
OLR Bill Analysis

SB 543

Emergency Certification

AN ACT CONCERNING REVISIONS TO THE STATE BUDGET FOR FISCAL YEAR 2019 AND DEFICIENCY APPROPRIATIONS FOR FISCAL YEAR 2018.

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Increases the state per-student grant for vocational agricultural centers

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Requires the DAS commissioner to provide \$250,000 from the Facilities Surplus Property account to Voluntown to purchase a fire truck

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Requires the aggregate amount of funds in the hospital supplemental pools to total \$166,500,000 for FY 20

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Establishes a 7-member panel to study the Commission on Fiscal Stability and Economic Growth's proposals and, by January 1, 2019, make recommendations to the Finance, Revenue and Bonding Committee

§ 57 — EFFICIENCY IMPROVEMENTS IN REVENUE COLLECTION AND STATE AGENCY EXPENSE MANAGEMENT

Requires the OPM secretary to issue an RFP for a national consultant to study and make recommendations on improving efficiencies in collecting revenue and managing state agency expenses

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Creates a study panel to report to the Appropriations Committee on proposed reforms to the TRS

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Prohibits collective bargaining agreements that bar volunteers from providing maintenance services

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Limits the annual disbursements from the TSF

§§ 62 & 63 — SALES AND USE TAX ON VESSELS, VESSEL MOTORS, AND TRAILERS USED TO TRANSPORT VESSELS

Reduces, from 6.35% to 2.99%, the sales and use tax on vessels, vessel motors, and trailers used for transporting vessels

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Delays, until FY 22, the sales and use tax revenue diversion to MRSA

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§§ 1-12 & 14-19 — BUDGET PROVISIONS

Please refer to the fiscal note for a summary of these sections

§ 13 — MEDICARE SAVINGS PROGRAM (MSP)

Eliminates a decrease to MSP income limits scheduled to go into effect July 1, 2018

The bill eliminates a decrease to MSP income limits scheduled to go into effect July 1, 2018, as shown in Tables 1 and 2.

Under federal law, MSP generally consists of three separate program tiers (Qualified Medicare Beneficiary (QMB), Specified Low-Income Medicare Beneficiary (SLMB) and Qualified Individual (QI)), with applicants at the lowest income levels qualifying for the most benefits. To qualify, individuals must be enrolled in Medicare Part A. Program participants get financial assistance from the state's Medicaid program with their Medicare cost sharing, including premiums and deductibles.

Under current law, MSP income limits for each tier will decrease July 1, 2018, as shown in Table 1. The bill maintains current eligibility limits, as shown in Table 2. MSP income eligibility limits are based on the federal poverty level (FPL). Income limits calculations shown in the tables are based on 2018 FPL values for an individual. FPL values change annually.

Table 1: MSP Income Limits under Current Law

	<i>Until July 1, 2018</i>		<i>After July 1, 2018</i>	
	<i>Income Limit (% FPL)</i>	<i>Annual Income Limit</i>	<i>Income Limit (% FPL)</i>	<i>Annual Income Limit</i>
QMB	Less than 211%	\$25,615	Less than 100%	\$12,140

SLMB	211% to 231%	\$28,043	100% to 120%	\$14,568
QI	231% to 246%	\$29,864	120% to 135%	\$16,389

Table 2: MSP Income Limits under the Bill

	No Change July 1	
	Income Limit (% FPL)	Annual Income Limit
QMB	Less than 211%	\$25,615
SLMB	211% to 231%	\$28,043
QI	231% to 246%	\$29,864

EFFECTIVE DATE: July 1, 2018

§§ 20-22 — VOLATILITY CAP, BUDGET RESERVE FUND (BRF), AND BOND COVENANT REQUIREMENTS

Requires the volatility cap threshold to be adjusted annually for personal income growth and allows the legislature to amend the threshold under certain circumstances by a supermajority vote; shortens the length of bond covenant requirement; requires a portion of the income tax revenue diverted to the BRF in FY 18 to be used to pay certain liabilities

Volatility Cap Threshold (§ 20)

Under current law, the state treasurer must transfer to the BRF the revenue the state receives each fiscal year in excess of \$3.15 billion from personal income tax estimated and final payments (i.e., the income tax revenue generated from taxpayers who make estimated income tax payments on a quarterly basis). This threshold is commonly referred to as the “volatility cap.” Beginning July 1, 2018, the bill requires the \$3.15 billion threshold amount to be adjusted annually for personal income growth, based on the compound annual growth rate of state personal income over the preceding five calendar years, using U.S. Bureau of Economic Analysis data.

The bill also authorizes the General Assembly to amend the \$3.15

billion threshold, by a vote of three-fifths of the members of each house, due to changes in state or federal tax law or policy or significant adjustments to economic growth or tax collections.

Bond Covenant (§ 21)

Existing law expressly requires the state to comply with certain state laws, including the volatility cap, for each fiscal year during which state general obligation (GO) or credit revenue bonds issued from May 15, 2018, to June 30, 2020, are outstanding. The bill makes a conforming change to the bond pledge to incorporate the bill's changes to the volatility cap threshold.

Under current law, for GO and credit revenue bonds issued during this timeframe, the treasurer must include a pledge to bondholders that the state will not enact any laws taking effect from May 15, 2018, to June 30, 2028, that change the state's obligation to comply with the specified laws until the bonds are fully paid off, unless certain conditions are met. The bill shortens this timeframe by five years, to July 1, 2023. It also requires the bond pledge to apply for five years, rather than 10 years, from the bonds' first issuance date.

FY 18 Transfer (§ 22)

The bill requires a portion of the income tax revenue diverted to the BRF for FY 18 to be transferred to the retired teachers' health insurance premium account. Under the bill, after the treasurer has made the transfer required under existing law for FY 18, and the comptroller has determined the amount of any deficit for FY 18 and such amount has been deemed appropriated from the excess revenue, the comptroller must transfer \$16.1 million to the retired teachers' health insurance premium account. The transferred amount must be in addition to any other statutorily required contributions or payments to the account.

EFFECTIVE DATE: May 15, 2018, except the FY 18 transfer provision is effective May 14, 2018.

§§ 23 & 24 — MOTOR VEHICLE PROPERTY TAX GRANTS

Lists the motor vehicle property tax grant amounts towns and districts will receive in FY 19; changes the grant formula beginning in FY 20; eliminates supplemental grants after FY 18

Existing law authorizes municipalities and special taxing districts to tax motor vehicles at a different rate than other taxable property, but it imposes a cap on the mill rate for motor vehicles. By law, the cap is currently 39 mills and it will rise to 45 mills in FY 19.

Motor Vehicle Property Tax Grant Calculation

Under current law, beginning in FY 18, municipalities that impose a mill rate on real and personal property (other than motor vehicles) that is greater than the capped motor vehicle mill rate are eligible for grants. Currently, the grant is equal to the difference between the (1) amount of property taxes a municipality and any district located there levied on motor vehicles for the 2013 assessment year and (2) amount of the 2013 levy at the capped rate. Under the bill:

1. this formula does not apply in FY 19 and
2. beginning in FY 20, the formula uses 2016 assessment year figures instead of the 2013 assessment year figures.

For FY 19, the bill lists the grant amounts payable to 12 municipalities and districts (§ 23). (Other municipalities and districts will not receive grants.) The Office of Policy and Management (OPM) must make these grants by August 1, 2018.

Supplemental Grants Eliminated After FY 18

The bill eliminates supplemental motor vehicle property tax grants after FY 18. Under current law, beginning in FY 18, certain municipalities that had a mill rate of more than 39 mills in FY 17 may apply annually to OPM for a supplemental grant. To qualify, a municipality must have implemented a real property revaluation in the 2014 or 2015 assessment year that resulted in at least a four mill increase in the mill rate. OPM may provide such supplemental grants within available appropriations, provided the grant does not reduce the grants OPM gives to other municipalities.

EFFECTIVE DATE: July 1, 2018

§ 25 — HOMELESS SERVICES GRANTS

Provides grants to specified entities from DOH's FY 19 Housing/Homeless Services appropriation

The bill requires that up to \$240,000 appropriated to the Department of Housing for Housing/Homeless services for FY 19 be used for (1) a \$150,000 grant to the New London Homeless Hospitality Center and (2) a \$90,000 grant to Noble House operated by CASA, Inc. in Bridgeport.

EFFECTIVE DATE: July 1, 2018

§ 26 — DSS HISPANIC PROGRAMS

Directs \$127,000 of the FY 19 funds appropriated to DSS to the Spanish Community of Wallingford

The bill requires \$127,000 of the amount appropriated for FY 19 to DSS for Human Resources Development-Hispanic Programs to be made available as a grant to the Spanish Community of Wallingford for FY 19.

EFFECTIVE DATE: July 1, 2018

§§ 27-32 — REVENUE ESTIMATES

Modifies previously adopted revenue estimates for FY 19

The bill modifies revenue estimates for FY 19 that were previously adopted in 2017 as part of the 2018-2019 biennial state budget, as shown in Table 3.

Table 3: Modified FY 19 Revenue Estimates

<i>Fund</i>	<i>Current Law</i>	<i>Bill</i>
General Fund	\$18,908,178,988	\$19,008,730,594
Special Transportation Fund	1,628,100,000	1,620,500,000
Banking Fund	36,200,000	34,000,000
Insurance Fund	92,200,000	95,300,000
Consumer Counsel and Public Utility Control Fund	29,000,000	25,700,000
Workers' Compensation Fund	26,301,633	27,500,000

EFFECTIVE DATE: July 1, 2018

§ 33 — PROBATE COURT ADMINISTRATION FUND

Requires that the fund's balance at the end of FY 18 remain in the fund

Under existing law, if there is a balance in the Probate Court Administration Fund on June 30 exceeding 15% of its authorized expenditures in the coming fiscal year, then that excess is transferred to the General Fund. The bill overrides this provision for FY 19 by requiring that any balance in the fund as of June 30, 2018, remain there.

EFFECTIVE DATE: Upon passage

§ 34 — RENTERS' REBATE PROGRAM

Eliminates the requirement that the Office of Policy and Management annually recover rebate costs from municipalities

The bill eliminates the requirement under the Renters' Rebate Program that the Office of Policy and Management (OPM) annually recover from each municipality 50% of the cost of issuing rebates, up to \$250,000. It thus shifts responsibility for funding the program entirely back to the state.

Beginning in FY 18, current law requires OPM to recover rebate costs by selecting at least one state grant per municipality from which to withhold funds, up to the \$250,000 maximum.

By law, the Renters' Rebate Program provides rent and utility reimbursements to older adults or totally disabled renters whose incomes do not exceed certain limits. Individuals apply annually to local assessors or their agents between April 1 and October 1 for reimbursement for payments made in the preceding calendar year.

EFFECTIVE DATE: July 1, 2018

§ 35 — CONNECTICUT TELEVISION NETWORK (CT-N)

Increases, from \$1.6 million to \$2.6 million, the amount of funding reserved for CT-N from the gross receipts tax on cable and other companies

The bill increases, from \$1.6 million to \$2.6 million, the amount of funding reserved for CT-N annually beginning in FY 18. The funding comes from the gross receipts tax on cable, satellite, and competitive video service companies and is used by the Office of Legislative

Management to defray the costs of providing the state with CT-N coverage of state government deliberations and public policy events.

EFFECTIVE DATE: July 1, 2018

§ 36 — CLAIMS COMMISSIONER CARRYFORWARD

Carries forward unspent funds appropriated to the Department of Administrative Services (DAS) for the claims commissioner and makes them available in FY 19 for the same purpose

The bill carries forward unspent funds appropriated in FY 18 to DAS for the Office of the Claims Commissioner. It makes the funds available in FY 19 for the same purpose.

EFFECTIVE DATE: July 1, 2018

§ 37 — REMAINING FY 19 ECS AID TO MUNICIPALITIES THAT RECEIVED STUDENTS DISPLACED BY HURRICANE MARIA

Requires that remaining FY 19 ECS grants be distributed to municipalities whose school districts received students who were displaced by Hurricane Maria

Overriding any statute or public or special act, the bill requires that after the distribution of FY 19 education equalization aid grants (i.e., ECS grants), any remaining funds be distributed to municipalities whose school districts received students during FY 18 who were displaced by Hurricane Maria. The distribution must be on a per-student basis and determined by the highest number of displaced students enrolled in each such district in any week during FY 18 (within districts, displaced student enrollment fluctuated as families arrived at various times and not all remained).

EFFECTIVE DATE: July 1, 2018

§§ 38-43 — CITIZENS' ELECTION PROGRAM (CEP) GRANTS

Freezes CEP grants at the 2014 and 2016 amounts for statewide office and legislative candidates, respectively

PA 17-2, June Special Session, eliminated the requirement that SEEC adjust the 2018 election cycle CEP grants for inflation, thus reducing the grants to the original statutory amounts. The bill reinstates inflationary adjustments but for the 2018 election cycle, freezes the grants at the 2014 and 2016 amounts for statewide office and legislative

candidates, respectively.

Under the bill, SEEC must immediately adjust the grant amounts as follows:

1. for statewide office candidates, based on changes in the consumer price index for all urban consumers (CPI-U) from January 1, 2010, to December 31, 2013 and
2. for legislative candidates, based on changes in the CPI-U from January 1, 2008, to December 31, 2015.

EFFECTIVE DATE: Upon passage

§§ 44-47 — DEFICIENCY APPROPRIATIONS

Please refer to the fiscal note for a summary of these sections

§ 48 — HUSKY A MEDICAID ELIGIBILITY

Expands Medicaid eligibility for HUSKY A parents and caretakers by raising the income limit from 133% to 150% of the federal poverty level (FPL)

By law, DSS provides Medicaid coverage to children under age 19 and their parents or caretaker relatives through HUSKY A. Under current law, the income limit for parents and caretakers in this program is 133% FPL (e.g., \$27,637 for a family of three for 2018). The bill expands HUSKY A eligibility by raising the income limit for non-pregnant adults (i.e., parents or caretaker relatives) to 150% FPL (e.g., \$31,170 for a family of three for 2018).

However, federal law requires state agencies to include a 5% income disregard when making certain Medicaid eligibility determinations. Thus, under the bill and including this disregard, the HUSKY A income limit for parents and caretaker relatives is effectively 155% FPL (\$32,209 for a family of three for 2018).

EFFECTIVE DATE: July 1, 2018

§ 49 — RETIRED STATE EMPLOYEE HEALTH SERVICE CARRYFORWARD

Carries forward \$21.5 million of the FY 18 appropriation to State Comptroller-fringe benefits for retired state employees' health service costs

The bill carries forward \$21.5 million of the FY 18 appropriation to State Comptroller-fringe benefits for retired state employees' health service costs. It does so by specifying that the amount must not lapse and instead must continue to be available for the same purpose during FY 19.

EFFECTIVE DATE: July 1, 2018

§ 50 — COMMUNITY INVESTMENT ACCOUNT

Requires that any reduction to, or transfer from, the Community Investment Account be applied proportionately to each program funded from the account

The bill requires that any reduction to, or transfer from, the Community Investment Account be applied proportionately to each program the account funds.

EFFECTIVE DATE: July 1, 2018

§ 51 — EXECUTIVE BRANCH REQUIRED SAVINGS FOR FY 19

Requires the executive branch to achieve \$7 million in FY 19 General Fund savings through hiring reductions and privatization, while being consistent with the 2017 SEBAC agreement

The bill requires the Office of Policy and Management secretary to make reductions in allotments in any budgeted executive branch agency in order to achieve savings in the General Fund of \$7 million for FY 19. He must do this by means of a "hard hiring reduction" and accelerating efforts to privatize the service delivery currently provided by the state. The hiring reduction and privatization must be consistent with provisions of the ratified 2017 SEBAC (State Employees Bargaining Agent Coalition) agreement, dated June 25, 2017, between the state and the SEBAC concerning job security and layoffs (see BACKGROUND).

EFFECTIVE DATE: July 1, 2018

BACKGROUND

SEBAC Job Security Provisions

Under the 2017 SEBAC agreement, job security generally includes no loss of employment from July 1, 2017 through June 30, 2021 for any

unionized employee hired before July 1, 2017, including loss of employment due to programmatic changes (those hired after July 1, 2017 do not have the protection).

Under SEBAC, the job security provisions do not cover (1) working test periods; (2) natural expirations of fixed appointment terms; (3) expirations of temporary, durational, or special appointments; (4) non-renewal of non-tenured employees, unless non-tenured employees have permanent status; (5) terminations of grants or other outside funding for positions; and (6) part-time employees who are not eligible for health insurance.

Finally, job security also does not include state restructuring or eliminating positions as long as those affected may bump or transfer to another comparable job under the agreement's procedure.

§ 52 — PER-STUDENT GRANT FOR VOCATIONAL AGRICULTURAL CENTERS

Increases the state per-student grant for vocational agricultural centers

The bill increases the annual state grant for each student attending a regional agricultural science and technology center from \$3,200 to \$4,200. As under existing law, the grants are within available appropriations. The centers provide high school students with an agricultural education in addition to the comprehensive high school education.

EFFECTIVE DATE: July 1, 2018

§ 53 — AGRICULTURAL SUSTAINABILITY ACCOUNT

Requires \$1 million appropriated to the Department of Agriculture for Dairy Farmer-Account Sustainability for FY 19 to be transferred to the agricultural sustainability account by July 15, 2018

The bill requires \$1 million appropriated to the Department of Agriculture for Dairy Farmer-Account Sustainability for FY 19 to be transferred to the agricultural sustainability account by July 15, 2018.

The agricultural sustainability account is a separate, nonlapsing General Fund account used by the agriculture commissioner to provide grants to dairy farmers when milk prices fall below the level

needed to sustain dairy operations (i.e., the minimum sustainable monthly production cost) (CGS §§ 4-66cc & 22-265b).

EFFECTIVE DATE: Upon passage

§ 54 — VOLUNTOWN FIRE TRUCK PURCHASE

Requires the DAS commissioner to provide \$250,000 from the Facilities Surplus Property account to Voluntown to purchase a fire truck

By July 31, 2018, the bill requires the DAS commissioner to provide \$250,000 from the Facilities Surplus Property account to the town of Voluntown for the purchase of a fire truck for use on municipal and state-owned land.

EFFECTIVE DATE: July 1, 2018

§ 55 — HOSPITAL SUPPLEMENTAL PAYMENTS

Requires the aggregate amount of funds in the hospital supplemental pools to total \$166,500,000 for FY 20

Generally, “supplemental pools” refer to hospitals grouped for purposes of receiving supplemental Medicaid payments. Under existing law, the amount of funds in the supplemental pools must total, in aggregate, \$598,440,138 for FY 18 and \$496,340,138 for FY 19.

Under the bill, for FY 20, the amount of funds in the supplemental pools must total, in aggregate, \$166,500,000.

Under federal law, changes to Medicaid payments are generally subject to the Centers for Medicare and Medicaid Services' (CMS) approval.

EFFECTIVE DATE: July 1, 2018

§ 56 — PANEL TO STUDY THE COMMISSION ON FISCAL STABILITY AND ECONOMIC GROWTH’S RECOMMENDATIONS

Establishes a 7-member panel to study the Commission on Fiscal Stability and Economic Growth’s proposals and, by January 1, 2019, make recommendations to the Finance, Revenue and Bonding Committee

The bill establishes a 7-member panel to study the Commission on Fiscal Stability and Economic Growth’s proposals concerning the rebalancing of state taxes to better stimulate economic growth without

raising net new taxes. It requires the panel's study to (1) include a review of options for expanding municipal revenue sources and methods to broaden the sales and use tax base and (2) consider the work of the commission and the 2015 State Tax Panel.

Under the bill, the panel's members consist of (1) one member appointed by each of the top six legislative leaders, who either served on the commission or the State Tax Panel, and (2) the revenue services commissioner, who serves as an ex-officio, nonvoting member. Appointing authorities must (1) make their appointments within 30 days after the bill's passage and (2) fill any vacancy on the panel.

The panel's cochairpersons must be selected from among its members, one jointly selected by the House speaker and Senate president and another by the House minority leader and Republican Senate president pro tempore. The cochairpersons must schedule the panel's first meeting, which must be within 60 days after the bill's passage. The Finance, Revenue and Bonding Committee's administrative staff serves as the panel's administrative staff.

The panel may consult with any individuals or entities its members deem appropriate or necessary and may ask the OPM secretary to hire a consultant or consultants to help it conduct the study.

The bill requires the panel, by January 1, 2019, to submit its findings and recommendations to the Finance, Revenue and Bonding Committee. The panel terminates on the date it submits the report or January 1, 2019, whichever is later.

EFFECTIVE DATE: Upon passage

§ 57 — EFFICIENCY IMPROVEMENTS IN REVENUE COLLECTION AND STATE AGENCY EXPENSE MANAGEMENT

Requires the OPM secretary to issue an RFP for a national consultant to study and make recommendations on improving efficiencies in collecting revenue and managing state agency expenses

The bill requires the OPM secretary, by July 1, 2018, to develop and issue a request for proposals (RFP) to hire a national consultant to study and make recommendations on improving efficiencies in

collecting revenue and managing state agency expenses.

The bill requires the consultant to make recommendations that will (1) result in at least \$500 million in savings and (2) not adversely impact the quality of state programs or social services program benefits.

The bill requires the OPM secretary to consult with the former members of the Commission on Fiscal Stability and Economic Growth on the study's scope and update them on its progress. By February 1, 2019, the consultant must report its findings and recommendations to the Appropriations and Finance, Revenue and Bonding committees.

EFFECTIVE DATE: Upon passage

§ 58 — TEACHERS' RETIREMENT SYSTEM (TRS) REFORM STUDY PANEL

Creates a study panel to report to the Appropriations Committee on proposed reforms to the TRS

The bill establishes a six-member panel to conduct a study of the Commission on Fiscal Stability and Economic Growth's proposal to reform the TRS. The panel must report the results, which may include recommendations to reform the TRS, to the Appropriations Committee by January 1, 2019.

The bill requires the study to include, at a minimum, consideration of:

1. a 30-year contribution of state lottery net proceeds to the Teachers' Retirement Fund to pay down unfunded liabilities;
2. re-amortization of remaining fund liabilities in 2025 after defeasance (i.e., secure an asset or cash, usually in escrow, to satisfy a financial obligation) of current bonds; and
3. the creation of a hybrid defined benefit/defined contribution plan for new teachers with risk sharing on investment returns (each of these items are included in the commission's recommendations for reforming the TRS).

Each of the following legislative leaders appoint one member to the panel: House speaker, House majority leader, House minority leader, Senate president pro tempore, Republican Senate president pro tempore, and Senate majority leader.

The bill requires:

1. each appointee to be an expert in either public pensions, finance, bonding, defined benefit plans or defined contribution plans;
2. all appointments to be made no later than 30 days after the bill's passage; and
3. any vacancy to be filled by the appointing authority.

The House speaker and the Senate president pro tempore jointly select a cochairperson from among the panel's members and the House minority leader and the Republican Senate president pro tempore jointly select the other cochairperson from among the members. The cochairpersons must schedule the panel's first meeting, which must be held no later than 60 days after the bill's passage.

The administrative staff of the Appropriations Committee serves as the panel's administrative staff.

EFFECTIVE DATE: Upon passage

§ 59 — MUNICIPAL VOLUNTEER SERVICES

Prohibits collective bargaining agreements that bar volunteers from providing maintenance services

The bill prohibits, irrespective of other statutes, a municipality from entering a collective bargaining agreement with a municipal employee union that limits the municipality's ability to accept volunteer building and grounds maintenance services, provided there is no impact on the employees' wages or working conditions. The prohibition applies to contracts entered into on or after July 1, 2018.

EFFECTIVE DATE: July 1, 2018

§§ 60 & 61 — TOBACCO SETTLEMENT FUND (TSF) DISBURSEMENTS

Limits the annual disbursements from the TSF

Beginning in FY 18, the bill limits the annual transfer from the TSF to the amount identified as “Transfer from Tobacco Settlement Fund” in the General Fund revenue schedule adopted by the General Assembly. In doing so, it eliminates the required disbursements shown in Table 4. It also makes a conforming change.

Table 4: Annual TSF Disbursements Eliminated

To	Amount	
	FYs 18 and 19	FYs 20 and Thereafter
General Fund	\$4 million	\$4 million
Tobacco Health and Trust Fund	Any remainder in the TSF	\$6 million + any remainder in the TSF
Smart Start Competitive Operating Grant Account	N/A	\$10 million (for FYs 20-25)

EFFECTIVE DATE: Upon passage

§§ 62 & 63 — SALES AND USE TAX ON VESSELS, VESSEL MOTORS, AND TRAILERS USED TO TRANSPORT VESSELS

Reduces, from 6.35% to 2.99%, the sales and use tax on vessels, vessel motors, and trailers used for transporting vessels

The bill reduces, from 6.35% to 2.99%, the sales and use tax on vessels (i.e., boats), vessel motors, and trailers used for transporting vessels. By law, unchanged by the bill, vessels docked in Connecticut for 60 days or less are exempt from sales and use tax.

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

§§ 62 & 63 — MUNICIPAL REVENUE SHARING ACCOUNT (MRSA) DIVERSION

Delays, until FY 22, the sales and use tax revenue diversion to MRSA

The bill delays, until FY 22, the sales and use tax revenue diversion to MRSA.

The FY 18-19 budget suspended the diversion of sales tax revenue to MRSA for FYs 18 and 19, but retained the corresponding use tax

diversion to the account. The bill suspends the use tax diversion for such years, thus aligning the two provisions.

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

§§ 62 & 63 — DIVERSION OF MOTOR VEHICLE SALES AND USE TAX REVENUE TO THE SPECIAL TRANSPORTATION FUND (STF)

Begins diverting a portion of motor vehicle sales and use tax revenue to the STF earlier, in FY 19 rather than FY 21, and modifies the diversion schedule

Current law phases in over five years a diversion of motor vehicle sales and use tax revenue to the STF, according to a specified schedule that begins in FY 21. The bill begins diverting a portion of this revenue earlier, in FY 19, and modifies the diversion schedule. Table 5 provides the amount of the diversion under current law and under the bill.

As under existing law, the revenue diversion applies to revenue from motor vehicle sales subject to the 6.35% rate or 7.75% luxury tax rate (generally for those costing more than \$50,000).

Table 5: Schedule of Motor Vehicle Sales and Use Tax Diversion to STF

<i>Fiscal Year</i>	<i>% of Revenue Diverted to STF</i>	
	<i>Current Law</i>	<i>Bill</i>
19	--	8
20	--	33
21	20	56
22	40	75
23	60	100
24	80	100
25 and thereafter	100	100

EFFECTIVE DATE: July 1, 2018

§§ 64 & 65 — DYED DIESEL FUEL USED FOR MARINE PURPOSES

Establishes conditions under which (1) dyed diesel fuel sold to marine fuel dock owners or operators exclusively for marine purposes is exempt from the motor vehicle fuels tax and (2) marine fuel dock owners and operators may purchase and sell such tax-exempt fuel

The bill establishes conditions under which (1) dyed diesel fuel sold to marine fuel dock owners or operators exclusively for marine

purposes is exempt from the motor vehicle fuels tax and (2) marine fuel dock owners and operators may purchase and sell such tax-exempt fuel. Federal law exempts diesel fuel used for certain non-highway purposes (including marine purposes) from federal fuel taxes and requires exempt diesel fuel to be dyed red so it can be identified. Existing state law authorizes taxpayers to claim a refund for motor vehicle fuels taxes paid on such fuel if they purchased at least 200 gallons of it (CGS § 12-459).

Under the bill, the exemption for dyed diesel fuel applies when it is sold to marine fuel dock owners or operators exclusively for marine purposes, provided (1) it is delivered to a tank in which fuel is kept exclusively for marine purposes and (2) the owner or operator submits to the fuel distributor a statement that the fuel is used as such. The statement must be in a form prescribed by the Department of Revenue Services (DRS) commissioner and contain a notice that false statements are punishable.

The bill authorizes the DRS commissioner to license marine fuel dock owners and operators to purchase and sell such tax-exempt fuel, as long as the owner or operator can properly control its sale, through meters, pumps, or other dispensing devices, directly into vessel or vessel motor fuel tanks. Under the bill, the owners and operators must keep and maintain, for at least three years, proper accounting records of their (1) purchases from distributors, (2) sales invoices to purchasers (including the purchaser's signature and the serviced vessel's registration number), and (3) inventory on the first day of each month.

The DRS commissioner must audit the records at regular intervals. Any discrepancies for which a satisfactory explanation cannot be submitted are subject to tax. The commissioner may revoke a license if the owner or operator fails to properly control and safeguard the state from the fuel being diverted to uses other than for marine purposes.

The bill requires dyed diesel fuel distributors to report monthly to the DRS commissioner on the number of gallons of dyed diesel fuel they sold or used during the preceding calendar month and any

additional information specified by the commissioner. They must do so by the 25th day of each month on forms the commissioner prescribes.

EFFECTIVE DATE: July 1, 2018; the exemption is applicable to sales occurring on or after July 1, 2018.

§§ 66-68 — ESTATE AND GIFT TAX

Extends, by three years, the phase-in of the estate and gift tax threshold to the federal threshold

The bill extends, by three years, the phase-in of the estate and gift tax threshold to the federal threshold. Under current law, the estate and gift tax threshold increases over three years, from \$2.6 million in 2018, to \$3.6 million in 2019, and to the federal basic exclusion amount in 2020 and thereafter. As Tables 6 and 7 show, the bill extends the phase-in to 2023 by setting the gift and estate tax threshold at \$5.1 million for 2020, \$7.1 million for 2021, \$9.1 million for 2022, and the federal basic exclusion amount for 2023 and thereafter.

The federal Tax Cuts and Jobs Act of 2017 doubled the federal threshold (to \$11 million in 2018, after adjusting for inflation).

Table 6: Estate and Gift Tax Rates, 2020 to 2022

<i>Value of Taxable Estate or Gift</i>	<i>Rates</i>			
	<i>Current Law</i>	<i>Bill</i>		
	<i>2020 and after*</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
Up to \$5,100,000	None	None	None	None
\$5,100,001 to federal threshold		10%		
Federal threshold to \$6,100,000	10%			
\$6,100,001 to \$7,100,000	10.4%	10.4%		
\$7,100,001 to \$8,100,000	10.8%	10.8%	10.8%	
\$8,100,001 to \$9,100,000	11.2%	11.2%	11.2%	
\$9,100,001 to \$10,100,000	11.6%	11.6%	11.6%	11.6%
Over \$10,100,000	12%	12%	12%	12%

*Rates apply to the excess over the federal threshold

Table 7: Estate and Gift Tax Rates Under the Bill, 2023 and Thereafter

<i>Value of Taxable Estate and Gift</i>	<i>Rate for 2023 and Thereafter</i>
Up to federal threshold	None
Over federal threshold	12%

The bill makes conforming changes to requirements for filing tax returns with the Department of Revenue Services (DRS) and the probate court. By law, all estates, regardless of their gross value, must file an estate tax return. If the estate's value is more than the taxable threshold, the executor must file the return with DRS, with a copy to the probate court for the district where the decedent lived or, if the decedent was not a Connecticut resident, where the Connecticut property is located. If the estate's value is below the tax threshold, the return must be filed only with the appropriate probate court. The probate judge must review the return and issue a written opinion to the estate's representative if the judge determines it is not subject to the estate tax.

Under current law, for deaths on or after January 1, 2020, the threshold for filing an estate tax return only with the probate court is the federal estate tax threshold. The bill instead sets the threshold at:

1. \$5.1 million for deaths on or after January 1, 2020, but before January 1, 2021;
2. \$7.1 million for deaths on or after January 1, 2021, but before January 1, 2022;
3. \$9.1 million for deaths on or after January 1, 2022, but before January 1, 2023; and
4. the federal threshold for deaths on or after January 1, 2023.

The bill also makes a technical correction.

EFFECTIVE DATE: Upon passage

§ 69 — HUMAN SERVICES PROVIDER COLA

Requires OPM to allocate available FY 19 funds to provide a 1% COLA to certain human services providers

The bill requires the OPM secretary to allocate available FY 19 funds to provide a 1% COLA to employees who provide state-administered human services. The bill allows the secretary to reduce rates for any provider that receives such funds but fails to provide his or her

employees with such adjustment.

Under the bill, "employee" means any privately employed person who provides state-administered human services, including any person in a contractual arrangement with a human services provider who is not directly employed by such provider (e.g., sub-contractor), and "state-administered human services" means any of the services administered by the Departments of Correction, Housing, Public Health, Social Services, Children and Families, Rehabilitation Services and Mental Health and Addiction Services; the Office of Early Childhood; and the Judicial Department that involve direct care of or services for eligible persons, including (1) medical services, (2) mental health and addiction treatment, (3) nutrition and housing assistance, and (4) services for children.

EFFECTIVE DATE: Upon passage

§ 70 — CONSERVATION AND LOAD MANAGEMENT FUND

Repeals provisions in the FY 18-19 budget act that transfer \$63.5 million for each year from the Conservation and Load Management Fund to the General Fund (Section 12 reinstates the transfer but decreases the amount by \$10 million for FY 19.)

The current FY 18-19 budget transfers \$63.5 million from the Energy Conservation and Load Management (C&LM) funds to the General Fund in each year of the biennium. The bill repeals this transfer. (Section 12 reinstates the transfer for \$63.5 million for FY 18 and \$53.5 million for FY 19 and requires PURA to authorize disbursements to implement it.)

EFFECTIVE DATE: Upon passage