the relocation of jobs to Connecticut. Under prior law, she could give preference to projects involving the relocation of jobs from outside the United States, regardless of the types of jobs being relocated. The act instead allows her to give preference to projects involving the relocation of jobs from anywhere as long as they involve research, invention, or innovation.

By law, the commissioner may also give preference to projects involving:

1. the relocation of an out-of-state or international manufacturer or corporate headquarters or
2. redevelopment projects she believes will create jobs sooner than expected under the program’s timeframes.

Deadline Extensions

The act makes conforming changes aligning certain expiration dates to the
act’s extension of First Five Plus’s sunset date. It extends, from FY 17 through FY 20, the time during which the commissioner can use Manufacturing Assistance Act Program funds to fund First Five Plus projects without adhering to its funding limits (i.e., up to 90% funding for projects in municipalities with enterprise zones and generally up to 50% in the other municipalities).

The act extends, from FY 17 through FY 20, the time during which First Five Plus projects are exempt from the thresholds requiring legislative approval for financial assistance or urban and industrial reinvestment tax credits for large-scale economic development projects.

The act also extends, for the same period, the time during which the commissioner may exempt insurance premium tax credits awarded as first five program assistance from the statutory limits on the amount of credits taxpayers may claim against the insurance premium tax.

Lastly, the act extends the program’s biannual reporting requirements into 2019. Under the act, the commissioner must submit reports to the Commerce and Finance, Revenue and Bonding committees twice a year, by January 1 and September 1 in 2017, 2018, and 2019.

EFFECTIVE DATE: July 1, 2016

§ 19 — UCONN CENTER FOR ENTREPRENEURSHIP

Eliminates a requirement that certain UConn Center for Entrepreneurship programs be located at the Connecticut Center for Advanced Technology

The act eliminates a requirement that the UConn Center for Entrepreneurship’s accelerator program and intellectual property (IP) law clinic be located with the Connecticut Center for Advanced Technology in the Hartford area.

By law, the Center for Entrepreneurship’s purpose is to train the next generation of entrepreneurs by (1) training faculty and students in commercialization and business issues, (2) expanding UConn’s business accelerator program to provide specified services to technology-based companies, and (3) establishing an IP law clinic with the UConn law school.

EFFECTIVE DATE: July 1, 2016

§ 20 — CONNECTICUT 500 PROJECT

Establishes a public-private partnership to create 500,000 net new private sector jobs over the next 25 years and achieve other economic development goals

Purpose

The act establishes the Connecticut 500 Project to (1) create a net increase of 500,000 new private sector jobs over the next 25 years, (2) set and achieve the state’s cornerstone economic development goals for the next generation, and (3) establish a permanent governing board authorized to take specific steps to accomplish these tasks. The project must be administered by the Commission on Economic Competitiveness.
Permanent Governing Board

Composition. The commission, in collaboration with the project’s governing board, must convene and work closely with large corporations and small businesses; business, government, and community leaders; and organizations and institutions to achieve the act’s goals.

By January 1, 2017, the commission must solicit bids from outside consultants with economic development expertise to develop the project. The project must include creating the governing board that includes senior business leaders; the chief executive officers of public companies operating in Connecticut; state and local elected officials; and other business, government, and community leaders.

Powers. To achieve the CT 500 Project’s goals within 25 years, the governing board must propose legislation; leverage public and private investment in Connecticut and the project; solicit funds, or if public funds are available; solicit matching funds from the private sector; evaluate the state’s economic development policies; and take other actions the board deems necessary to achieve the act’s goals.

Project Goals

Besides creating a net increase of 500,000 new private sector jobs over the next 25 years, the project must, at a minimum:

1. increase the state’s population by 500,000 new residents;
2. create 500 new startup businesses based on intellectual property developed in Connecticut;
3. increase, by 500, the annual number of students graduating from each state college and university;
4. place Connecticut among the top five nationally ranked states with respect to economic growth, public education, quality of life, and private sector employee salary; and
5. maintain Connecticut’s top five ranking with respect to productivity, higher education, and per capita income.

The commission may rename the project and reset the goals.

EFFECTIVE DATE: July 1, 2016

§ 21 — COMMISSION ON ECONOMIC COMPETITIVENESS MEMBERSHIP

Expands the Economic Competitiveness Commission’s membership by adding a gubernatorial appointee; CTNext’s chairperson or designee; and the Finance, Revenue and Bonding Committee’s chairpersons and ranking members or their designees

PA 15-5, June Special Session, established the 13-member Commission on Economic Competitiveness to assess how the state’s tax policies affect business and industry and develop policies to promote economic growth. The act increases the commission’s membership to 23 by adding the following 10 members: the chairperson of CTNext or the chairperson’s designee; the chairpersons and ranking members of the Commerce and Finance, Revenue and Bonding
committees or their designees; and a member appointed by the governor.

These new members join the commission’s designated and appointed members. The designated members are the revenue services and economic and community development commissioners, or their designees, and a Connecticut Business and Industry Association (CBIA) representative appointed by the CBIA president. As Table 3 shows, the other members are appointed by legislative leaders.

<table>
<thead>
<tr>
<th>Appointing Authority</th>
<th>Number of Appointments</th>
<th>Member Qualifications</th>
</tr>
</thead>
<tbody>
<tr>
<td>House speaker</td>
<td>3</td>
<td>One appointee must be an executive of a publicly traded company</td>
</tr>
<tr>
<td>Senate president pro tempore</td>
<td>3</td>
<td>One appointee must be an attorney</td>
</tr>
<tr>
<td>House majority leader</td>
<td>1</td>
<td>Member of an employee advocacy group</td>
</tr>
<tr>
<td>Senate majority leader</td>
<td>1</td>
<td>Economist</td>
</tr>
<tr>
<td>House minority leader</td>
<td>1</td>
<td>Representative of a major corporation headquartered in Connecticut</td>
</tr>
<tr>
<td>Senate minority leader</td>
<td>1</td>
<td>Small business owner</td>
</tr>
</tbody>
</table>

EFFECTIVE DATE: Upon passage

§ 23 — TECHNOLOGY TALENT ADVISORY COMMITTEE

Establishes a Technology Talent Advisory Committee within DECD to identify and address technology sector job shortages

The act establishes a Technology Talent Advisory Committee within DECD to identify shortages of qualified employees in specific technology sectors and develop pilot programs to address those shortages.

Composition

Under the act, the DECD commissioner determines the committee’s size and appoints the members, which, at a minimum, must include representatives of UConn, the Board of Regents for Higher Education, independent institutions of higher education, and private industry. The committee designates its chairperson from among the members.

Appointments and Terms

The commissioner sets the members’ terms and must appoint the first members by September 30, 2016. A member continues to serve until the commissioner appoints his or her successor.

Members’ Duties and Obligations

Members serve without compensation, but are reimbursed for actual and
necessary expenses incurred while performing their official duties.

The act provides that it is not a conflict of interest for a committee member to be a trustee, director, or partner of any person, firm, or corporation, or to have a financial interest in these entities, as long as he or she complies with the state’s code of ethics. The act deems the members public officials and requires them to adhere to the code of ethics for such officials, but it exempts them from filing statements of financial interest.

Meetings

The commissioner must call the committee’s first meeting by October 15, 2016. The committee must meet at least quarterly and at such other times the chairperson deems necessary.

Decision-Making

A majority of the members is needed for a quorum to transact business or exercise any of the committee’s powers. If a quorum is present, the committee may act only by a majority of the members.

Identifying and Addressing Technology-Based Job Shortages

The act specifies the tasks the committee must perform and the order in which it must perform them.

The committee must first calculate the number of software developers and other people who are (1) employed in technology-based fields (e.g., data mining, data analysis, or cybersecurity) where there is a shortage of qualified workers in Connecticut for businesses to hire and (2) employed by Connecticut businesses as of December 31, 2016.

After calculating these numbers, the committee must develop pilot programs to recruit software developers to Connecticut and train state residents in software development and other technology fields. The programs must aim to increase the number of workers employed in these fields by at least twice the number of software developers and other technology-based workers currently employed in the fields where there are shortages of software developers and workers. The programs must aim to accomplish this goal by January 1, 2026.

Lastly, the committee must identify other technology industries where there are shortages of qualified employees for growth stage businesses to hire.

The act also allows the committee to develop pilot programs that:
1. market and publicize technology talent recruitment programs;
2. defer or forgive student loans for students who start businesses in Connecticut; and
3. offer training, apprenticeship, and gap year initiatives (i.e., programs in which a graduating student takes a career-oriented position with a company or travels abroad before going to graduate school or seeking a permanent, full-time job).

Reporting
The committee must submit a report on its activities to the Commerce, Education, Higher Education, and Finance, Revenue and Bonding committees by January 1, 2017. The report must provide information about the (1) committee’s pilot programs, (2) number of technology-based workers targeted for recruitment, and (3) timeline and measures for reaching the recruitment target.

EFFECTIVE DATE: Upon passage

§ 24 — KNOWLEDGE CENTER ENTERPRISE ZONES

Authorizes DECD to designate knowledge center enterprise zones in the state’s distressed municipalities

The act authorizes the DECD commissioner to establish up to 10 knowledge center enterprise zones in the state’s distressed municipalities based on proposals submitted by higher education institutions.

Proposing and Approving Zones

Under the act, a higher education institution may submit to DECD a proposal to establish a knowledge center enterprise zone. The proposal must include the following components:

1. the proposed zone’s geographic scope, including all of the census blocks incorporated in the zone, which may extend for up to a two-mile radius beyond the institution’s boundaries;
2. the nature of business and industry that will be developed in the zone;
3. how the business and industry (a) align with the institution’s mission and (b) will collaborate with the institution to create jobs;
4. the (a) number of jobs, (b) state and local revenue loss, and (c) economic and community development anticipated from the zone’s establishment; and
5. the institution’s experience collaborating with businesses or planning for such collaboration.

The act authorizes the DECD commissioner to approve a zone if she determines that (1) its economic development benefits outweigh the anticipated costs to the state and affected municipalities, (2) the proposal complies with the State Plan of Conservation and Development, and (3) it is located in one of the 25 state-designated distressed municipalities.

The DECD commissioner may modify the proposed zone’s geographic scope to improve the balance between its anticipated economic benefit and cost to the state and affected municipalities.

Zone Benefits

Under the act, businesses located in knowledge center enterprise zones receive the same benefits, subject to the same conditions, as those located in general enterprise zones.

By law, benefits given to businesses in enterprise zones include the following:

1. property and real estate conveyance tax exemptions and corporation
business tax credits, mainly for developing facilities, with the state reimbursing municipalities for a portion of the revenue loss from the property tax exemption (CGS §§ 12-81, 12-498, & 12-217e) and

2. a 10-year corporation business tax credit for any newly formed corporations locating in the zones (CGS § 12-271v).

Performance Assessment

The act requires the DECD commissioner to assess each zone’s performance at least 10 years after its establishment. It authorizes her to remove a zone’s designation if it fails to meet the established goals and standards outlined in regulations.

Regulations

The act requires the DECD commissioner to adopt regulations to implement the knowledge center enterprise zone program, including regulations on (1) reviewing and approving proposals, (2) establishing zone goals and performance standards, and (3) assessing their performance.

EFFECTIVE DATE: October 1, 2016

§ 25 — ANALYSIS OF INNOVATION AND ENTREPRENEURSHIP IN THE STATE

Requires CTNext to award a grant to an eligible organization to analyze innovation and entrepreneurship in the state

The act requires CTNext’s board of directors to award a grant of up to $500,000 to a policy institute, higher education institution, or research organization to conduct certain analyses of innovation and entrepreneurship in the state, as described below. The grantee must have significant experience in evaluating these initiatives and assessing statewide innovation and entrepreneurship performance generally.

CTNext must prescribe the manner in which such institutions or organizations may apply for the grant and include a request for proposals (RFP) to conduct the assessments, audits, and reports described below. Applicants must submit their RFPs to CTNext by January 1, 2017. The grantee must submit the assessments, audits, and reports to the CTNext board of directors and the Commerce and Finance, Revenue and Bonding committees.

Baseline Assessment of Innovation and Entrepreneurship

By June 1, 2017, and updated biennially for the subsequent four years, the grantee must conduct and submit a baseline assessment of the state’s innovation and entrepreneurship based on certain measures, including:

1. the increase or decrease in the state’s (a) start-up businesses, including growth-stage start-ups; (b) software developers; and (c) serial entrepreneurs (i.e., those having brought at least one start-up business to venture capital funding by an institutional investor);
2. job growth within growth-stage businesses;
3. the amount of private venture capital invested in start-up and growth-stage businesses;
4. employee turnover at start-up and growth-stage businesses;
5. the amount of entrepreneurship and innovation research funded by higher education institutions in the state;
6. the rate at which businesses enter and leave the state; and
7. the degree to which the state’s (a) hiring rate exceeds its job creation rate and (b) employment separation rate exceeds its job loss rate.

Annual Audits and Analyses

The grantee must annually audit and analyze:
1. CTNext’s programs and initiatives and include (a) an analysis of whether they are enhancing the program measures described above and (b) recommendations for legislative or programmatic changes to improve the measures and increase business creation;
2. activity at UConn that encourages or discourages entrepreneurship, including (a) patenting and intellectual property licensing policies and (b) hiring of faculty with entrepreneurial experience; and
3. activity that would increase the likelihood of new business formation.

Other Analyses

The bill authorizes the grantee to conduct a one-time policy audit of, and recommend improvements to, state legislation and regulations effecting innovation and entrepreneurship in the state. It also allows the grantee to prepare a report: (1) evaluating intrapreneurship models used by business organizations to stimulate creativity and innovation at such businesses; (2) detailing the models applied by the state’s businesses, if any; and (3) recommending ways to promote the application of such models.

EFFECTIVE DATE: July 1, 2016

§ 27 — HIGHER EDUCATION INNOVATION AND ENTREPRENEURSHIP WORKING GROUP

Establishes a group to foster innovation and entrepreneurship at Connecticut colleges and universities

The act establishes a working group to examine and develop a master plan for fostering innovation and entrepreneurship at Connecticut’s public and private colleges and universities. It sets requirements for the group’s membership and organization and the plan’s contents and submission.

EFFECTIVE DATE: July 1, 2016

Membership and Organization

The act requires the CTNext executive director to (1) invite, by January 1, 2017, the president of every in-state public and private college and university to
serve on the working group and (2) schedule the group’s first meeting, which must be held by February 1, 2017. At this meeting, the group must select two chairpersons from among its members, one from a public and one from a private higher education institution. Each president may send a designee to serve in his or her place.

CTNext must provide the necessary staff, office space and systems, and administrative support for the working group.

Plan Requirements

The act requires that the master plan accomplish the following:

1. assess the scope and scale of existing entrepreneurial programs and initiatives at higher education institutions in the context of best practices at state and national institutions that are leaders in innovation and entrepreneurship,
2. recommend initiatives that facilitate collaboration and cooperation among higher education institutions on projects that address and strengthen innovation and entrepreneurship at these institutions,
3. provide for the establishment of a statewide intercollegiate business plan competition,
4. identify funding priorities for higher education entrepreneurship grants for projects that (a) expand and enhance entrepreneurial programs and initiatives or (b) involve partnerships among higher education institutions,
5. recommend programs that advance the state’s innovation and entrepreneurship efforts, and
6. address opportunities and risks to innovation and entrepreneurship resulting from existing and emergent conditions affecting entrepreneurial programs and initiatives at higher education institutions.

The act defines “existing and emergent conditions” to include the following:

1. trends in (a) national funding for research and entrepreneurship endeavors at higher education institutions and (b) student and faculty preferences in entrepreneurship-related collegiate programming and initiatives;
2. willingness of alumni, entrepreneurs, and local business organizations to mentor faculty and students and provide student internships;
3. undergraduate and post-graduate student visa opportunities for recruiting international students interested in entrepreneurship; and
4. the state’s need to expand and strengthen statewide innovation and entrepreneurship and new business formation.

Under the act, “entrepreneurial programs and initiatives” include the following:

1. mentoring student entrepreneurs,
2. encouraging faculty entrepreneurship through (a) commercialization and licensing of intellectual property and (b) tenure policies,
3. entrepreneur-in-residence programs and entrepreneurship-related courses,
4. research faculty having entrepreneurial experience,
5. on-campus (a) business incubators or accelerators and (b) events encouraging entrepreneurship and entrepreneurial community building,
and
6. proof of concept support.

Plan Submission

The working group must submit the plan to the CTNext board of directors by May 1, 2017. Within one month after receiving the plan, the board must review and approve or reject it.

If the board approves the plan, it must submit the plan to the Higher Education Entrepreneurship Advisory Committee (described in § 28 below). If the board rejects the plan, it must submit a rejection letter and modification recommendations for the plan to the working group. Within one month after receiving the letter and recommendations, the working group must revise the plan based on the recommendations and resubmit it to the board. The working group must continue to resubmit the plan to the board until it gains approval. The one-month timeframes for board review and plan resubmission apply to subsequent revisions.

§ 28 — HIGHER EDUCATION ENTREPRENEURSHIP ADVISORY COMMITTEE

Establishes a committee to review applications for entrepreneurship grants to higher education institutions

The act establishes the Higher Education Advisory Committee within CTNext to review applications for higher education entrepreneurship grants that higher education institutions, or a partnership of one or more institutions, may submit. The committee prescribes the form for this application.

The committee may recommend approval of any application to the CTNext board of directors if it determines that the application is consistent with and in furtherance of the master plan developed by the higher education innovation and entrepreneurship working group for entrepreneurship at public and private higher education institutions (described above in § 27). The act requires the committee to prioritize applications that include collaborative initiatives between higher education institutions.

EFFECTIVE DATE: October 1, 2016

Membership

The act requires the CTNext board of directors to make initial appointments to the Higher Education Entrepreneurship Advisory Committee by June 1, 2017. The committee must include the following members:
1. an equal number of representatives from public and private higher education institutions,
2. one undergraduate and one graduate student,
3. one non-voting high school student, and
4. three serial entrepreneurs with experience as entrepreneurs-in-residence at a higher education institution.
The act defines “serial entrepreneur” as an entrepreneur who brought one or more start-up businesses to venture capital funding by an institutional investor.

Under the act, CTNext prescribes term limits for members, and each member must hold office until his or her successor is appointed. Members are not compensated for their service but are entitled to reimbursement for actual and necessary expenses they incur while performing their official duties.

The act deems advisory committee members to be public officials and requires them to adhere to the state Code of Ethics for Public Officials but exempts them from filing statements of financial interests with the Office of State Ethics. Under the act, any of the following individuals may serve as a committee member and it is not considered a conflict of interest, as long as they comply with the code of ethics: a trustee, director, partner, or officer of any person, firm, or corporation, or any individual having a financial interest in a person, firm, or corporation. Among other things, this means that members must abstain from taking official action on a matter if they have a substantial conflict of interest.

Organization

The act requires the CTNext executive director to call the advisory committee’s first meeting by June 15, 2017, at which the committee must select chairpersons. The committee must meet at least quarterly thereafter and may meet additional times as the chairperson deems necessary. (It is unclear whether one chairperson or each chairperson must deem the additional meetings necessary.)

Under the act, a majority of members constitute a quorum for the committee to transact any business or exercise any power. The act allows the committee to act by a majority of members present at any meeting at which there is a quorum.

§ 30 — CROWDFUNDING WEBSITE

Requires CTNext to create a website to advertise Connecticut start-ups that are crowdfunding or seeking angel investments

The act requires CTNext, beginning July 1, 2017, to establish and maintain a website advertising Connecticut-based start-up businesses that (1) are approved by CI to receive investments from angel investors or (2) are seeking funding on reward-based and equity-based crowdfunding websites. (“Crowdfunding” means funding a product, project, or venture by seeking small individual cash donations from a large number of people.)

CTNext must include, for each business it advertises on the website, (1) a description of the business and the product, project, or venture it is proposing and (2) links to the applicable websites and crowdfunding website associated with the business.

Under the act, CTNext, DECD, and CI must post, on their websites’ homepages, a link to the website CTNext establishes. CTNext must advertise and promote the website with paid advertisements on other websites and by any other means it determines.

EFFECTIVE DATE: July 1, 2016
§ 31 — ASSESSING COMMERCIAL PROPERTY BASED ON NET PROFITS

Removes the cap on the number of commercial properties that may be assessed based on net profits in those municipalities participating in a pilot property tax assessment program

Municipalities assess most real and personal property for property taxes based on a property’s fair market value, but a pilot program allowed up to five municipalities to each assess up to three commercial properties based on the net profits of their business occupants if the property’s owners and tenants agreed. The act allows the participating municipalities to assess all commercial property based on net profits, if the owners and their tenants agree.

By law, municipalities that wish to assess commercial property on this basis must apply to the Office of Policy and Management (OPM). Those selected for the program must adopt ordinances specifying the conditions and requirements for instituting these assessments (see Background). Currently, no municipalities have applied to participate in the program since it was launched in 2014.

EFFECTIVE DATE: October 1, 2016

Background

Ordinance for Assessing Commercial Property Based on Net Profits. PA 14-174 established this OPM-administered pilot program under which a municipality may, by ordinance, assess commercial property based on the net profits of the businesses that occupy it. The implementing ordinance must:

1. describe the properties eligible for this type of assessment,
2. describe how the tax rate for the net profits or anticipated net profits will be determined,
3. require agreement between the municipality and the property’s owners and tenants on the assessment method before the municipality institutes it,
4. specify how property owners or tenants may apply for the program,
5. require property owners seeking this assessment method to show how it would benefit the property and the municipality, and
6. provide for a phase-out of the method and a return to an assessment based on fair market value (CGS § 12-63i).

§ 32 — LOCAL ECONOMIC DEVELOPMENT PROPERTY TAX INCENTIVE

Generally gives municipalities more latitude to set the terms and conditions for an economic development property tax incentive

Fixing the Assessment on Newly Developed or Improved Property

The act generally gives municipalities more latitude to set the terms and conditions for an existing property tax incentive intended to encourage property owners to develop or improve property for specified purposes. The incentive reduces the portion of an improved property’s value subject to the property tax (i.e., fixing the assessment). By law, municipalities must assess real property for taxes based on 70% of its fair market value, which often increases after it is
developed or improved. Higher assessments could lead to higher taxes if the tax rate goes up or stays the same. Consequently, reducing the assessment potentially reduces the amount of taxes the property owner would otherwise pay.

**Eligible Uses**

The act limits municipalities’ ability to fix the assessment for residential and transient residential property improvements to those with at least four units. Under prior law, they could fix the assessment for any property developed or improved for these uses regardless of the number of units in the property.

Existing law, unchanged by the act, additionally allows municipalities to fix the assessments on property developed or improved for the following uses: offices; retail; manufacturing; warehouse, storage, or distribution; structured multilevel parking supporting a mass transit system; information technology; recreation facilities; transportation facilities; and health systems. The law also allows municipalities to fix the assessment for mixed-use developments including at least one dwelling unit.

**Criteria for Fixing Property Assessments**

The act allows municipalities to determine the exemption amount and the terms and conditions, but limits its duration to a maximum of 10 years. It does this by eliminating prior law’s schedule for fixing the assessment, which Table 4 shows.

<table>
<thead>
<tr>
<th>Minimum Value of the Improvement</th>
<th>Period for Fixing the Assessment</th>
<th>Percent of the Increase in Assessed Value Exempt from Taxation</th>
</tr>
</thead>
<tbody>
<tr>
<td>$3 million</td>
<td>Up to seven years</td>
<td>100%</td>
</tr>
<tr>
<td>$500,000</td>
<td>Up to two years</td>
<td>100%</td>
</tr>
<tr>
<td>$10,000</td>
<td>Up to three years</td>
<td>Up to 50%</td>
</tr>
</tbody>
</table>

The act also gives municipalities more latitude to fix the assessment on improved retail property in a designated area. Under prior law, they could set the terms and conditions for fixing the assessment on such property, but first had to adopt an ordinance designating an area where this benefit is available. The act allows them to fix the assessment on any retail property in any area without first having to adopt an ordinance designating the area.

**EFFECTIVE DATE:** October 1, 2016 and applicable to assessment years beginning on or after that date.

**§§ 33 & 34 — CONNECTICUT ARTS ENDOWMENT FUND**

Changes the method for determining the annual amount of endowment funds available for grants and reduces the minimum matching grant amount.
Endowment Funds Available for Grants

The act changes the method for determining the amount of Connecticut Arts Endowment Fund money annually available for making matching grants to arts organizations. The fund is capitalized by bond proceeds, which the state treasurer invests to generate the money for making the matching grants, which the DECD commissioner awards. Under prior law, the amount that was annually available for the grants equaled the fund’s investment earnings for the prior fiscal year. Under the act, the amount available equals the greater of the (1) prior fiscal year’s investment earnings or (2) increase in the fund’s market value, up to 5% of the fund’s total market value.

Matching Grant Amounts

The act reduces, from $25,000 to $15,000, the minimum amount (threshold) arts organizations must raise from private donors in each of the two most recent fiscal years to qualify for the state matching grant.

By law, the matching grant amount a qualifying organization receives for its donations above the threshold amount is calculated according to a formula that provides a more generous match for donations that exceed the amount raised in the previous year. The state matches 25% of the donations that equal the previous year’s, up to $250,000, and 100% of the donations that exceed the previous year’s, up to $1,000,000.

The law requires DECD to prorate the grants if the total for all organizations exceeds the endowment’s earnings. In these cases, the act prohibits DECD from awarding grants for less than $500.

EFFECTIVE DATE: July 1, 2016

§ 35 — ESTATE TAX REDUCTION FOR INVESTMENTS IN CI INVESTMENT FUNDS

Establishes an estate tax reduction for qualifying investments in CI investment funds

The act establishes an estate tax reduction for decedents that made qualifying investments through CI’s investment program for state residents (see § 11).

Under the act, decedents qualify for the deduction for amounts they invested for at least 10 years in a private investment fund or “fund of funds” through the CI program. As described above, the act authorizes CI to create such a program to solicit investments from state residents and invest the funds in venture capital firms with offices in Connecticut.

The reduction is equal to 50% of the eligible investment, up to $5 million per decedent and $30 million total.

EFFECTIVE DATE: October 1, 2016 and applicable to estates of decedents who die on or after January 1, 2021.

§ 36 — FAILURE TO FILE FOR MANUFACTURING MACHINERY AND EQUIPMENT PROPERTY TAX EXEMPTION
Gives Milford taxpayers more time to file for the statutory manufacturing and equipment property tax exemption

By law, certain machinery and equipment acquired on or after October 1, 2011 and used for manufacturing, including biotechnology, qualifies for a property tax exemption (CGS § 12-81(76)). Taxpayers must file for the exemption annually by November 1.

The act allows taxpayers in Milford to claim the machinery and equipment exemption on the 2015 grand list if they missed the November 1 mandatory filing deadline. (Property on the October 2015 grand list is taxed in FY 17.) It does so by waiving the deadline if a taxpayer files for the exemption by July 31, 2016. If the taxpayer meets the act’s filing deadline, Milford’s property tax assessor must waive any late filing fees. After verifying the property’s eligibility for the exemption, the assessor must approve the exemption and the town must refund any taxes paid on the machinery and equipment.

EFFECTIVE DATE: July 1, 2016

§§ 37-40 & 75 — OLD STATE HOUSE

Transfers responsibility for the Old State House from OLM to DEEP

The act requires the Legislative Management Committee to lease or sublease the Old State House to the Department of Energy and Environmental Protection (DEEP) for $1. The lease or sublease must be coterminous with the committee’s existing lease with Hartford for the Old State House. DEEP must then care for, maintain, and operate the property.

The act requires the Office of Legislative Management (OLM), on June 30, 2016, to transfer the funds in its Old State House (Private Funds) account in the General Fund to DEEP. DEEP must deposit the funds in an account of the same name and use the funds to operate and manage the property.

The act also eliminates the requirement that the Legislative Management Committee require contractors and their subcontractors to pay employees providing services at the Old State House at least $15 an hour or the standard wage rate, whichever is greater. Existing law applies this wage requirement to services performed at the Legislative Office Building and the State Capitol. By law, DEEP contractors must pay employees at least the standard wage rate, as applicable. (The standard wage rate is the minimum rate private contractors providing certain services in state buildings must pay their workers, as determined by the labor commissioner.)

EFFECTIVE DATE: July 1, 2016, except the provision transferring funds is effective on passage.

§ 41 — ARBITRATOR COMPENSATION

Increases compensation for State Board of Mediation and Arbitration arbitrators in certain proceedings

The act increases, from $225 to $325, the first day’s compensation paid to State Board of Mediation and Arbitration arbitrators who preside over a
proceeding in a three-member panel. By law, unchanged by the act, (1) arbitrators on a panel receive $150 for each additional day of the proceeding, (2) the arbitrator who prepares the panel’s written decision receives an additional $175, and (3) arbitrators who preside over proceedings individually receive $325 for the proceeding’s first day and $150 for each additional day.

EFFECTIVE DATE: July 1, 2016

§ 42 — WAIVER OF PAYMENTS DUE FROM STATE-FINANCED HOUSING AUTHORITIES

Requires municipalities to waive certain payments from state-financed housing authorities

The act extends by two years the requirement that municipalities waive certain payments due from certain state-financed housing authorities.

Existing law requires state-financed housing authorities for moderate rental housing projects to make payments to municipalities in lieu of paying property taxes, special benefit assessments, and sewer system use charges. Existing law authorizes the Department of Housing (DOH) to make payments on the authorities’ behalf as part of its Payment in Lieu of Taxes Subsidy Program.

PA 15-5, June Special Session (§ 495), prohibits municipalities from requiring an authority to make these payments to municipalities in FY 16 if DOH made a payment on the authority’s behalf in FY 15. The act expands this prohibition for two more years, through FY 18. Under both prior law and the act, no waiver is required if federal funds are made available for the payments.

EFFECTIVE DATE: Upon passage

§ 43 — MEDICARE PART D PRESCRIPTION DRUG COVERAGE

Requires DSS to pay for Medicare Part D prescription drug copayments that exceed $17 per month for “dually eligible” Medicaid recipients

For those who are eligible for full Medicaid assistance and also have Medicare Part D coverage (i.e., dually eligible), the act requires the Department of Social Services (DSS) to pay for the portion of Medicare Part D prescription drug copayments that exceeds, in the aggregate, $17 in any month. Prior law required such beneficiaries to pay the full cost of their Medicare Part D prescription drug copayments.

EFFECTIVE DATE: October 1, 2016

§§ 44 & 45 — BURIAL EXPENSES FOR PUBLIC ASSISTANCE RECIPIENTS AND INDIGENT INDIVIDUALS

Reduces the maximum burial benefit from $1,400 to $1,200 and broadens the types of deductions DSS makes from the maximum to calculate burial payments

The act decreases, from $1,400 to $1,200, the maximum amount DSS must pay toward funeral and burial expenses for State Administered General Assistance (SAGA), Temporary Family Assistance (TFA), or State Supplement Program (SSP) recipients and certain other indigent individuals. It also limits the indigent
individuals for whom DSS will pay such expenses. Under prior law, DSS covered funeral and burial costs up to the allotted maximum for individuals who died and either did not (1) leave a sufficient estate or (2) have a legally liable relative able to cover such costs. Under the act, DSS must pay such costs only if the decedent did not leave a sufficient estate and has no legally liable relative able to cover the costs.

Under prior law, the amount DSS contributed for funeral and burial costs for a deceased TFA or SSP recipient was reduced by the (1) amount in any revocable or irrevocable funeral fund or prepaid funeral contract or (2) face value of the recipient’s life insurance policy. The act instead requires DSS to reduce its contribution by the aggregate amount of (1) such funds; (2) the face value of such a policy; (3) the net value of liquid assets in the decedent’s estate; and (4) contributions over $3,400 towards the funeral and burial costs from all other sources, including friends, relatives, other persons, organizations, agencies, veterans’ programs, and other benefit programs. Prior law permitted any person to contribute to the funeral and burial costs for such decedents without diminishing the state’s obligation to pay.

The act also aligns the restrictions on the amount DSS must pay for SAGA recipients and indigent individuals to those discussed above for deceased TFA and SSP recipients. It does so by (1) increasing, from $3,200 to $3,400, the outside contribution threshold above which DSS must reduce its payment towards funeral and burial costs and (2) requiring DSS to reduce its payment by the net value of all liquid assets in the decedent’s estate.

The act permits DSS to adopt regulations to implement these provisions.

EFFECTIVE DATE: July 1, 2016

§ 46 — RESIDENTIAL CARE HOMES, COMMUNITY LIVING ARRANGEMENTS, AND COMMUNITY COMPANION HOMES

Freezes rates for certain facilities in FY 17

Under the act, regardless of rate-setting laws or regulations to the contrary, the rates the state pays to residential care homes, community living arrangements, and community companion homes that received the flat rate for residential services in FY 16 remain in effect in FY 17. State regulations permit these facilities to have their rates determined on a flat rate basis rather than on the basis of submitted cost reports (Conn. Agencies Reg. § 17-311-54).

EFFECTIVE DATE: July 1, 2016

§§ 47-60 & 63 — AUTISM SPECTRUM DISORDER (ASD) SERVICES

Transfers responsibility for many ASD services from DDS to DSS

The act makes DSS, rather than the Department of Developmental Services (DDS), the lead agency for (1) coordinating state agency functions that have responsibility for ASD services and (2) purposes of the federal Combating Autism Act and applying for federal funding associated with ASD responsibilities. It also makes several conforming changes. Under the act, DDS retains the authority to
license community living arrangements and companion homes for individuals with ASD.

Under the act, DSS, instead of DDS, may report to the governor on any funding and legislation needed to provide necessary ASD services. The act also makes the Human Services Committee, instead of the Public Health Committee, a recipient of this report and an annual report DSS issues on the status of a Medicaid-financed home and community-based program for certain individuals diagnosed with ASD.

Division of ASD Services

The act moves the Division of ASD Services from DDS to DSS, but the DDS commissioner retains the authority to investigate reports alleging abuse or neglect of an individual receiving division services. It also makes several conforming changes.

The act also allows DSS to (1) adopt regulations defining ASD and establishing eligibility standards and criteria for ASD services and (2) implement necessary policies and procedures before adopting regulations. Prior law required DDS to adopt such regulations, though it had not done so.

Starting February 1, 2017, the act also (1) shifts from DDS to DSS a requirement to report annually on the division’s activities and (2) makes the Human Services Committee, instead of the Public Health Committee, a required report recipient.

ASD Advisory Council

The act adds the Office of Early Childhood commissioner, or her designee, as a 25th member to the ASD Advisory Council and designates the DSS commissioner, instead of the DDS commissioner, as a council co-chairperson. It also requires the council to advise the DSS commissioner, instead of the DDS commissioner, on autism-related matters.

Additionally, the act requires the DSS commissioner, instead of the DDS commissioner, in collaboration with the council, to designate services and interventions that demonstrate empirical effectiveness for treating ASD.

ASD Definition

The act specifies that ASD has the same meaning as set forth in the American Psychiatric Association’s “Diagnostic and Statistical Manual of Mental Disorders” (DSM-5). The act applies this definition regardless of an existing law requiring applied behavioral analysis services for students with ASD.

Department of Rehabilitation Services (DORS) Employment Program

By law, and within available appropriations, DORS may administer an employment opportunities program for individuals with the most significant disabilities who are not eligible for DDS or the Department of Mental Health and Addiction Services’ supported employment programs. The act makes a
conforming change to specify that this program is also available to such individuals who are ineligible for DSS supportive employment programs (e.g., programs serving individuals with autism).

EFFECTIVE DATE: July 1, 2016, except for the provision that defines ASD, which is effective upon passage.

§ 61 — NONUNION STATE EMPLOYEE PENSION CAP

Caps annual pensions for nonunion state employees hired after July 1, 2016

The act caps annual pensions at $125,000 for any nonunion members of the State Employees Retirement System (SERS) who are initially hired by the state on or after July 1, 2016, regardless of their years of vesting service or any other SERS requirements they have completed when they retire. It requires such a member’s annual pension to be reduced to $125,000 if it exceeds that amount when it is calculated at the member’s retirement or after a cost of living adjustment (COLA). It also prohibits those with $125,000 annual pensions from receiving COLAs.

SERS is a defined benefit retirement plan that provides its members a pension benefit determined by their tier membership (i.e., when they were hired), the number of years they worked for the state, and their final average salary over a certain number of years. By law, the state must collectively bargain with the State Employees Bargaining Agent Coalition (SEBAC) over changes to SERS for unionized state employees.

EFFECTIVE DATE: July 1, 2016

§ 62 — MEMBERSHIP OF SCHOOL BUILDING PROJECT REVIEW COMMITTEE

Increases and specifies the membership of the committee

The act increases, from eight to 12, the membership of the School Building Project Review Committee. The members must include the co-chairs and ranking members of the Appropriations; Finance, Revenue and Bonding; and Education committees. Under prior law, committee members included eight legislators who were appointed by the legislative leaders and not selected from specific committees.

The act also eliminates the requirement that the appointments be made annually by July 1.

By law, the committee must review and approve the list of eligible school building projects that the Department of Administrative Services (DAS) must submit to the legislature annually by December 15. The list becomes the basis of the annual school building project authorization bill.

EFFECTIVE DATE: July 1, 2016

§§ 64 & 210 — EAST HARTFORD MAGNET SCHOOL TUITION

Repeals funds to help East Hartford defray magnet school tuition costs
The act repeals a provision in PA 15-5, June Special Session, designating up to $220,818 of the State Department of Education’s (SDE) FY 17 magnet school appropriation to defray magnet school tuition costs charged to East Hartford.

The act also makes permanent the statutory cap on the amount of tuition the East Hartford school district must pay to magnet schools if more than 7% of the district’s student population attends them. By law, the district is not responsible for the first $4,400 of tuition for any students over the 7% threshold. Previously the cap applied only to FYs 16 and 17; the act extends it to each subsequent fiscal year. It also makes permanent the requirement that SDE be financially responsible for any loss of tuition to a magnet school, within available appropriations and subject to possible proportionate reductions if the total of the tuition recovery payments exceeds the amount appropriated for that purpose.

EFFECTIVE DATE: Upon passage

§ 65 — ACUTE CARE AND EMERGENCY BEHAVIORAL HEALTH SERVICES GRANT PROGRAM

Requires DMHAS to establish the grant program within available appropriations and modifies how grant funds may be used.

PA 15-5, June Special Session, established a grant program in DMHAS to provide funds to organizations providing acute care and emergency behavioral health services. The act requires DMHAS to establish the program within available appropriations.

Additionally, the act allows, rather than requires, the grants to be used for providing community-based behavioral health services, including (1) care coordination and (2) access to information on and referrals to available health care and social services programs. By law, the DMHAS commissioner must establish eligibility criteria and an application process.

EFFECTIVE DATE: July 1, 2016

§ 66 — PRIORITIZATION FOR ADDITIONAL MAGNET SCHOOL SEATS

Modifies the existing method to prioritize funding for additional magnet school seats.

Prior law (1) permitted SDE to limit a magnet school’s per-student grant payment to an amount the school was eligible to receive based on its enrollment on October 1, 2013 and (2) required funding for any additional students above the 2013 enrollment to be based on specified criteria.

The act modifies this method for FY 17 by:

1. allowing SDE to limit payments to the amount the magnet school was eligible to receive based on its enrollment on October 1, 2013 or October 1, 2015, whichever is lower, and
2. changing the criteria that SDE must use for funding seats above the enrollment baseline.

Funding Above Enrollment Baseline

The act eliminates the provision that permits additional funding for magnet
school enrollment above the baseline for (1) a school moving into a permanent facility for the school years starting July 1, 2014 to July 1, 2016, inclusive, and (2) new enrollments for a new magnet school starting operation on or after July 1, 2014, to help meet the 2013 Sheff stipulation on school desegregation. The act (1) keeps the remaining criteria for SDE to prioritize additional magnet school funding and (2) adds a provision for planned new grade levels for the school year starting July 1, 2015 (number 3 below).

The act provides the following magnet school funding priority order increases in enrollment for a school:

1. adding planned new grade levels for school years beginning July 1, 2015 and July 1, 2016;
2. that added planned new grade levels for the school year beginning July 1, 2014 and that was funded during FY 15;
3. that added planned new grade levels for the school year beginning July 1, 2015 and that was funded during FY 16; and
4. to ensure compliance with the statutory requirements for racial and economic diversity, special curriculum, and operating at least a half-time educational program.

The act also allows magnet school grants to be paid to each magnet school operator as an aggregate total of the amount each operator is eligible to receive under state law. It provides that each operator may distribute the aggregate grant among its magnet schools according to a distribution plan that the education commissioner approves.

EFFECTIVE DATE: July 1, 2016

§§ 67-74 & 209 — OFFICE OF GOVERNMENTAL ACCOUNTABILITY (OGA)

Removes the Office of State Ethics (OSE), State Elections Enforcement Commission (SEEC), and Freedom of Information Commission (FOIC) from OGA

By law, OGA consists of independent divisions for which it provides consolidated personnel, payroll, affirmative action, and administrative and business office functions, including information technology associated with these functions. The divisions have independent decision-making authority, including decisions on budgetary issues and employing necessary staff.

The act removes the Office of State Ethics (OSE), State Elections Enforcement Commission (SEEC), and Freedom of Information Commission (FOIC) from OGA, thus making them each responsible for the functions listed above. The act also removes the chairpersons of the Citizen’s Ethics Advisory Board (which is within OSE), SEEC, and FOIC from the Governmental Accountability Commission (GAC), thus reducing GAC’s membership to six. By law, GAC is within OGA and is responsible for (1) recommending OGA executive administrator candidates to the governor and (2) terminating the executive administrator’s employment, if necessary.

Under the act, the following six divisions remain in OGA:
1. Judicial Review Council,
2. Judicial Selection Commission,
3. Board of Firearms Permit Examiners,
4. Office of the Child Advocate,
5. Office of the Victim Advocate, and

The act makes several technical and conforming changes, including requiring OSE’s, SEEC’s, and FOIC’s executive directors, rather than the OGA executive administrator, to transmit their respective agencies’ budget requests to OPM. It also repeals an obsolete provision regarding a plan for the OGA merger (§ 209).

EFFECTIVE DATE: July 1, 2016

§§ 76 & 77 — STATE BOARD OF ACCOUNTANCY

Transfers the State Board of Accountancy to the Department of Consumer Protection

The act transfers the State Board of Accountancy from the Secretary of the State’s Office to the Department of Consumer Protection (DCP) and requires DCP to provide office space for the board. This nine-member board, appointed by the governor, regulates the practice of public accountancy in the state.

Under the act, board members are neither compensated for their services nor reimbursed for necessary expenses. Prior law required board members to be reimbursed for necessary expenses.

The act also eliminates the board’s authority to (1) recommend personnel for the Secretary of the State to hire to carry out its duties, (2) contract with such individuals, and (3) appoint committees or people to advise or assist in administering or enforcing public accountancy law.

The act makes other minor and technical changes.

EFFECTIVE DATE: July 1, 2016

§ 78 — OFFICE OF FISCAL ANALYSIS (OFA) AND OPM ANNUAL EXPENDITURE REPORTS

Modifies the information OPM and OFA must include in the annual spending estimates the law requires them to prepare for the Appropriations and Finance, Revenue and Bonding committees

Existing law requires OFA and OPM to annually submit by November 15 certain information, including their consensus estimate of state revenue and each office’s spending estimates for the current biennium and the three following fiscal years, to the Appropriations and Finance, Revenue and Bonding committees. Prior law required OFA’s and OPM’s spending estimates to include each fund’s estimated expenditures and ending balance and the assumptions they used to make their estimates. Under the act, they must instead each report, for the same time period, (1) the level of spending changes from current year spending allowed by consensus revenue estimates in each fund, (2) any changes to current year spending that are necessary because of “fixed cost drivers,” and (3) the total change to current year spending required to accommodate fixed cost drivers without exceeding current revenue estimates.

Under the act, “fixed cost drivers” may include debt service, pension
contributions, retiree health care, entitlement programs, and federal mandate costs.

EFFECTIVE DATE: July 1, 2016

§ 79 — DEAF AND HARD OF HEARING INTERPRETING

Removes requirement that DORS provide interpreting services upon request

The act allows, rather than requires, DORS to provide deaf or hard of hearing interpreting services to any person or entity upon request to the extent interpreters are available. By law, unchanged by the act, anyone receiving such services through DORS must reimburse the agency at rates it sets.

EFFECTIVE DATE: July 1, 2016

§ 80 — DORS EDUCATIONAL AID ACCOUNT

Removes certain purchasing and prioritization requirements related to DORS educational funding for blind children

Under existing law, all state residents who require specialized vision-related educational programs, goods, and services are entitled to receive them. The law requires DORS to spend funds from the Educational Aid for the Blind and Visually Handicapped Children account (i.e., the educational aid account) for this purpose.

The act removes a requirement that DORS spend account funds on certain goods and services first, before spending these funds in other ways allowed by law (e.g., to pay for teaching services). Instead, it allows DORS to spend account funds for such goods and services, which include: (1) specialized books and supplies, (2) adaptive technology, (3) specialist examinations and aids, and (4) preschool programs and vision-related independent living services.

The act also removes an obsolete reference to a per-child statutory maximum.

EFFECTIVE DATE: July 1, 2016

§ 81 — TAX FREEZE PROGRAM REIMBURSEMENTS

Authorizes OPM to proportionately reduce Tax Freeze Program reimbursements to municipalities

The act requires OPM to proportionately reduce reimbursements it issues to municipalities under the Tax Freeze Program if the amount appropriated for the program is less than the amount required for the reimbursements.

Under the Tax Freeze Program, municipalities freeze property taxes on homes owned by qualifying seniors or their surviving spouses at the amount they paid in their first year enrolled in their program. OPM reimburses municipalities for the resulting lost tax revenue. The program has been closed to new applicants since 1979.

EFFECTIVE DATE: July 1, 2016

§ 82 — RENTERS’ REBATE PROGRAM GRANTS

Requires OPM to reduce grants to keep within available appropriations
The act requires the OPM secretary to reduce Renters’ Rebate Program grants as necessary to keep the grant total within available appropriations. Any necessary reductions must be implemented through a percentage reduction to all grants.

The secretary must make this determination annually and send notice of the percentage reduction to the comptroller along with the list of certificates approved for payment.

Under the Renters’ Rebate Program, the state provides grants to qualified low-income renters who are elderly or totally disabled. Grants are based on income, rent, and utility expenses.

EFFECTIVE DATE: July 1, 2016

§ 83 — PAYMENT IN LIEU OF TAXES (PILOT) PAYMENTS FOR TOWNS WITH CERTAIN AIRPORTS

Conforms to current practice by allowing municipalities with airports owned by the Connecticut Airport Authority, other than Bradley International, to receive PILOTs for such property.

By law, the state makes annual PILOT payments to municipalities to reimburse them for a part of the revenue loss due to the tax-exempt status of certain properties. The PILOTs are based on (1) a specified percentage of taxes that each municipality would otherwise collect on the property and (2) the amount the state appropriates for the payments.

The act conforms law to current practice by allowing municipalities with airports owned by the Connecticut Airport Authority (other than Bradley International Airport) to receive PILOTs for such properties. Existing law already allows municipalities to receive PILOT payments for municipally-owned airports.

Under the act, from January 1, 2015 through FY 16, the PILOT reimbursement rate to municipalities for such airports is 45%. By law, PILOTs are proportionately reduced if the amount appropriated is insufficient to fund the full payment to all recipients.

The act does not make corresponding changes to the statute on PILOT reimbursement for FY 17 and beyond (CGS § 12-18b).

EFFECTIVE DATE: January 1, 2015

§§ 84 & 85 — TOURISM WELCOME CENTERS

Requires DECD to maintain, operate, and manage the state’s visitor welcome centers within available appropriations.

The act requires DECD to maintain, operate, and manage the state’s visitor welcome centers within available appropriations. Prior law required DECD to perform these duties, which included the following tasks:

1. provide space for listing events and promoting attractions at these centers;
2. develop, in consultation with the Department of Transportation (DOT), plans for (a) consistent signage for the centers and (b) regulating highway signage for privately operated centers;
3. establish, with DOT, a program under which local civic organizations help
maintain and operate a center (i.e., Adopt a Visitor Welcome Center program); and
4. place a full-time year-round supervisor and a part-time assistant supervisor at the Danbury, Darien, North Stonington, and West Willington centers.

The law already requires DECD to staff certain centers when funds are available for this purpose. When funds are available, DECD must (1) place a seasonal full-time supervisor and a seasonal part-time assistant at the Greenwich and Westbrook centers and (2) provide training for center supervisors.

EFFECTIVE DATE: July 1, 2016

§ 86 — SUPPLEMENTAL MAGNET SCHOOL TRANSPORTATION GRANTS

Extends the education commissioner’s authority to provide supplemental grants

The act extends through FY 16, the education commissioner’s authority to make supplemental magnet school transportation grants, within available appropriations, to assist (1) Sheff stipulation school integration goals (i.e., the Capitol Region Education Council) and (2) EASTCONN, a regional education service center. For FY 16 up to 50% of the grant is paid on or before June 30, 2016 and the remainder is paid on or before September 1, 2016 after completion of a comprehensive financial review. The review must be funded by part of the grant amount.

It also deletes an obsolete provision.

EFFECTIVE DATE: Upon passage

 §§ 87 & 88 — HOSPITAL RATES

Eliminates or modifies requirements for calculating Medicaid rates paid to hospitals

By law, Medicaid rates paid to acute care hospitals must be based on diagnostic-related groups (DRGs) the DSS commissioner establishes and periodically rebases after completing a fiscal analysis of the payment system’s impact on each hospital. The act specifies that the commissioner must establish and rebase the DRGs in accordance with federal law, which generally requires that payments:

1. be consistent with efficiency, economy, and quality of care;
2. be sufficient to enlist enough providers so that care and services are available under the state’s Medicaid plan to the same extent they are available to the general public; and
3. safeguard against using unnecessary care and services (42 U.S.C. 1396(a)(30)(A)).

The act requires DSS, for inpatient services that are not appropriate for DRG-based reimbursement, to reimburse the hospitals using any other methodology that complies with those federal requirements.

The act also eliminates a provision that became obsolete when DSS established hospital rates based on DRGs.
Payments for Special Services

The act also eliminates a requirement that the commissioner annually establish rates for hospital special services based on each hospital’s reasonable cost to provide those services to Medicaid patients. It instead requires the commissioner to annually establish those rates pursuant to federal law and, as under prior law, within available appropriations.

Outpatient and Emergency Department (ED) Visit Payment Rates

Prior law required DSS to adopt a payment rate system for hospital outpatient and ED episodes of care (except those that took place at publically operated psychiatric hospitals) based on the Medicare Ambulatory Payment Classification (MAPC) system with a state conversion factor. Until it did so, DSS had to pay hospitals a rate established annually for each outpatient and ED visit based on the reasonable cost of the services and within available appropriations. The act instead requires DSS to pay these hospitals for such services at rates that comply with the federal requirements described above and within available appropriations until it adopts a payment rate system based on an unspecified ambulatory payment classification system. It also eliminates requirements that (1) the commissioner determine outpatient and ED rates on an annual basis and (2) the commissioner augment the MAPC system to provide payment for services it does not generally cover (e.g., mammograms, physical therapy).

Under the act, the new ambulatory payment classification system may include one or more peer groups (i.e., hospital categories such as privately operated acute care hospitals) DSS establishes.

Once DSS implements the payment classification system required under the act, a covered outpatient hospital service that is not reimbursed using the system must be paid in accordance with a fee schedule or alternative payment methodology the commissioner determines. Under prior law, a similar requirement was in place for outpatient hospital services that do not have an established MAPC code.

The act allows the commissioner, within available funding for implementing the new ambulatory payment classification methodology, to establish a supplemental pool to provide payments to DPH-licensed publicly operated acute care hospitals and children’s hospitals (i.e., UConn John Dempsey Hospital in Farmington and Connecticut Children’s Medical Center in Hartford) to offset losses the facilities incur because of the new classification system’s implementation.

The act allows ED physicians, concurrent with the implementation of the ambulatory payment classification methodology, to enroll separately as Medicaid providers and qualify for direct reimbursement for the professional services they provide to a Medicaid recipient in the ED. Prior law allowed ED physicians to enroll beginning January 1, 2016 and concurrent with the implementation of the DRG payment methodology.

Nonemergency ED Visits
The act eliminates a requirement that DSS pay hospitals for nonemergency visits to EDs at the same rate it pays for outpatient clinical services. It instead requires the commissioner to determine the rate for such visits in compliance with federal law as described above and within available appropriations until the act’s new ambulatory payment classification system is implemented.

The act also allows, rather than requires, the DSS commissioner to (1) impose Medicaid cost-sharing requirements for nonemergency use of hospital ED services and (2) adopt regulations establishing criteria for defining emergency and nonemergency visits to hospital EDs.

**Permitted Hospital Rate Increases**

By law, DSS is not required to increase rates paid, or set rates to be paid, to hospitals based on inflation, including any current payments or adjustments based on service dates in previous years. The act specifies that DSS is also not required to (1) increase or set such rates based on an inflationary factor or (2) adjust upward any hospital payment method based on inflation or an inflationary factor. Additionally, the act prohibits DSS from increasing or adjusting upward any rates or payment methods to hospitals based on inflation or an inflationary factor unless the approved state budget includes appropriations for such increases or upward adjustments.

The act also makes technical and conforming changes and removes obsolete provisions.

**EFFECTIVE DATE:** Upon passage

**§§ 89-92 — JUDICIAL COMPENSATION**

*Delays by one year a previously scheduled 3% salary increase for judges and certain other judicial officials*

The act delays by one year a previously scheduled 3% increase in salaries for judges and family support magistrates and per diem rates for family support referees and judge trial referees. Under the act, the increases take effect July 1, 2017 instead of July 1, 2016.

It similarly delays an increase in the additional compensation that certain judges receive for performing administrative duties. It also delays an increase in the salary or per diem rate of certain officials whose compensation, by law, is determined in relation to a Superior Court judge’s salary or state referee’s per diem rate.

**EFFECTIVE DATE:** Upon passage

**Judicial Salaries**

Table 5 shows the salaries and per diem rates affected by the act.

**Table 5: Judicial Salaries**

<table>
<thead>
<tr>
<th>Position</th>
<th>Current Salary</th>
<th>Salary Starting July 1, 2016 Under Prior Law;</th>
</tr>
</thead>
</table>
### Administrative Judges

In addition to their annual salaries, the law provides extra compensation to judges who take on certain administrative duties. These amounts were previously scheduled to increase from $1,142 to $1,177 starting July 1, 2016. The act delays the increase by one year, to July 1, 2017.

The judges who receive this additional amount are (1) the appellate system’s administrative judge; (2) each judicial district’s administrative judge; and (3) each chief administrative judge for (a) facilities, administrative appeals, the judicial marshal service, or judge trial referees and (b) the Superior Court’s Family, Juvenile, Criminal, or Civil divisions.

### Related Delayed Increases

The act’s provisions also result in one-year delays for salary or rate increases for other officials or judges whose compensation is tied to those of Superior Court judges or judge trial referees. Specifically:

1. the salaries of workers’ compensation commissioners vary depending on experience and are tied to those of Superior Court judges (CGS § 31-277);
2. the salaries of probate court judges vary depending on probate district classification, and range from 45% to 75% of a Superior Court judge’s salary (CGS § 45a-95a);
3. senior judges receive the same per-diem rates as judge trial referees (CGS §§ 51-47b & 52-434b); and
4. the probate court administrator’s salary is the same as that of a Superior Court judge (CGS § 45a-75).
§ 93 — STATE AID FOR CHILD CARE CENTERS FOR DISADVANTAGED CHILDREN

Establishes a new state grant amount for child care centers for disadvantaged children

Existing law authorizes the Office of Early Childhood (OEC) commissioner, within available appropriations, to contract with municipalities, human resource development agencies, or nonprofit corporations for grants to develop and operate licensed child care centers serving disadvantaged children. It requires the commissioner to determine the grant amounts pursuant to statutory criteria.

Prior law based the grant amount on whether the program received federal assistance. If the program received federal assistance, the grant was equal to half of the amount by which the program’s net cost exceeded the assistance. If the program did not receive federal assistance, the commissioner determined the grant amount based upon a portion of the program’s cost.

The act authorizes the commissioner to use an alternative option for determining the grant amounts, regardless of whether the child care program receives federal assistance. It allows her to award a grant of up to $8,927 for each child enrolled in the program age three or four, or age five and ineligible to enroll in kindergarten. Child care centers that receive funding under this alternative option must maintain services to children under three years old.

EFFECTIVE DATE: July 1, 2016

§ 94 — SCHOOL READINESS AND CHILD CARE FACILITY STUDY

Requires a new report from the Office of Early Childhood commissioner

The act requires the OEC commissioner to submit a report to the Appropriations Committee beginning October 1, 2016 and quarterly thereafter, through the quarter ending December 31, 2018, about school readiness and state-funded child care facilities program capacity and utilization. Each report must include, for each program, information about the (1) number of spaces, by type, that are available and were filled and (2) rates being paid for each space type for each age group. The information must be specific to the quarter for which each report is submitted.

EFFECTIVE DATE: July 1, 2016

§§ 95-108 & 207 — RETIREMENT SECURITY PROGRAM CHANGES

Makes numerous changes to the Connecticut Retirement Security Program, including renaming the program an exchange, lowering the maximum employee default contribution, and requiring the exchange to offer investment choices from multiple vendors

The act makes numerous changes to PA 16-29, which (1) created the Connecticut Retirement Security Authority (“authority”) to establish a program with Roth individual retirement accounts (IRAs) for eligible private-sector employees and (2) established the authority as a quasi-public agency administered by a nine-member board of directors.

Among other things, this act (1) sets the default contribution rate at 3% of an
employee’s taxable wages for employees who do not select their own contribution rate (§ 95); (2) expands the authority’s board from nine to 15 members by adding the OPM secretary, the Banking and Labor commissioners, and three additional members the governor appoints (bringing the total number of gubernatorial appointees to four) (§ 96); (3) changes the name from “program” to “exchange” (§ 95); and (4) requires the authority to establish criteria and guidelines for the exchange to offer qualified retirement investment choices from multiple authority-selected vendors (§ 97).

It also makes numerous minor, technical, and conforming changes.

EFFECTIVE DATE: January 1, 2017 unless otherwise noted below.

Definitions (§ 95)

Contribution Levels. PA 16-29 requires “qualified employers” to automatically enroll their “covered employees” in the retirement security program. (“Qualified employers” are private sector employers that employed at least five people each of whom was paid at least $5,000 in wages in the preceding calendar year and “covered employees” are those who have worked for a qualified employer for a minimum of 120 days and are at least 19 years old.)

This act sets a covered employee’s default contribution level at 3% of the employee’s taxable wages unless the employee affirmatively chooses a different contribution level. PA 16-29 allowed the authority to set a default level up to 6%. A covered employee may opt out of the program by electing a contribution level of zero.

Vendors. The act modifies the two vendor definitions under PA 16-29. One requires them to be federally regulated retirement plan sponsors that include federally regulated investment companies or insurance companies. PA 16-29 did not specify that they be federally regulated.

The second applies to payroll or recordkeeping businesses that also provide retirement plans or payroll deposit IRAs. The act expands the definition to include businesses that provide ancillary services, including technological services, and offer retirement plans or payroll deposit IRA products of retirement plan sponsors.

Fees. The act defines participant fees as investment management charges, administrative charges, investment advice charges, trading fees, marketing and sales fees, revenue sharing, broker fees and other costs necessary to administer the program.

EFFECTIVE DATE: Upon passage

Board of Directors (§ 96)

In addition to adding the OPM secretary and the banking and labor commissioners, the act adds three governor’s appointees to the board. The three additional members must have a favorable reputation for skill, knowledge, and experience in the following: (1) one in annuity products, (2) one in retirement investment products, and (3) one in actuarial science. It also specifies that the House majority leader’s appointee’s skill, knowledge, and experience in the
interests of employers regarding retirement products be specific to small employers. Under PA 16-29, other appointees must possess other particular skills or knowledge.

The act extends the deadline for making appointments from July 31, 2016 to January 1, 2017. Under PA 16-29, the governor selects the board chairman. This act removes the requirement for the selection to be made with the consent of both chambers of the legislature. It also removes the (1) requirement for the secretary of the state to administer the oath to each member and (2) board’s authority to appoint and employ an assistant executive director.

The act requires eight, rather than four, members for a quorum to conduct authority business.

**EFFECTIVE DATE:** Upon passage.

*Retirement Security Exchange Guidelines and Fees (§§ 97 & 99)*

The act establishes the Connecticut Retirement Security Exchange (rather than program) to promote and enhance retirement savings for private sector employees in the state. While PA 16-29 authorized the authority board to establish criteria and guidelines for the retirement programs offered, this act specifies that the criteria and guidelines (1) be for the program to offer retirement choices provided by multiple vendors the authority selects, (2) establish a cap on the total annual fees, and (3) provide participants with information regarding each retirement choice’s investment performance history.

The act also:

1. requires the authority to minimize total annual fees that can be charged to participants;
2. beginning in year five of operation, limits annual fees to 0.75% of the value of total program assets;
3. eliminates an option for the IRAs to be established and maintained by a third-party; and
4. allows the authority’s board to contract with the state and its instrumentalities.

*Vendors’ Standard of Care (§ 100)*

The act requires the authority’s board, to the extent reasonable and practicable, to require the vendors (rather than agents) it engages or appoints to abide by the same standard of care that the board must follow.

*Transmitting Retirement Security Contributions (§101)*

PA 16-29 required qualified employers to transmit an employee’s contributions on the earliest day that they could be segregated from the employer’s assets, but no later than the 15th business day of the month following the month in which the contributions were withheld from the employee’s paycheck. This act instead requires (1) employers to transmit the contribution on the earliest date it can be transmitted and (2) the transmittal to be no later than 10 business days after the date the employee’s contributions were withheld.
Retirement Security Exchange Design Features (§ 102)

PA 16-29 required the authority to invest each participant’s IRA in (1) an age-appropriate target date fund, (2) a vehicle designed for lifetime income investment to provide participants with a source of retirement income for life, or (3) such other investment vehicles as the authority may prescribe. This act specifies that the investment fund must be with an investor selected by the participant, or when an employee does not affirmatively select a specific vendor or investment option within the program, the participant’s contribution will be invested in an age-appropriate target date fund that most closely matches the participant’s normal retirement age. In these cases, the vendor will be assigned on a rotating basis by the exchange.

Retirement Security Program Website (§ 106)

The act requires the authority to establish and maintain a secure website to provide participants with information about approved vendors that offer IRAs through the program and the various investment options, including the investment performance history, that may be available for the IRAs.

EFFECTIVE DATE: January 1, 2018

§ 109 — TWEED-NEW HAVEN AIRPORT OPERATIONS

Earmarks part of DOT’s FY 17 airport operations appropriation for Tweed-New Haven Airport

The act requires $1.48 million of the amount appropriated in PA 16-2, May Special Session to DOT for airport operations to be used for operating Tweed-New Haven airport in FY 17.

EFFECTIVE DATE: July 1, 2016

§§ 110-114, 134 & 209 — ELIMINATING THE CONNECTICUT PUBLIC TRANSPORTATION COMMISSION

Eliminates the Connecticut Public Transportation Commission

The act eliminates the Connecticut Public Transportation Commission and makes conforming changes. The 19-member commission helped the transportation commissioner, governor, and Transportation Committee plan, develop, and maintain public transportation facilities and services.

EFFECTIVE DATE: July 1, 2016

Background

Previous Elimination and Reinstatement of the Commission. PA 13-299 eliminated the commission, which was reinstated by PA 13-277.

§ 115 — NONUNION HEALTH INSURANCE PREMIUMS

Allows DAS and OPM to set health insurance premiums for nonunion state employees
The act allows the DAS commissioner and OPM secretary, regardless of any other state laws, to establish health insurance benefit premium cost sharing requirements that require all non-represented (i.e., nonunion) classified and unclassified state officers and employees to pay up to 18% of the total premium equivalent, as determined by the comptroller.

The law otherwise (1) allows the DAS commissioner to provide nonunion executive and judicial branch employees with benefits that are at least equal to those provided under unionized employees’ collective bargaining agreements and (2) requires legislative employees and elected state officials (who by law are nonunion) to receive the same benefits provided under unionized employees’ collective bargaining agreements (CGS § 5-200). By law, the state must collectively negotiate with the State Employees Bargaining Agent Coalition (SEBAC) over health insurance for unionized state employees (CGS § 5-278).

EFFECTIVE DATE: July 1, 2016

§ 116 — OPM STUDY ON COG REPRESENTATION

Requires OPM to conduct, within available appropriations, a study on increasing representation on regional councils of governments for municipalities with at least 50,000 people

The act requires the OPM secretary to conduct, within available appropriations, a study on increasing representation on regional councils of governments (COGs) for municipalities with a population of at least 50,000. By law, each COG member municipality is entitled to one representative on the COG (CGS § 4-124k).

Specifically, the study must determine if:
1. these municipalities, as shown by the most recent federal census, should have an additional representative for each 10,000 in additional population;
2. an added representative should be appointed by the municipal chief executive officer or in a manner set out in a local ordinance; and
3. an added representative should be able to vote on COG matters.

The secretary must report the study’s findings to the Planning and Development Committee by December 31, 2016.

EFFECTIVE DATE: Upon passage

§§ 117 & 118 — YOUTH SERVICES PREVENTION GRANTS

Modifies FY 17 youth services prevention grant distributions

The act modifies FY 17 grant distributions for the Judicial Department’s Youth Services Prevention grants, as shown in Table 6. Specifically, it (1) eliminates grants for 18 recipients, (2) adds 23 new grant recipients, and (3) with a few exceptions, reduces grant amounts for the remaining recipients.

Table 6: FY 17 Youth Services Prevention Grants

<table>
<thead>
<tr>
<th>Grantee</th>
<th>Prior Grant Amount</th>
<th>New Grant Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>‘r Kids Family Center</td>
<td>$50,000</td>
<td>$0</td>
</tr>
<tr>
<td>Organization</td>
<td>Requested (K)</td>
<td>Received (K)</td>
</tr>
<tr>
<td>------------------------------------------------------------------------------</td>
<td>---------------</td>
<td>-------------</td>
</tr>
<tr>
<td>ACESS Educational Service</td>
<td>0</td>
<td>70,018</td>
</tr>
<tr>
<td>Archipelago Inc. – Project Music</td>
<td>35,000</td>
<td>27,048</td>
</tr>
<tr>
<td>Arte, Inc.</td>
<td>174,004</td>
<td>134,691</td>
</tr>
<tr>
<td>Artists Collective</td>
<td>35,000</td>
<td>30,000</td>
</tr>
<tr>
<td>Beat the Street Community Center</td>
<td>16,712</td>
<td>12,926</td>
</tr>
<tr>
<td>Blessed Sacrament Church</td>
<td>0</td>
<td>70,018</td>
</tr>
<tr>
<td>Blue Hill Civic Association</td>
<td>20,000</td>
<td>0</td>
</tr>
<tr>
<td>Boys and Girls Club of Bridgeport, Inc.</td>
<td>61,975</td>
<td>51,975</td>
</tr>
<tr>
<td>Boys and Girls Club of Meriden</td>
<td>16,712</td>
<td>12,922</td>
</tr>
<tr>
<td>Boys and Girls Club of Southeastern Connecticut</td>
<td>0</td>
<td>32,612</td>
</tr>
<tr>
<td>Boys and Girls Club of Stamford</td>
<td>113,110</td>
<td>87,561</td>
</tr>
<tr>
<td>Bridgeport Caribe Youth League, Inc.</td>
<td>130,000</td>
<td>99,420</td>
</tr>
<tr>
<td>BSL Educational Foundation of Alpha Phi Alpha, Inc.</td>
<td>30,662</td>
<td>30,000</td>
</tr>
<tr>
<td>Buddy Jordan Foundation</td>
<td>0</td>
<td>25,000</td>
</tr>
<tr>
<td>Catholic Charities Archdiocese of Hartford</td>
<td>0</td>
<td>30,000</td>
</tr>
<tr>
<td>C.U.R.E.T.</td>
<td>20,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Charter Oak Amateur Boxing Academy and Youth Development Program (COBA)</td>
<td>30,000</td>
<td>0</td>
</tr>
<tr>
<td>City of Hartford Southend Boys Scouts</td>
<td>15,000</td>
<td>0</td>
</tr>
<tr>
<td>City of Meriden/Police Cadets</td>
<td>16,712</td>
<td>12,922</td>
</tr>
<tr>
<td>City of Meriden/Youth Services Division</td>
<td>16,712</td>
<td>12,922</td>
</tr>
<tr>
<td>Community Action Agency of Western Connecticut</td>
<td>0</td>
<td>40,000</td>
</tr>
<tr>
<td>Cross Street Training and Academic Center, Inc.</td>
<td>0</td>
<td>5,000</td>
</tr>
<tr>
<td>Department of Families, Children, Youth and Recreation/City of Hartford</td>
<td>45,000</td>
<td>0</td>
</tr>
<tr>
<td>Dixwell Children's Creative Arts Center</td>
<td>124,004</td>
<td>0</td>
</tr>
<tr>
<td>East Hartford Youth Services</td>
<td>85,150</td>
<td>65,853</td>
</tr>
<tr>
<td>Ebony Horsewomen</td>
<td>35,000</td>
<td>30,000</td>
</tr>
<tr>
<td>EIR Urban Youth Boxing, Inc.</td>
<td>50,000</td>
<td>0</td>
</tr>
<tr>
<td>Faith Tabernacle Baptist Church</td>
<td>148,110</td>
<td>0</td>
</tr>
<tr>
<td>Family Enrichment Center of the Hospital of Central Connecticut</td>
<td>16,788</td>
<td>7,854</td>
</tr>
<tr>
<td>Foster Buddies Network/Hartford Boxing Center</td>
<td>45,986</td>
<td>31,617</td>
</tr>
<tr>
<td>Friends of Pope Park (Computer Classes)</td>
<td>0</td>
<td>25,234</td>
</tr>
<tr>
<td>Friends of Pope Park (Troop 105)</td>
<td>0</td>
<td>20,000</td>
</tr>
<tr>
<td>Garde Arts Center, Inc.</td>
<td>0</td>
<td>10,000</td>
</tr>
<tr>
<td>Girls, Inc.</td>
<td>16,712</td>
<td>12,922</td>
</tr>
<tr>
<td>Goodworks, Inc.</td>
<td>27,662</td>
<td>12,000</td>
</tr>
<tr>
<td>Guns Down, Books Up</td>
<td>74,004</td>
<td>0</td>
</tr>
<tr>
<td>Hartford Knights</td>
<td>50,000</td>
<td>25,000</td>
</tr>
<tr>
<td>Hispanic Coalition of Greater Waterbury</td>
<td>60,394</td>
<td>46,742</td>
</tr>
<tr>
<td>Historically Black College Alumni, Inc.</td>
<td>0</td>
<td>10,000</td>
</tr>
<tr>
<td>Human Resources Agency of New Britain, Inc.</td>
<td>100,000</td>
<td>85,000</td>
</tr>
<tr>
<td>Integrated Wellness Group - Vets Program</td>
<td>0</td>
<td>134,691</td>
</tr>
<tr>
<td>Kenneth R. Jacksons Mentoring Services, Inc.</td>
<td>111,975</td>
<td>0</td>
</tr>
<tr>
<td>Little League Baseball, Inc.</td>
<td>40,538</td>
<td>0</td>
</tr>
<tr>
<td>M.G.L.L., Inc.</td>
<td>62,000</td>
<td>54,000</td>
</tr>
<tr>
<td>Manchester Youth Service Bureau</td>
<td>85,150</td>
<td>65,853</td>
</tr>
<tr>
<td>McGivney Community Center, Inc.</td>
<td>31,975</td>
<td>21,975</td>
</tr>
<tr>
<td>Organization</td>
<td>Old Grant Amount</td>
<td>New Grant Amount</td>
</tr>
<tr>
<td>---------------------------------------------------</td>
<td>------------------</td>
<td>------------------</td>
</tr>
<tr>
<td>Meriden YMCA</td>
<td>16,712</td>
<td>12,922</td>
</tr>
<tr>
<td>Mi Casa, Hispanic Health Council</td>
<td>35,000</td>
<td>54,000</td>
</tr>
<tr>
<td>Middlesex United Way</td>
<td>0</td>
<td>10,000</td>
</tr>
<tr>
<td>Mount Aery Development Corporation</td>
<td>111,975</td>
<td>0</td>
</tr>
<tr>
<td>Mount Olive Church Ministries</td>
<td>0</td>
<td>15,000</td>
</tr>
<tr>
<td>New Haven Symphony</td>
<td>0</td>
<td>35,000</td>
</tr>
<tr>
<td>New London NAACP Youth Council</td>
<td>0</td>
<td>10,000</td>
</tr>
<tr>
<td>New London Youth Football League</td>
<td>40,539</td>
<td>0</td>
</tr>
<tr>
<td>New Opportunities of Greater Meriden/Boys to Men Program</td>
<td>16,712</td>
<td>12,922</td>
</tr>
<tr>
<td>North End Action Team</td>
<td>156,700</td>
<td>4,854</td>
</tr>
<tr>
<td>Oddfellows Playhouse</td>
<td>0</td>
<td>30,000</td>
</tr>
<tr>
<td>OIC of New Britain Inc. - Project G.R.E.A.T.</td>
<td>50,000</td>
<td>40,000</td>
</tr>
<tr>
<td>OPMAD, Inc.</td>
<td>20,000</td>
<td>25,000</td>
</tr>
<tr>
<td>Our Piece of the Pie</td>
<td>0</td>
<td>20,000</td>
</tr>
<tr>
<td>Passage, Inc.</td>
<td>0</td>
<td>12,000</td>
</tr>
<tr>
<td>Pathways/Senderos</td>
<td>50,000</td>
<td>40,000</td>
</tr>
<tr>
<td>Phillips Metropolitan Christian Methodist Episcopal Church</td>
<td>25,000</td>
<td>15,000</td>
</tr>
<tr>
<td>Police Athletic League of Hartford</td>
<td>30,000</td>
<td>40,000</td>
</tr>
<tr>
<td>Police Athletic League of New Haven</td>
<td>50,000</td>
<td>30,000</td>
</tr>
<tr>
<td>Prudence Crandall Center, Inc.</td>
<td>16,788</td>
<td>7,854</td>
</tr>
<tr>
<td>Rivera Memorial Foundation, Inc.</td>
<td>60,394</td>
<td>46,740</td>
</tr>
<tr>
<td>Rushford Hospital Youth Program</td>
<td>16,712</td>
<td>12,922</td>
</tr>
<tr>
<td>Samuel V. Arroyo Center, Hartford</td>
<td>20,000</td>
<td>0</td>
</tr>
<tr>
<td>Serving All Vessels Equally</td>
<td>211,151</td>
<td>163,341</td>
</tr>
<tr>
<td>Solar Youth</td>
<td>0</td>
<td>54,692</td>
</tr>
<tr>
<td>Southwest Boys and Girls Club/1 Chandler Street, Hartford</td>
<td>30,000</td>
<td>25,000</td>
</tr>
<tr>
<td>St. Margaret Willow Plaza NRZ, Assoc., Inc.</td>
<td>60,394</td>
<td>46,740</td>
</tr>
<tr>
<td>Stratford PAL</td>
<td>0</td>
<td>25,000</td>
</tr>
<tr>
<td>Supreme Being, Inc.</td>
<td>31,000</td>
<td>20,000</td>
</tr>
<tr>
<td>The Boys and Girls Club of Greater Waterbury</td>
<td>60,394</td>
<td>46,740</td>
</tr>
<tr>
<td>The Village Initiative Project, Inc. - VIP College Prep and Life Skills</td>
<td>111,975</td>
<td>86,685</td>
</tr>
<tr>
<td>Town of Windsor - Collaborative</td>
<td>31,000</td>
<td>10,735</td>
</tr>
<tr>
<td>Upper Albany Collaborative</td>
<td>32,662</td>
<td>25,000</td>
</tr>
<tr>
<td>Wakeman Boys and Girls Club, Southport</td>
<td>20,000</td>
<td>0</td>
</tr>
<tr>
<td>Walnut Orange Walsh Neighborhood</td>
<td>60,394</td>
<td>46,740</td>
</tr>
<tr>
<td>Walter E. Luckett, Jr. Foundation</td>
<td>111,975</td>
<td>70,018</td>
</tr>
<tr>
<td>Waterbury Police Activity League, Inc.</td>
<td>60,394</td>
<td>46,740</td>
</tr>
<tr>
<td>Windsor Troop 49</td>
<td>5,000</td>
<td>0</td>
</tr>
<tr>
<td>With These Hands, Inc.</td>
<td>0</td>
<td>74,610</td>
</tr>
<tr>
<td>Women and Families Center</td>
<td>16,712</td>
<td>12,922</td>
</tr>
<tr>
<td>Youth Challenge</td>
<td>34,000</td>
<td>0</td>
</tr>
<tr>
<td>Youth Challenge</td>
<td>25,000</td>
<td>0</td>
</tr>
<tr>
<td>Youth Development Mentoring Through Fitness Sheridan Middle School After School Program</td>
<td>0</td>
<td>15,000</td>
</tr>
</tbody>
</table>

**EFFECTIVE DATE:** Upon passage for the elimination of prior grant amounts and July 1, 2016 for the new grant amounts.
§§ 119-121 — HOSPITAL TAX

States the intention of public acts from 2011 that established the hospital tax

Since July 1, 2011, the law imposes a quarterly tax on hospital net patient revenue at a rate up to the maximum allowed by federal law and using a base year as determined by the DSS commissioner.

The act states that it was the intention of the 2011 public acts establishing this tax that:

1. beginning July 1, 2011, the legislature would set the hospital tax rate by establishing the amount of revenue the tax would generate in the codified revenue estimates it adopts for each state budget, as documented in the final version of each state budget prepared by the Office of Fiscal Analysis; and
2. the statutory definition of “net patient revenue” complies with federal laws and regulations that, among other things, limit certain provider-specific taxes and define inpatient and outpatient hospital services.

The act states that the 2011 public acts required the DSS commissioner, in consultation with OPM, to calculate the amount of the tax due from each hospital within certain limitations and parameters under federal law, including determining the tax’s base year, to generate the budgeted amount. The act states that, the commissioner, in administering the tax, was required to notify hospitals of the taxes due and neither the calculations above nor the notice requirements constitute regulations under the Uniform Administrative Procedures Act. It also provides that the hospital tax’s primary purpose was to raise revenues from uniquely situated health care providers that receive certain benefits under the state’s Medicaid program.

Under the act, effective June 2, 2016 (the act’s effective date) and for quarters beginning on or after July 1, 2011, (1) the hospital tax rate must conform with the state budget adopted by the legislature and (2) when determining the tax assessment base year, the DSS commissioner must ensure it conforms with the adopted budget. The act requires the DSS commissioner to promptly notify hospitals of the amount of tax due.

EFFECTIVE DATE: Upon passage, and, as stated above, certain provisions are applicable to calendar quarters beginning on or after July 1, 2011.

§ 122 — LOBBYIST REPORTING

Extends a lobbyist expense reporting deadline

The state Code of Ethics allows public officials, including the governor’s spouse, and state employees to accept payments or reimbursements for necessary expenses (i.e., lodging, travel, meals, and registration fees) if, in their official capacities, they write an article, make an appearance or speech, or participate at an event. The act extends, from 30 days to 45 days after a payment or reimbursement, the deadline by which lobbyists who provide more than $10 in payments or reimbursements for necessary expenses must report them to the Office of State Ethics. It retains the 30-day reporting deadline for the recipient of
the payment or reimbursement.
EFFECTIVE DATE: Upon passage

§ 123 — TWO-GENERATION POVERTY REDUCTION ACCOUNT

Establishes a separate account within the General Fund for DSS to support two-generation poverty reduction programs

The act establishes a separate, nonlapsing two-generation poverty reduction account in the General Fund. The account may receive (1) transfers of lapsing funds from General Fund operations or DSS poverty reduction accounts and (2) funds from public and philanthropic sources or the federal government for the account’s purposes. All money deposited in the account must be used by DSS or those contracting with DSS to fund services to support two-generation poverty reduction programs.
EFFECTIVE DATE: July 1, 2016

§ 124 — CALCULATIONS FOR EDUCATION COST SHARING (ECS) GRANT INCREASES AND DECREASES

Revises and creates a method to determine ECS increases and decreases for towns and creates a monetary penalty for failure to meet minimum budget requirements for education expenditures

Prior law provided a method for calculating whether a town received an increase in ECS aid during FY 14 and subsequent fiscal years: a town received an ECS increase if the amount paid to the town in the current FY exceeded the amount paid in the prior FY.

The act instead establishes an ECS aid increase calculation for only one year, FY 17. It specifies that if the amount received in FY 17 is greater than the FY 16 amount, the FY 17 amount minus the FY 16 amount yields the ECS increase amount.

The act establishes a similar calculation for determining whether a town has received an ECS decrease in FY 17. Under the act, a town has received an ECS decrease if the amount paid to the town in FY 16 exceeds the amount paid in FY 17. The FY 16 amount minus the FY 17 amount yields the ECS decrease amount.

The act also extends a monetary penalty in existing law for certain ECS expenditure violations to include minimum budget requirement violations. Existing law requires towns and regional school districts serving grades kindergarten to 12 to (1) spend ECS grants for educational purposes only and (2) refrain from using an ECS increase to supplant local education funding. The State Department of Education (SDE) must withhold from a town a portion of its ECS grant in the subsequent FY that equals two times the amount of the ECS expenditure violation or, in the case of a regional school district, from the ECS grants payable to the district’s member towns. The act extends this penalty to towns and regional school districts that failed to meet their minimum budget requirement for educational expenditures (i.e., budgeted less for education than they did in the previous FY) as amended by the act (see below).
EFFECTIVE DATE: July 1, 2016
§ 125 — MINIMUM BUDGET REQUIREMENT (MBR) REDUCTIONS AND EXEMPTIONS

Creates a new MBR reduction for FY 17 and replaces an obsolete metric that allows towns to claim an MBR exemption

**MBR Reductions**

By law, a town is prohibited from budgeting less for education than it did in the previous FY unless it can demonstrate specific achievements or changes within its school district. This prohibition is commonly referred to as the minimum budget requirement (MBR).

The act allows a town to reduce its MBR in FY 17 if it experiences an ECS decrease in FY 17. The MBR reduction must be equal to the ECS decrease as calculated under the act and described above. By law and unchanged by the act, alliance districts are prohibited from reducing their MBR in FYs 16 and 17.

**MBR Exemptions**

Prior law allowed towns to claim an MBR exemption for earning district performance index (DPI) scores among the top 10% of all districts; however, DPI has been eliminated from statute and replaced with other measures that SDE uses to rank school districts. The act instead requires SDE to use accountability index scores to rank districts when determining MBR relief.

By law, SDE may calculate accountability index scores for each public school district and school using multiple student, school, or district-level measures as weighted by SDE. Such measures must include the performance index score (based on standardized mastery test scores) and high school graduation rates and may include (1) academic growth over time, (2) attendance and chronic absenteeism, (3) postsecondary education and career readiness, (4) enrollment in and graduation from higher education institutions and postsecondary education programs, (5) civic and arts education, and (6) physical fitness. SDE has announced all the factors it now uses in the accountability index, and they include additional factors such as standardized testing participation rates.

**EFFECTIVE DATE:** July 1, 2016

§ 126 — ALLIANCE DISTRICT FUNDING

Revises the alliance district ECS grant holdback for FY 17

Prior law required the comptroller to hold back any ECS grant increase in FYs 14-17 over FY 12’s amount that is payable to an alliance district (one of the 30 lowest performing districts in the state). The comptroller must transfer the money to the education commissioner, who can withhold it until the alliance district supplies her with a plan that addresses objectives and targets to improve student achievement.

The act revises the alliance district holdback requirement for FY 17. It requires the comptroller to withhold from an alliance district any ECS grant increase received in FY 17 over FY 12’s amount, minus any ECS decrease
received in FY 17 compared with FY 16.
EFFECTIVE DATE: July 1, 2016

§§ 127-175 & 209 — CONSOLIDATION OF LEGISLATIVE COMMISSIONS

Eliminates the six legislative commissions and replaces them with a 63-member Commission on Equity and Opportunity and a 63-member Commission on Women, Children, and Seniors

The act eliminates the six legislative commissions and replaces them with a 63-member Commission on Equity and Opportunity and a 63-member Commission on Women, Children and Seniors. With the exception of continuity of authority and transfer of officers and employees, the former constitutes a successor to the African-American Affairs, Latino and Puerto Rican Affairs, and Asian Pacific American Affairs commissions and the latter constitutes a successor to the Permanent Commission on the Status of Women, Commission on Children, and Commission on Aging. Both are part of the legislative department.

The act establishes the same duties for the Commission on Equity and Opportunity as it establishes for the Commission on Women, Children and Seniors, but it targets them to their respective constituencies. Generally, these duties parallel the six legislative commissions’ previous duties.

Under the act, the Commission on Equity and Opportunity must be organized into three policy divisions focusing on issues affecting the following underrepresented and underserved populations: African Americans, Asian Pacific Americans, and Latinos and Puerto Ricans. Similarly, the Commission on Women, Children and Seniors must be organized into three policy divisions focusing on issues affecting the following underrepresented and underserved populations: women, children and families, and elderly individuals. Both commissions may adopt regulations to carry out their duties.

The act makes several minor, technical, and conforming changes to implement its provisions.
EFFECTIVE DATE: July 1, 2016, except that a technical provision substituting the names of the successor commissions for the eliminated commissions in 2016 regular and special acts is effective upon passage (§ 131).

Transition (§§ 127 & 129)

Under the act, the two new legislative commissions become successor agencies to the six previous commissions for purposes of existing orders and regulations, pending civil or criminal actions or proceedings, existing contracts and rights of action, and federal aid. They do not constitute successor agencies for purposes of continuity of authority or transfer of officers and employees.

The heads of the six previous commissions must deliver to the applicable successor commission all records and property pertaining to their functions.

Membership and Organization (§§ 127 & 129)

Under the act, both the Commission on Equity and Opportunity and the Commission on Women, Children and Seniors consist of 63 members. The act
specifies that any person appointed to one of the six previous commissions before July 1, 2016 whose term has not expired by that date is deemed appointed to serve on the successor commission until his or her term expires or a vacancy occurs, whichever is first. Upon such a vacancy or expiration, the appointing authority that made the original appointment must make a new appointment, as described below.

For members appointed on or after July 1, 2016, the act requires (1) each of the six legislative leaders to make nine appointments and (2) the House speaker and Senate president pro tempore to also make nine joint appointments. The appointing authorities must allocate their appointments evenly across each commission’s three constituencies. Specifically, for the Commission on Equity and Opportunity, each appointing authority must appoint three members with experience in African-American affairs, three with experience in Asian Pacific-American affairs, and three with experience in Latino and Puerto Rican affairs. For the Commission on Women, Children and Seniors, each appointing authority must appoint three members with expertise in issues concerning women, three with expertise in issues concerning children or the family, and three with expertise in issues concerning elderly persons.

Additionally, for certain appointing authorities, the act applies geographical requirements to some of their appointments, as shown in Table 8.

<table>
<thead>
<tr>
<th>Appointing Authority</th>
<th>Geographical Requirement (applies to both commissions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joint appointments by House speaker and Senate president pro tempore</td>
<td>At least three of the nine must be from the state’s central region</td>
</tr>
<tr>
<td>Senate president pro tempore</td>
<td>At least three of the nine must be from the state’s northeastern region</td>
</tr>
<tr>
<td>House speaker</td>
<td>At least three of the nine must be from the state’s southeastern region</td>
</tr>
<tr>
<td>Senate majority leader</td>
<td>N/A</td>
</tr>
<tr>
<td>House majority leader</td>
<td>N/A</td>
</tr>
<tr>
<td>Senate minority leader</td>
<td>At least three of the nine must be from the state’s northwestern region</td>
</tr>
<tr>
<td>House minority leader</td>
<td>At least three of the nine must be from the state’s southwestern region</td>
</tr>
</tbody>
</table>

**Term Lengths.** The act requires that (1) appointing authorities make their initial appointments by July 31, 2016 and (2) commission members’ terms end June 30, 2018, regardless of the appointment date. Members who are appointed on or after July 1, 2018 must serve a two-year term beginning on the date they are
appointed. The appointing authority must fill any vacancies for the balance of the unexpired term, and members must continue to serve until their successors are appointed.

Chairperson and Meetings. The act requires the House speaker and Senate president pro tempore to jointly select a chairperson for each commission from among the commissions’ members. It requires the chairperson to schedule the first meeting and commissions to meet as often as the chairperson or a majority of the commission deems necessary. For both commissions, the act specifies that a majority of the membership constitutes a quorum to do business. A member is deemed to have resigned if he or she misses three consecutive meetings or 50% of all meetings held during any calendar year.

Organization. The act organizes both commissions into three policy divisions, with one division for each constituency, and requires that they both have an executive director. It grants the Legislative Management Committee authority over the hiring, termination, and performance reviews of the executive directors and staff and specifies that the commissions have no authority over staffing and personnel matters. Commission members must serve without compensation but, within the limits of available funds, are reimbursed for necessary expenses.

Duties and Responsibilities (§§ 128 & 130)

The act establishes duties and responsibilities for the two successor commissions, targeted to their respective constituencies, that parallel the duties and responsibilities of the six previous commissions. Specifically both commissions must do the following:

1. focus their efforts on specified “quality of life desired results” for members of their constituencies (i.e., that they achieve educational success and are healthy, safe, and free from poverty and discrimination);
2. recommend, to the General Assembly and governor, strategies for achieving the quality of life desired results (see below);
3. review and comment, as necessary, on proposed state legislation or recommendations affecting their constituencies and provide copies of the comments to General Assembly members;
4. advise the General Assembly on coordinating and administering state programs affecting their constituencies;
5. gather and maintain, as necessary, current information about their constituencies to better understand their status, condition, and contributions;
6. include the current information in their annual status reports (see below), as appropriate and pertinent to the quality of life desired results, and make it available upon request to legislators and other interested parties;
7. maintain liaisons between their constituencies and government agencies, including the General Assembly; and
8. conduct educational and outreach activities to raise awareness of and address critical issues for their constituencies.

Recommendations on Quality of Life Desired Results. The commissions must make recommendations to the General Assembly and governor on new or
enhanced policies, programs, and services that foster progress in achieving the quality of life desired results. The recommendations must, where applicable, include the following:

1. systems innovations, model policies, and practices that embed two-generational practice in program, policy, and systems change on the state and local levels;
2. strategies for reducing family poverty and promoting parent leadership and family civics;
3. the promotion of youth leadership opportunities that keep youth engaged in the community; and
4. strategies and programs that address equitable access, impede bias, and narrow the opportunity gap for the commissions’ constituencies.

The recommendations may include other state and national best practices, and recommendations for maximizing federal funding.

Other Powers (§§ 128 & 130)

The act establishes powers for the successor commissions that parallel the six previous commissions’ powers. Specifically, it authorizes the successor commissions to do the following:

1. request and receive from any state agency information and assistance as they may require;
2. use any funds available to them from the federal or state government, or other sources;
3. enter into contracts to carry out their purposes;
4. utilize voluntary and uncompensated services, as necessary, from private individuals, state or federal agencies, or organizations;
5. recommend policies to federal agencies and political subdivisions of the state relative to their constituencies;
6. accept gifts, donations, or bequests to perform their duties;
7. hold public hearings;
8. establish task forces or advisory committees, as necessary, to perform their duties; and
9. inform business, education, and state and local government leaders and the media of the nature and scope of the problems faced by their constituencies.

In addition, the commissions may enter into agreements with state agencies to maximize federal funds received by the agencies. Under such an agreement, (1) a state agency must use any funds it receives to perform its statutory duties that relate to the commission’s duties and (2) the commissions may accept the portion of federal funds the agency receives through the agreement, as permitted by federal law.

Annual Status Reports (§§ 128 & 130)

Annually, by January 1, the commissions must submit to the Appropriations Committee a status report, organized by policy division, concerning their efforts
and any progress made in achieving the quality of life desired results.

**Conforming Changes (§§ 131-175)**

Prior law established various reporting and training requirements for the six previous commissions and granted them representation on numerous state boards and committees. The act generally transfers these provisions to the two successor commissions. For example, prior law required the Permanent Commission on the Status of Women, together with the Commission on Human Rights and Opportunities (CHRO), to provide training on state and federal discrimination laws to certain state employees. The act instead requires the Commission on Women, Children and Seniors to provide this training with CHRO (§ 162).

In cases where two or more of the previous commissions were represented on a board or committee, the act grants the same level of representation to the successor commission. For example, under prior law the chairpersons of the African-American Affairs, Latino and Puerto Rican Affairs, and Asian Pacific American Affairs commissions, or their designees, were members of the Commission on Racial and Ethnic Disparity in the Criminal Justice System. The act instead requires the chairperson of the Commission on Equity and Opportunity (or a designee), plus two other commission members designated by the chairperson, to serve on this commission (§ 169).

**§ 176 — STUDY OF EMERGENCY POWER NEEDS IN ELDERLY PUBLIC HOUSING**

_Requires the Commission on Women, Children and Seniors to study and report on the need for emergency power generators at public housing sites for the elderly_

The act requires the Commission on Women, Children and Seniors to study the need for emergency power generators at Connecticut’s public housing sites for the elderly. Under the act, these sites include any building where at least 50% of the units are rented to individuals ages 62 and older under specified state elderly housing programs.

The study must include:

1. an inventory of public housing for the elderly in each municipality, including (a) the total number of housing units, (b) a description of the type and location of each housing unit, and (c) whether emergency power generators are provided for these units;
2. recommendations for providing emergency power generators;
3. the estimated cost of providing the generators; and
4. the availability of grants for generators through the Department of Emergency Services and Public Protection’s Division of Emergency Management and Homeland Security or any other state or federal grant.

Under the act, the commission’s executive director must report on the study’s results to the Aging, Housing, and Public Safety committees by January 1, 2017.

**EFFECTIVE DATE:** July 1, 2016
§ 177 — BRIDGEPORT PAYMENTS TO MUNICIPAL EMPLOYEES’ RETIREMENT SYSTEM (MERS)

Allows Bridgeport to make reduced payments to MERS in FYs 17 & 18

SA 16-16 allows Bridgeport to defer paying a certain portion of its amortization payments for the unfunded accrued liability of its police and fire members in the Municipal Employees’ Retirement System (MERS) in certain fiscal years through 2022, with increased payments to make up the difference from FY 25 through FY 43.

This act amends SA 16-16 to limit the reduced payments to FY 17 and FY 18 and require the increased payments to make up the difference in FY 21 through FY 23. Specifically, in FY 17 and FY 18, it allows the city to pay 35% of the amortization amount required by the State Retirement Commission and in FY 21 through FY 23, it requires the city to pay the full amount required by the commission plus one-third of the amount deferred in FY 17 and FY 18.

The act also requires the retirement commission, by January 1, 2018 and upon Bridgeport’s request, to modify the amortization schedule and to conduct an actuarial analysis of the request. The analysis must take into account the overall impact on MERS, including the funding ratio, the projected rate of return, and whether the amortization method increases the unfunded accrued liability’s costs. It may provide for alternative methods of amortizing the unfunded liability.

EFFECTIVE DATE: Upon passage

§ 178 — PERMIT FEES FOR OVERSIZE AND OVERWEIGHT VEHICLES

Increases DOT permit fees for oversize and overweight vehicles

Starting July 1, 2016, this act increases DOT permit fees for motor vehicles, including trucks and trailers, that exceed certain height, width, length, or weight limits. It makes minor changes to the permit requirements, and specifies that these requirements and fees also apply to “self-propelled vehicles.”

It requires the DOT commissioner to waive, between July 1, 2016 and June 30, 2017, the amount of the fee increase for anyone who shows, to the commissioner’s satisfaction, that (1) the increased fee affects a material term in a contract for services in effect on July 1, 2016 or subject to competitive bidding on that date and (2) the person seeking the waiver is a party to the contract or a participant in the competitive bidding process.

Prior law limited the permits issued for overweight vehicles to the gross weight shown on the vehicle’s registration certificate. The act specifies that these registration certificates are for commercial vehicles and that the permit must be limited to the gross weight shown on their commercial registration certificates or any commercial registration certificate issued on an apportionment basis. (Apportionment refers to the system in which commercial vehicles pay registration fees based on the distance they travel in each state.) The act also makes conforming changes.

The act increases fees as shown in Table 9.
### Table 9: Oversize or Overweight Vehicle Fees

<table>
<thead>
<tr>
<th></th>
<th>Previous Fee</th>
<th>Fee Under the Act</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Trip Permit</td>
<td>$23</td>
<td>$30</td>
</tr>
<tr>
<td>Transmittal Fee*</td>
<td>$3</td>
<td>$5</td>
</tr>
<tr>
<td>Annual Permit (per 1,000 pounds)</td>
<td>7</td>
<td>9</td>
</tr>
<tr>
<td>Incremental Fee for Annual Permit**</td>
<td>One-tenth of the annual fee per month</td>
<td>100 per month</td>
</tr>
<tr>
<td>Minimum Annual Fee for Oversize Indivisible Loads (a load that cannot be broken down into smaller loads to meet weight or size limits)</td>
<td>500</td>
<td>650</td>
</tr>
</tbody>
</table>

* Under prior law, this fee applied to permits transmitted by transceiver or fax; under the act this fee applies to any permit transmitted electronically.
** The act specifically applies this fee to (1) vehicles and (2) vehicles and trailers; under prior law it applied to vehicles only.

**EFFECTIVE DATE: July 1, 2016**

§ 179 — STATE BOARD OF MEDIATION AND ARBITRATION FEE

*Increases labor and mediation arbitration fee from $25 to $200*

The act increases, from $25 to $200, the fee an employer and its employee must each pay when submitting a grievance or dispute to the State Board of Mediation and Arbitration. By law, the board (1) assigns these cases to one of its two three-member panels, each consisting of one labor, business, and public representative and (2) must refund the fee if the parties agree to have the public member arbitrate the matter.

**EFFECTIVE DATE: July 1, 2016**

§ 180 — SALES TAX ON PARKING FEES AT CERTAIN STATE AND MUNICIPAL LOTS

*Exempts certain motor vehicle parking fees from sales and use tax*

The act exempts from sales and use tax non-metered motor vehicle parking in (1) seasonal lots with 30 or more spaces operated by the state or its political subdivisions and (2) municipally owned lots with 30 or more spaces. As under existing law, parking in metered lots or lots with fewer than 30 spaces is exempt from the tax. (PA 16-72 contains identical provisions.)

**EFFECTIVE DATE: Upon passage and applicable to sales made on or after that date.**

§ 181 — REGIONAL GREENHOUSE GAS INITIATIVE (RGGI) FUND SWEEPS

*Diverts the first $3.3 million from the proceeds of RGGI auctions occurring on or after January 1, 2017 for deposit in the General Fund*
The act diverts the first $3.3 million from the proceeds of RGGI auctions occurring on or after January 1, 2017 for deposit in the General Fund in FY 17. Once the $3.3 million is diverted, any subsequent auction proceeds must be calculated and allocated as required by existing law and regulations.

RGGI is a regional interstate “cap and trade” program to reduce greenhouse gas emissions. The program subjects the region’s power plants to a declining cap on the amount of carbon dioxide (CO\textsubscript{2}) they can emit and requires them to purchase emission allowances at quarterly auctions. Those that exceed the cap may buy credits from those that do not. Auction sales proceeds fund energy efficiency and renewal programs.

**EFFECTIVE DATE:** Upon passage

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**§ 182 — TAX WARRANTS ON PAYMENT SETTLEMENT ENTITIES**

*Requires DRS to make reasonable efforts to issue tax warrants on payment settlement entities for payments they made to Connecticut retailers*

The act requires the DRS commissioner to make reasonable efforts to facilitate the issuance of tax warrants on “payment settlement entities” (i.e., banks or third-party settlement organizations, such as MasterCard, Paypal, and Visa) for payments they made to Connecticut retailers.

**EFFECTIVE DATE:** Upon passage

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**§ 183 — ANGEL INVESTOR TAX CREDIT**

*Extends the sunset date for angel investor tax credits through 2019 and allows them to be sold, assigned, or transferred*

The act extends the sunset date for the angel investor tax credit by three years, from July 1, 2016 to July 1, 2019, and allows taxpayers to sell, assign, or transfer all or part of the credit to other taxpayers.

The credits, which are available through CI, apply against the personal income tax and equal 25\% of the amount taxpayers invest in technology-based businesses, up to $250,000.

**EFFECTIVE DATE:** July 1, 2016 and applicable to tax years beginning on or after January 1, 2016.

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**§ 184 — AMORTIZED FY 14 GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) DEFICIT**

*Delays the start of scheduled payments to pay off the FY 14 GAAP deficit and shortens the schedule for the payments*

Prior law required the state to pay off the General Fund’s unreserved negative unassigned balance for FY 14, identified based on GAAP, and to do so over 12 years in equal increments, starting in FY 17 and ending in FY 28. The act delays the start of these payments by one year and requires them to be amortized over 11 years in equal increments, from FY 18 to FY 28.

**EFFECTIVE DATE:** Upon passage
§ 185 — ADMISSIONS TAX EXEMPTION

Establishes admissions tax exemptions for the Dunkin’ Donuts Park and New Britain Stadium

The act exempts from the 10% admissions tax any (1) event at the Dunkin’ Donuts Park in Hartford, beginning June 2, 2016, and (2) athletic event at the New Britain Stadium presented by an Atlantic League of Professional Baseball member team, beginning July 1, 2017.

EFFECTIVE DATE: Upon passage

§ 186 — LOCAL OPTION ADMISSIONS SURCHARGE

Authorizes municipalities to impose a new local option admissions surcharge

The act allows municipalities to impose a surcharge on admission charges to events held at facilities located within the municipalities. The surcharge must be imposed by ordinance and may be up to 5% of the admissions charge, except for the surcharge on events held at the Dunkin’ Donuts Park in Hartford, which may be up to 10%.

The act prohibits municipalities from imposing a surcharge on (1) events from which all proceeds go exclusively to a federally tax-exempt organization, provided that organization actively engages in and assumes the financial risk of presenting the event, and (2) pari-mutuel or off-track betting facilities already subject to a local admissions tax. It allows the ordinances to exclude additional events or facilities from the surcharge.

Under the act, the surcharge applies to amounts paid for tickets; licenses; skybox, luxury suite, or club seat rentals or purchases; and any other admission charges, including any charges for the right to buy seats. It covers theaters; lecture and concert halls; amusement parks and fairgrounds; dance halls; sporting facilities, such as ball parks, race tracks, tennis courts, golf and miniature golf courses, skating rinks, beaches, swimming pools, and gyms; stadiums and amphitheaters; convention centers; auto, boat, camping, home, dog, and antique shows; and other similar venues and events. The surcharge applies in addition to any applicable tax (i.e., admissions tax).

The surcharge (1) applies to the facilities at which the events take place, which must collect the surcharge from purchasers upon payment, and (2) is a recoverable debt from the purchaser to the facility.

The same administrative, enforcement, liability, and appeal process requirements established in statute for the local option pari-mutuel or off-track betting facility admissions tax apply to the surcharge.

EFFECTIVE DATE: Upon passage

§ 187 — MOTOR VEHICLE PROPERTY TAX MILL RATES

Increases the cap on motor vehicle mill rates and establishes the motor vehicle mill rate for certain municipalities, districts, and boroughs that previously set a mill rate for the 2015 assessment year

The act increases the cap on motor vehicle property tax mill rates from (1) 32
to 37 mills for the 2015 assessment year and (2) 29.36 mills to 32 mills for the 2016 assessment year and thereafter.

It also establishes the motor vehicle mill rate for certain municipalities, special taxing districts, and boroughs that set a mill rate for the 2015 assessment year prior to June 2, 2016 (the act’s effective date). For municipalities that set the rate at 32 mills, their motor vehicle mill rate is the lesser of:

1. the mill rate they previously set for real and personal property other than motor vehicles for the 2015 assessment year;
2. a rate they set after June 2, 2016 that is less than 37 mills; or
3. 37 mills.

For any borough or district that, prior to June 2, 2016, set a motor vehicle mill rate for the 2015 assessment year that if combined with the municipality’s motor vehicle mill rate would result in 32 mills, the motor vehicle mill rate is the lesser of:

1. a rate that if combined with the municipality’s motor vehicle mill rate would result in 37 mills;
2. the rate it previously set for real and personal property other than motor vehicles for the 2015 assessment year; or
3. a rate it sets after June 2, 2016 that if combined with the municipality’s motor vehicle mill rate is less than 37 mills.

Existing law bars districts and boroughs from setting a mill rate for the 2015 and 2016 assessment years that, if combined with the municipality’s motor vehicle mill rate, would exceed the capped rate. The act extends this provision to the 2017 assessment year and thereafter, thus aligning it with the cap on municipalities for those assessment years.

EFFECTIVE DATE: Upon passage and applicable to assessment years beginning on or after October 1, 2015.

§ 189 — MUNICIPAL GRANT PROGRAMS

Makes various changes to the regional services and municipal revenue sharing grant programs, including expanding the types of expenditures excluded from the municipal spending cap that is tied to municipal revenue sharing grants beginning in FY 18.

Regional Services Grants

Beginning in FY 17, the law requires OPM to distribute regional services grants to councils of governments (COGs), based on a formula determined by the OPM secretary. Beginning in FY 18, the act requires COGs to use 35% of the grants to help regional education service centers merge their human resources, finance, or technology services with such services provided by municipalities in the region.

Municipal Revenue Sharing Grants

Beginning in FY 20, the law requires OPM to distribute municipal revenue sharing grants to municipalities according to a statutory formula. (The grant amounts are specified in statute for FYs 17 to 19.) Under prior law, the formula
for calculating each municipality’s grant amount was based on its motor vehicle mill rate. The act instead bases the formula on the mill rate for real and personal property other than motor vehicles.

**Municipal Spending Cap**

By law, beginning in FY 18, OPM must reduce municipal revenue sharing grant amounts for those municipalities whose spending, with certain exceptions, exceeds a spending cap. By law, the cap is the greater of the inflation rate or 2.5% or more of the municipality’s expenditures in the prior fiscal year. The act specifies that the cap is based on a municipality’s adopted budget expenditures, rather than general budget expenditures. Under the act, “adopted budget expenditures” include expenditures from a municipality’s general fund and any nonbudgeted funds.

The act expands the types of expenditures excluded from the cap to include (1) budgeting for an audited deficit; (2) nonrecurring grants; (3) nonrecurring capital expenditures of at least $100,000; and (4) payments on unfunded pension liabilities.

The act also prohibits OPM from reducing a municipality’s grant in any year in which its adopted budget expenditures exceeds the cap by an amount proportionate to its population increase over the previous fiscal year (based on the most recent Department of Public Health population estimate).

**EFFECTIVE DATE:** July 1, 2016

§§ 190 & 191 — PAYMENT IN LIEU OF TAXES (PILOT) GRANTS FOR FY 18 AND FY 19

*Extends, to FYs 18 and 19, requirements for proportionately reducing PILOT grants if the amount appropriated is not enough to fully fund them; Delays the implementation of a mechanism for increasing PILOT grants for eligible municipalities*

The act extends, to FYs 18 and 19, requirements that previously applied to FY 17 for proportionately reducing PILOT grants if the amount appropriated is not enough to fund the full amount to every municipality and district. Under those requirements, (1) municipalities and districts must receive PILOTs that equal or exceed the reimbursement rates they received in FY 15 and (2) certain municipalities and districts receive a specified supplemental PILOT grant. The budget act supersedes these requirements for FY 17, reducing the supplemental grant amounts and changing their funding source.

In extending these requirements, the act delays, from FY 18 to FY 20, the implementation of a mechanism for increasing PILOT grants for the 35 municipalities with the highest percentage of tax-exempt property on their grand lists, provided their mill rates are at least 25.

The act also corrects a statutory reference in the PILOT program statutes and makes conforming changes.

**EFFECTIVE DATE:** July 1, 2016

§ 192 — DRS TAX INCIDENCE STUDY
Delays the next DRS tax incidence report deadline, from February 15, 2017 to February 15, 2018

The act delays by one year, from February 15, 2017 to February 15, 2018, the deadline by which DRS must submit its next tax incidence report to the legislature. By law, DRS must biennially submit to the Finance, Revenue and Bonding Committee, and post on DRS’s website, a report on the overall incidence of the income tax, sales and excise taxes, corporation business tax, and property tax.

EFFECTIVE DATE: Upon passage

§§ 193 & 194 — PROBATE ESTATE SETTLEMENT FEES

Establishes a $40,000 maximum probate fee for estate settlement

The act caps at $40,000 the probate fees for settling estates valued at $8.877 million and greater, as shown in Table 10. The fee changes apply to estate proceedings for people who die on or after July 1, 2016. The act also makes conforming changes.

| Table 10: Probate Fees for Settling Estates (Ranges Changed by the Act) |
|---|---|---|---|
| **Estate Value** | **Fee** | **Estate Value** | **Fee** |
| At least $2 million | $5,615, plus 0.5% of the excess over $2 million | $2 million to $8.877 million | $5,615, plus 0.5% of the excess over $2 million |
| At least $8.877 million | $40,000 |

EFFECTIVE DATE: Upon passage, except a conforming change is effective July 1, 2016.

§§ 195 & 196 — AMBULATORY SURGICAL CENTERS (ASC)

Allows state-licensed outpatient surgical facilities that also operate as ASCs to provide surgical services to patients who require no more than 24 hours of postoperative observation

Under federal law, ASCs qualify for Medicare payments if, among other things, they provide surgical services to patients who require no more than 24 hours of postoperative care at the center without subsequent hospitalization (42 C.F.R. § 416). The act explicitly authorizes DPH-licensed outpatient surgical facilities that operate as ASCs to provide surgical services to patients who meet this criterion.

The act requires the DPH commissioner, by July 1, 2016, to study the implications of this change and determine if regulations are needed to implement it. It allows him to adopt regulations if he decides that they are needed. The act also requires DPH to (1) adopt and implement any policies and procedures needed to administer the law’s provisions concerning outpatient surgical facilities’ licensure and operation and (2) operate under the policies and procedures while he is in the process of adopting them as regulations. The department must post the policies and procedures on the eRegulations System within 20 days after
implementing them.
EFFECTIVE DATE: July 1, 2016, except the requirement for the commissioner’s study takes effect upon passage.

§ 197 — IMPACT OF GROSS RECEIPTS TAX ON ASC

Requires a study on how the gross receipts tax affects ASCs

The act requires the OPM secretary, in consultation with the revenue services and social services commissioners, to study how the gross receipts tax affects ASCs and report the results to the Public Health and Finance, Revenue and Bonding committees by February 1, 2017. At a minimum, the study must review and make recommendations regarding the:

1. tax rate and the amount of any tax exemptions,
2. fairness of the tax for ASCs of different sizes and capacities,
3. relationship between the tax and ASCs operating costs,
4. tax’s effect on ASCs’ ability to pay debts and make capital improvements, and
5. tax’s effects on ASCs’ hours of operation.

The study must also review other possible tax structures.

EFFECTIVE DATE: Upon passage

§ 198 — FILING OUTSTANDING RETURNS AS A CONDITION OF LICENSE OR PERMIT ISSUANCE OR RENEWAL

Prohibits the DRS commissioner issuing or renewing certain permits or licenses for anyone who he determines has failed to file any required tax returns

The act bars the DRS commissioner from issuing or renewing a (1) cigarette dealer, distributor, or manufacturer license; (2) tobacco product distributor or unclassified importer license; or (3) sales tax seller’s permit, for anyone who he determines has failed to file any required tax returns. Under the act, the applicant must file or arrange to file all outstanding returns to the commissioner’s satisfaction before the commissioner may issue or renew the license or permit.

Existing law bars the commissioner from issuing or renewing such licenses or permits for anyone who he determines owes any state taxes for which all administrative or judicial remedies have expired or been exhausted.

EFFECTIVE DATE: January 1, 2017

§§ 199 & 200 — SOURCING RULES FOR CORPORATION AND PERSONAL INCOME TAX PURPOSES

Requires businesses to use market-based sourcing to determine which service sales are attributable to Connecticut for corporation and personal income tax purposes; Establishes new sourcing rules for other categories of receipts

By law, multistate businesses must determine where their sales are made in order to calculate the portion of their income that is attributed to Connecticut and thus subject to tax. Existing law establishes “sourcing rules” that companies must use to determine which sales are sourced (i.e., assigned) to Connecticut. The act
requires businesses to use market-based sourcing to determine which service sales are attributable to Connecticut for corporation and personal income tax purposes. Under market-based sourcing rules, businesses source service sales based on where their customers are located or receive the benefit of the services. Prior law required them to source service sales based on where the services were performed (i.e., origination-based sourcing).

The act establishes additional sourcing rules for other categories of receipts. It generally applies the same rules to the corporation and personal income tax, with the exception of sourcing receipts derived from real property sales, rentals, leases, and licenses.

By law, unchanged by the act, businesses must use destination-based sourcing to determine how sales of tangible personal property are sourced to Connecticut for both corporation and personal income tax purposes. Under these rules, sales are sourced to the state if the property is delivered or shipped to a customer here.

**Corporation Income Tax Sourcing Rules**

The act requires corporation income taxpayers to use market-based sourcing to assign gross receipts from service sales to the state (i.e., source such receipts to Connecticut if the market for the services is here). Under the act, the market for a service is in Connecticut if and to the extent the service is used here. Prior law required businesses to source service sales to Connecticut if the services were performed here.

The act also assigns gross receipts from the following sources to Connecticut:

1. Real or tangible personal property rentals, leases, or licenses to the extent the property is located here. (Under prior law, rentals and royalties from properties located in Connecticut were assignable to the state.)
2. Intangible property rentals, leases, or licenses to the extent the property is used here. Under the act, intangible property used to market a good or service to a consumer is used in Connecticut if the good or service is purchased by a consumer in the state. Under prior law, royalties from the use of patents or copyrights within the state were assignable to Connecticut.
3. Interest managed or controlled in Connecticut, as under existing law.
4. Other sources not specified under the act or existing law to the extent the market for the sales is here. (Prior law specified that all other receipts earned in Connecticut were sourced here.)

The act excludes gross receipts from the sale or disposition of real property, tangible personal property, or intangible property from a corporation’s apportionment fraction (i.e., the ratio corporations use to determine the portion of their income attributable to Connecticut and thus subject to taxation) if the property is not held by the taxpayer primarily for sale to customers in the ordinary course of business. Under prior law, net gains from the sale or disposition of intangible assets managed or controlled in Connecticut and tangible assets situated in Connecticut were sourced here and thus included in a corporation’s apportionment fraction.
Personal Income Tax Sourcing Rules

The act similarly requires personal income taxpayers to use market-based sourcing to determine which gross receipts from service sales are earned in Connecticut (i.e., source such receipts to the state if the market for the services is here). Under the act, the market for a service is in Connecticut if and to the extent the service is used here. Prior law required taxpayers to source service sales to the state if they were performed by an employee, agent, agency, or independent contractor chiefly situated at, contracted with, or sent from the taxpayer’s Connecticut offices or branches.

The act also assigns gross receipts from the following sources to Connecticut for personal income tax purposes:

1. Tangible personal property rentals, leases, or licenses to the extent the property is located here.
2. Intangible property rentals, leases, or licenses if and to the extent the property is used here. Intangible property used to market a good or service to a consumer is used in Connecticut if the good or service is purchased by a consumer in the state.
3. Other sources not specified under the act or existing law to the extent the market for the sales is here.

The act excludes from a business’s gross income percentage (see §§ 200 & 201 below) receipts from real property sales, rentals, leases, or licenses. Previously, regulations excluded from apportionment income from, and deductions connected with, real property rentals and sales. Rather, such income or deductions were considered to be derived from or connected with Connecticut if the property was located here (Conn. Agencies Reg. § 12-711(b)8).

The act also excludes, from the gross income percentage, receipts from the sale or disposition of tangible personal property or intangible property if the property is not held by the taxpayer primarily for sale to customers in the ordinary course of business.

Alternative Sourcing Methodology

Under the act, if a corporate or personal income taxpayer concludes that it cannot reasonably assign its receipts using the sourcing rules established under existing law and the act, it may petition the DRS commissioner to use an alternate methodology that reasonably approximates these sourcing rules. The taxpayer must submit such a petition no earlier than 60 days before its tax return is due for the first income year to which the petition applies, including any filing deadline extensions. The DRS commissioner must grant or deny the petition before the return is due.

EFFECTIVE DATE: Corporation income tax provisions are effective upon passage and applicable to income years beginning on or after January 1, 2016 and personal income tax provisions are effective January 1, 2017 and applicable to income years beginning on or after that date.
§§ 200-201 — SINGLE SALES APPORTIONMENT FOR PERSONAL INCOME TAX PURPOSES

Requires multistate businesses to calculate the proportion of their gains and losses attributable to Connecticut for personal income tax purposes based on Connecticut sales alone, rather than the average of their percentage of property, payroll, and gross sales in Connecticut.

By law, multistate businesses operating in Connecticut must determine the proportion of their gains and losses that is attributable to Connecticut for personal income tax purposes. Prior law required businesses to calculate this proportion by multiplying their net income by the average of their percentage of property, payroll, and gross income (i.e., sales) in Connecticut. The act removes the property and payroll percentage from this calculation, thus basing it solely on the gross income percentage. As under existing law, businesses must calculate the gross income percentage by dividing their gross receipts in Connecticut by all of their gross receipts.

The act requires that the portion of a nonresident partner’s, shareholder’s, or beneficiary’s share of income derived from, or connected with, sources in the state be determined according to these statutory apportionment provisions, rather than DRS regulations consistent with them.

EFFECTIVE DATE: January 1, 2017 and applicable to income years beginning on or after that date.

§ 202 — SALES AND USE TAX EXEMPTIONS

Exempts diapers and feminine hygiene products from sales tax starting July 1, 2018.

The act exempts from the sales and use tax sales of feminine hygiene products and disposable and reusable diapers.

EFFECTIVE DATE: July 1, 2018 and applicable to sales occurring on or after that date.

§ 203 — PROPERTY TAX EXEMPTION FOR REAL ESTATE SIGNS

Exempts real estate signs from the property tax.

The act exempts from the property tax signs placed on properties indicating that the properties are for sale or lease. It does so by excluding the signs from the list of tangible personal property taxpayers must include in their annual property declarations.

EFFECTIVE DATE: July 1, 2016.

§ 204 — AUTHORITY TO AMEND ADOPTED MUNICIPAL BUDGETS

Authorizes municipalities to amend adopted budgets following a reduction in state aid.

The act authorizes municipalities, from June 3, 2016 through June 30, 2017, to amended an adopted budget if (1) state aid to the municipality is reduced below the amount projected for the adopted budget, (2) the budget amendment does not exceed the amount of the reduced state aid, and (3) the budget amendment is
approved in the same manner as the original budget.

This authorization applies to towns, cities, boroughs, consolidated towns and cities, and consolidated towns and boroughs. It applies regardless of conflicting (1) statutes affecting boards of education, municipalities, and property tax levy and collection; (2) special acts; or (3) municipal charters or home rule ordinances.

EFFECTIVE DATE: Upon passage

§§ 205 & 206 — ELECTRONIC NICOTINE DELIVERY SYSTEM OR VAPOR PRODUCT DEALERS AND MANUFACTURERS

Makes various changes to the laws requiring electronic nicotine delivery system or vapor product dealers and manufacturers to register with DCP and annually renew their registrations in order to sell or manufacture these products.

Dealer and Manufacturer Registration

By law, electronic nicotine delivery system or vapor product dealers and manufacturers must register with DCP and annually renew their registrations in order to sell or manufacture these products. The act limits the (1) manufacturers’ registration requirement to business owners and (2) dealers’ registration requirement to business owners or their authorized designees. Under prior law, the requirement applied to any “person” selling or manufacturing these products. Under the act, each affiliate under the business’s common control or ownership must obtain its own permit. The act also specifies that the dealer registration requirement applies to retailers, wholesalers, and dealers.

The act eliminates provisions (1) requiring partnerships to submit new applications and pay new fees if they add one or more new partners and (2) specifying that the remaining partners need not file a new application or pay an additional fee if one or more of the partners dies or retires.

Application

The act requires the application for a dealer or manufacturer registration to include the applicant’s email address. It eliminates requirements that the applications include (1) a financial statement detailing any business transactions connected to the application and (2) the applicant’s criminal convictions. It also authorizes DCP to require applicants to provide proof that the business location will meet state and local building, fire, and zoning requirements. Prior law required applicants to provide such proof.

The act also eliminates the requirement that the commissioner deny an application if he finds that the applicant was convicted of violating any state or federal cigarette or tobacco product tax law or is unsuitable because of his or her criminal record, except as permitted by law.

Notice of Violations

The law makes it illegal to manufacture, sell, offer for sale, or possess with intent to sell an electronic nicotine delivery system or vapor product without a manufacturer or dealer registration and establishes fines and penalties for
violations.

Prior law required the DCP commissioner to notify a dealer or manufacturer of a violation before imposing a penalty. The act eliminates a requirement that he do so within available appropriations and allows him to send the notice by email to the email address designated on the dealer’s or manufacturer’s application or renewal form. As under existing law, he may also send the notice with a certificate of mailing or a similar U.S. Postal Service form that verifies the date on which it was sent.

EFFECTIVE DATE: Upon passage

Background

Electronic Nicotine Delivery Systems and Vapor Products. By law, an electronic nicotine delivery system is an electronic device used to simulate smoking while delivering nicotine or other substance to a person who inhales from it. This includes (1) electronic cigarettes, cigars, cigarillos, pipes, and hookahs and (2) related devices, cartridges, or other components. A vapor product uses a heating element; power source; electronic circuit; or other electronic, chemical, or mechanical means, regardless of shape or size, to produce a vapor the user inhales. The vapor may or may not include nicotine (CGS § 53-344b).

§ 208 — COMMISSION ON HEALTH EQUITY

Eliminates the Commission on Health Equity

The act eliminates the 32-member Commission on Health Equity. Under prior law, the commission was in the Office of the Healthcare Advocate for administrative purposes only. Its mission was to eliminate disparities in health status based on race, ethnicity, gender, and linguistic ability and improve the quality of health for all state residents.

EFFECTIVE DATE: July 1, 2016

§ 209 — HEALTHY START

Eliminates certain requirements related to Healthy Start, a program for low-income pregnant women

The act eliminates a requirement that the DSS commissioner, in consultation with the DPH commissioner, develop a plan to maximize federal Medicaid reimbursements for Healthy Start in Connecticut and expand services within available state appropriations. Healthy Start is a service delivery program for low-income pregnant women that promotes and supports positive maternal and neonatal health outcomes. The act also repeals obsolete provisions that required the commissioners to evaluate the program in 2013 and 2014.

EFFECTIVE DATE: July 1, 2016