Testimony Regarding Connecticut's Fiscal Structure

Opposing H.B. 5584: An Act Establishing a Tax Credit for Employers that Provide Paid Family and Medical Leave Benefits and Concerning Family and Medical Leave Accounts

Regarding H.B. 5587: An Act Concerning the Commission on Fiscal Stability and Economic Growth

Regarding H.B. 5588: An Act Concerning an Analysis of the Revenue Streams of the State

Regarding H.B. 5589: An Act Concerning a Study of Finance Policies to Improve the Economic Competitiveness of the State

Supporting H.B. 5590: An Act Concerning Bond Covenants and the Bond Issuance Cap

Regarding S.B. 528: An Act Concerning a Study of State Tax Policies

Supporting S.B. 531: An Act Concerning the Assessment of a Fee on Certain Employers

Regarding S.B. 533: An Act Concerning a Study of State Revenue Policies

Regarding S.B. 537: An Act Concerning an Economic Development Bonding and a Study of Economic Development and Workforce Training Needs of the State

Ellen Shemitz, Connecticut Voices for Children
Finance, Revenue and Bonding Committee
April 2nd, 2018

Good afternoon Senator Fonfara, Senator Frantz, Representative Rojas, Representative Davis, and distinguished members of the Committee:

My name is Ellen Shemitz, and I am testifying today on behalf of Connecticut Voices for Children, a research-based child advocacy organization working to ensure that all Connecticut children have an equitable opportunity to achieve their full potential.

H.B. 5590: An Act Concerning Bond Covenants and the Bond Issuance Cap

We commend the legislature for providing this opportunity to explore further the implications of the most consequential provision of last fall’s budget. **We support HB 5590 with the following proposed amendments:** (1) delay the bond lock’s application to the volatility cap until July 1, 2019 and (2) establish a Commission to study the bond lock and associated fiscal restrictions in depth and report back to the legislature by March 1, 2019.

Last fall, Connecticut enacted a novel, untested method of restraining state government: the bond lock. State law now says that whenever Connecticut issues a bond for a two-year period
beginning in May, it must vow not to change three new spending and revenue restrictions for the life of the bond (typically 10 years) except in extraordinary circumstances. Because bonds are considered contracts, Connecticut would be legally bound to maintain these spending and revenue restraints—the spending cap, volatility cap, and bond cap—despite what future Governors or legislatures might find to be in the best interests of the state. **Any effort to break the covenant would invite litigation and risk significant penalties.** Once the bond lock goes into effect, there is little we can do to stop it.

To our knowledge and that of our national partners, **no other state has attempted this restraint before.** As a result, **no one knows the full consequences of this provision, even though after it goes into effect, there is little we can do to stop it.** Even bond rating agencies have expressed uncertainty regarding the consequences of the bond lock:

- **Moody’s Investor Service has told Voices that they do not have a definitive view on whether the bond lock will strengthen or weaken Connecticut’s long-term credit rating.** In a recent report, Moody’s recognized that “covenanting to follow [the spending cap, volatility cap, and bond cap] reduces budgetary flexibility.” In follow-up correspondence with Connecticut Voices for Children, Moody’s has indicated that they believe that the bond lock has downsides and they are unsure as to how it will affect Connecticut’s credit rating long-term.

- **Standard and Poor’s Rating Service has written about the uncertainty that the bond lock will cause.** Although they do not expect the bond lock to change Connecticut’s credit rating immediately, they note several unresolved questions about the bond lock, noting that **“uncertainty might also arise on violation of the new bond covenants.** Would bondholders have to sue the state? Could a legislator have standing to sue in court? And how long before a state would have to comply after being sued, especially if the wheels of justice turned slowly? They also express uncertainty as to “whether the new policies will speed up or hinder future budget adoption,” noting that **“legal restrictions alone do not ensure financial rectitude.”** Further study can help answer these questions, as well as allay Standard and Poor’s other concerns: although they say that “restrictive bond covenants…could potentially improve state credit quality,” they also say that “a state might find itself locked into rigid financial practices should circumstances change.”

In fact, the bond lock may **harm** Connecticut’s rating in the long term. Urban Institute researchers have found that **“some fiscal institutions, especially those that limit the ability to pay back debt, can actually increase borrowing costs.”** As a result, Urban Institute economist Kim Reuben recommends that Connecticut at least delay the bond lock, arguing that it is “not so much tying one’s hands as tying one’s hands and jumping off a cliff without knowing whether deep water or rocks lie below.”

Given this uncertainty about the bond lock’s ramifications and the near-irreversible nature of those ramifications, we support H.B. 5590 insofar as it delays the bond lock to allow time for further study. However, we hope that this bill will go further by also (1) delaying the bond lock’s application to the volatility cap and (2) establishing a Commission to study the bond lock and associated fiscal restrictions in depth and report back to the legislature by the start of the 2019 session.

**Recommendation 1: Delay the bond lock’s application to the volatility cap**

Before last fall, the legislature had already enacted a volatility cap set to go into full effect by 2021. This cap had bipartisan support and was responsive to market conditions, following national best practices. However, last fall’s budget not only instituted the bond lock, but also repealed this best-practice volatility cap, replacing it with a less nuanced one. If H.B. 5590 passes as currently
written, the bond lock will prevent the legislature from improving the volatility cap for the next decade.

If effectively designed, volatility caps help states to save windfall revenues from boom years for use during recessions. The challenge is in designing budget reserve fund (BRF, colloquially known as “Rainy Day Fund”) deposit and withdrawal formulae that effectively pinpoint and sequester windfalls, protect BRFs from premature raiding, and ensure that such funds are accessible when they are most needed. When developed according to best practices from other states, BRFs have been proven to increase state savings1, which, in turn, can improve their credit ratings.2

Connecticut’s previous volatility cap, enacted as part of the 2015 BRF reforms and set to go fully into effect in Fiscal Year 2021, represented such best-practice legislation. It was drafted in consultation with the Comptroller and technical advisors from Pew Charitable Trust, taking into account both best practices in other states and Connecticut’s own revenue structure. That law would have helped Connecticut to manage boom and bust cycles from two of its most volatile revenue sources – the corporate income tax and the estimates and finals portion of the income tax – by requiring automatic deposits according to a formula tied to the long-term growth and overall volatility of those sources.3

The new volatility cap replaces this nuanced and carefully-developed formula with a hard limit on appropriation of estimates and finals revenues at $3.15 billion per year, with the remainder automatically going into the BRF. This limit does not change, even as the state’s economy grows, tax rates change, or volatility dampens (or worsens). In essence, the new law appears to replace an actual cap on volatility with a different measure entirely: a hard limit on appropriations of one of the state’s largest and fastest-growing revenue sources. Additionally, this law is narrower than the previous Rainy Day Fund reforms, as it does not cover the corporate income tax at all.

We have modelled how the deposit triggers from both the new volatility cap and the 2015 reforms would have performed since 1993, and compared the results with the BRF deposits the state actually made (under then-existing law, which required deposit only of surplus revenues). As the below chart demonstrates, the 2015 reforms would have worked counter-cyclically, providing the state with hundreds of millions of additional dollars to spend during each of the last two major recessions. The new, arbitrary, $3.15 billion threshold would not have resulted in any savings until 2013 – but will severely constrain appropriations if the economy continues to grow.

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1 Yilin Hou, STATE GOV’T BUDGET STABILIZATION (2013), at 77.
3 Specifically, that law triggered deposits when revenues from those two sources exceeded the rolling ten-year average of such revenues, adjusted upwards to reflect average growth over the past ten years.
The 2015 BRF reforms would have been more effective at directing excess revenues to the BRF – but they were never implemented

### Simulated Revenues Due to Mandatory Deposit Triggers, by Volatility Cap Law

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual experience</th>
<th>Volatility cap from 2015 reforms</th>
<th>Volatility cap from FY 18-19 budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>$0.5 B</td>
<td>$1.0 B</td>
<td>$0.5 B</td>
</tr>
<tr>
<td>2000</td>
<td>$0.5 B</td>
<td>$1.0 B</td>
<td>$0.5 B</td>
</tr>
<tr>
<td>2005</td>
<td>$0.5 B</td>
<td>$1.0 B</td>
<td>$0.5 B</td>
</tr>
<tr>
<td>2010</td>
<td>$1.0 B</td>
<td>$1.0 B</td>
<td>$1.0 B</td>
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</table>

### YoY E+F Growth

<table>
<thead>
<tr>
<th>Year</th>
<th>YoY E+F Growth</th>
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</thead>
<tbody>
<tr>
<td>1995</td>
<td>13%</td>
</tr>
<tr>
<td>2000</td>
<td>0%</td>
</tr>
<tr>
<td>2005</td>
<td>-3%</td>
</tr>
<tr>
<td>2010</td>
<td>23%</td>
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### YoY Corp. Inc. Growth

<table>
<thead>
<tr>
<th>Year</th>
<th>YoY Corp. Inc. Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>11%</td>
</tr>
<tr>
<td>2000</td>
<td>-2%</td>
</tr>
<tr>
<td>2005</td>
<td>3%</td>
</tr>
<tr>
<td>2010</td>
<td>3%</td>
</tr>
</tbody>
</table>

The volatility cap from the 2015 reforms would have given the BRF $2.5 B in reserves prior to the Great Recession; the new law would have given the BRF zero.

Exclusion of the corporate income tax in the cap and the failure to account for growth of the overall economy means CT is making deposits in years when the overall economic picture is bad (CT in fact withdrew from the BRF in both of these highlighted years).

1 These funds would be deposited into the BRF assuming withdrawal triggers (e.g., deficits) are not hit. Once BRF hits pre-determined levels, such funds could then also be used to pay down unfunded pension liabilities.

Source: CT Voices and Yale update of a financial model previously developed by the Comptroller’s Office in advance of the 2015 reforms.

Capping appropriations from estimates and finals revenues at $3.15 B will hamper the state’s ability to capitalize on a vital source of revenue growth

### Share of Tax Revenues, by Source (2018)

- Estimates and Finals
- Withholding
- Non-income tax sources

<table>
<thead>
<tr>
<th>Source</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimates and Finals</td>
<td>$3.8 B</td>
</tr>
<tr>
<td>Withholding</td>
<td>$6.0 B</td>
</tr>
<tr>
<td>Non-income tax sources</td>
<td>$7.6 B</td>
</tr>
</tbody>
</table>

### Diverted Estimates and Finals Revenues (2018-2028)

- By 2028, the volatility cap will prevent the legislature from appropriating between $0.3 and $1.4 B in revenue growth

1 From Jan. 2018 consensus revenue estimates
2 Assumes estimated and final payments grow in line with consensus revenues until 2021 (the last year projected in consensus forecasts)
3 Note that even the high growth assumption of 5% is less than the 7% growth rate actually experienced from 1992 to today

Source: Analysis by Connecticut Voices for Children and Yale Law School Legislative Advocacy Clinic
Recommendation 2: Establish a Commission to assess the long-term implications of the bond lock

Given the substantial uncertainty surrounding the bond lock and the last-minute nature of the restrictions that it locks into place, the General Assembly should establish a commission to conduct careful analysis of these measures and their interaction with one another. Such a commission will also allow for public debate of measures that have not yet been given the full public consideration they deserve.

Such a commission should consider the following issues:

- The legality of using bond covenants to dictate bonding, spending, and BRF deposits or withdrawals;
- The likely long-term financial and economic impacts of the laws as currently written;
- The likely secondary effects of such provisions, on the operations of the state government and on the state’s ability to fund needed programs;
- The provisions’ likely impact on racial and economic disparities;
- Proposed revisions to each of the restrictions included under the bond lock; and
- Alternate procedural or other reforms to focus the legislature on long-term decision-making.

This commission should be composed of members selected by the Treasurer, Secretary of the Office of Policy and Management, Attorney General, Comptroller, and legislative leadership.

Additionally, the commission should consult with the following experts (either by selecting such individuals as members or requesting reports from them):

- Public finance experts;
- Municipal bond investors, ratings agencies, and bond attorneys; and
- City and regional government officials.

We have attached suggested legislative language as an appendix.

H.B. 5584: An Act Establishing a Tax Credit for Employers that Provide Paid Family and Medical Leave Benefits and Concerning Family and Medical Leave Accounts

We oppose this legislation. Although we appreciate the bill’s intent to incentivize businesses to offer paid family and medical leave, we are concerned that this approach would incentivize this benefit only for full-time employees who receive benefits, not for hourly workers or those who work multiple part-time jobs.

H.B. 5587: An Act Concerning the Commission on Fiscal Stability and Economic Growth

We commend the legislature’s continued efforts to study issues related to Connecticut’s fiscal stability and economic growth. However, we urge the legislature to diversify the Committee’s membership by race, class, gender, and life experience. The Commission’s mission is to recommend policies that support “the interests of families and businesses” and that “materially improve the attractiveness of the state for existing and future businesses and residents.” Yet most Commission members come from the business sector, sharing their important but limited expertise with policymakers. A Commission that more holistically represented state stakeholders could contribute a richer and more nuanced assessment of Connecticut’s fiscal woes.

H.B. 5588: An Act Concerning an Analysis of the Revenue Streams of the State

H.B. 5589: An Act Concerning a Study of Finance Policies to Improve the Economic Competitiveness of the State
Regarding each of these bills, we commend the legislature’s interest in studying how Connecticut’s tax and revenue policies can stimulate economic growth. However, we urge the legislature to require the agencies studying these issues to also examine the impact of any proposed legislative changes on children and families, study how revenue policy can better improve families' lives, and incorporate child and family wellbeing as well as racial equity into definitions of economic competitiveness. We believe that child and family wellbeing and racial equity are crucial components of economic development and business competitiveness and that excluding such an analysis risks presenting policymakers with an incomplete analysis of Connecticut’s revenue policies.

Connecticut Voices for Children supports S.B. 531, which would impose a fee on large employers which pay employees $15 an hour or less. The revenue generated by this fee is needed to sustain Connecticut’s commitment to working families. Large companies employing people in Connecticut but paying wages that do not enable parents to support their children adequately are an appropriate source for this much-needed revenue.

Through a series of policy choices, Connecticut policymakers have demonstrated their understanding that families need support to supplement low wages and ensure that children grow up in a stable and healthy environment. Public programs which support Connecticut families and children include:

- **HUSKY A**, Connecticut’s Medicaid program for families with children. In 2017, more than 452,066 Connecticut residents had health insurance coverage through the HUSKY A. About 150,000 are parents or caretaker relatives. Many of the children covered by HUSKY A have working parents. Research on Medicaid nationally indicates that many of the parents covered by Medicaid work.

- **Care4Kids**, the state’s child care subsidy program. In January of 2018, 14,380 children had access to childcare using support from this program. The vast majority of affected parents were working, as work is a requirement for eligibility for Care4Kids in almost all instances.

- **State Earned Income Tax Credit (EITC)**, the state’s income supplement for workers. In 2015, nearly 200,000 Connecticut filers claimed the State EITC, for an average credit of $565. By definition, all of these families worked to earn their credits, since the EITC supplements earned income.

Besides providing support for stable and healthy families, these and other public programs are essential to ensuring the robustness of Connecticut’s labor force. Without insurance coverage, parents may miss work because of preventable or treatable illness. Without access to childcare, parents who would otherwise be working must be at home with their children or leave their children in unreliable child care arrangements. A robust body of research demonstrates that the establishment of the federal EITC led to increases in employment and work hours (particularly among single mothers), suggesting that the EITC boosts work amongst its recipients.
Despite the state’s historic commitment to supporting working families, each of the programs discussed above has been cut back in recent years as the state struggled to balance its budget.

- In the beginning of 2015, income eligibility limits for HUSKY A coverage for parents matched eligibility levels for children at 201% of the federal poverty level.\(^\text{17}\) Now the eligibility level for parents has been reduced to 138% of the federal poverty level.\(^\text{18}\)

- From August, 2016 until November, 2017, the Care4Kids program was closed to new applicants (other than people receiving cash assistance through the Temporary Family Assistance program).\(^\text{19}\)

- In the state budget adopted in October, the level of support provided by the state EITC was reduced to 23% of the federal EITC, from a high of 30% when the state EITC was passed in 2011.\(^\text{20}\)

Even as state support for working families is being reduced, large businesses are receiving a major tax cut from the federal government. The corporate tax rate was reduced from 35% to 21% and many recipients of income from pass-through entities also benefit from a sizeable tax cut.\(^\text{21}\)

Now is the time to require that large employers provide adequate support to their employees, either through payment of an adequate wage or through payment of the fee proposed in this bill to support public programs which supplement inadequate wages.

It is important that the revenue generated by this proposal be applied to meeting the needs of Connecticut’s families. We urge the Committee to amend this bill to create a new, non-lapsing account within the General Fund into which all funds collected through this fee would be deposited, and to require that funds from this new account support a) HUSKY health insurance for children, pregnant women, and families, b) public early education and child care, and c) the Earned Income Tax Credit.

Public investments in HUSKY health insurance, early care and childcare, and the EITC support the wellbeing of hundreds of thousands of Connecticut children and families, and also keep labor costs down for employers. We urge the Committee to support S.B. 531 and earmark its revenues for these essential investments, so large employers pay their fair share of public investment in children.

S.B. 537: An Act Concerning an Economic Development Bonding and a Study of Economic Development and Workforce Training Needs of the State

We thank the legislature for considering a bill to study these important issues. We urge the legislature to require the Office of Policy and Management and the Commissioner of Economic and Community Development to study how Connecticut can better train all of its residents—especially residents of color—for a 21st-century workforce. Connecticut workforce and education systems leave too many of their residents of color behind, fueling vast inequities in opportunities and life outcomes.\(^\text{22}\) Narrowing these gaps must be an essential component of Connecticut’s workforce development strategy.

Thank you for this opportunity to testify. Please feel free to contact us if you have questions or need additional information. You can reach me at eshemitz@ctvoices.org or (203) 498-4240.
Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. Subsection (aa) of section 3-20 of the 2018 supplement to the general statutes is repealed and the following is substituted in lieu thereof (Effective May 15, 2018):

(aa) (1) For each fiscal year during which general obligation bonds or credit revenue bonds issued on and after [May 15, 2018,] July 1, 2019, and prior to July 1, 2020, shall be outstanding, the state of Connecticut shall comply with the provisions of (A) section 4-30a of the general statutes, revision of 1958, revised to January 1, 2017, as amended by section 704 of this act, (B) section 705 of this act in effect on the effective date of said section 705, (C) section 2-33a of the general statutes, revision of 1958, revised to January 1, 2017, as amended by section 709 of this act, (D) subsections (d) and (g) of this section, revision of 1958, revised to January 1, 2017, as amended by sections 710 and 711 of this act, and (E) section 3-21 of the general statutes, revision of 1958, revised to January 1, 2017, as amended by section 712 of this act. The state of Connecticut does hereby pledge to and agree with the holders of any bonds, notes and other obligations issued pursuant to subdivision (2) of this subsection that no public or special act of the General Assembly taking effect on or after May 15, 2018, and prior to July 1, 2028, shall alter the obligation to comply with the provisions of the sections and subsections set forth in subparagraphs (A) to (E), inclusive, of this subdivision, until such bonds, notes or other obligations, together with the interest thereon, are fully met and discharged, provided nothing in this subsection shall preclude such alteration (i) if and when adequate provision shall be made by law for the protection of the holders of such bonds, or (ii) (I) if and when the Governor declares an emergency or the existence of extraordinary circumstances, in which the provisions of section 4-85 of the general statutes are invoked, (II) at least three-fifths of the members of each chamber of the General Assembly vote to alter such required compliance during the fiscal year for which the emergency or existence of extraordinary circumstances are determined, and (III) any such alteration is for the fiscal year in progress only.

(2) The Treasurer shall include this pledge and undertaking in general obligation bonds and credit revenue bonds issued on or after May 15, 2018, and prior to July 1, 2020, provided such pledge and undertaking (A) shall be applicable for a period of ten years from the date of first issuance of such bonds, and (B) shall not apply to refunding bonds issued for bonds issued under this subdivision.

Sec. 2. Section 3-20 of the 2018 supplement to the general statutes is amended by adding subsection (bb) as follows (Effective July 1, 2019):

(NEW) (bb) There is established a Commission on Bond Covenants and Fiscal Restrictions to study the legality and potential consequences of using bond covenants to dictate bonding, spending, and budget reserve fund deposits or withdrawals, as well as the consequences of rules dictating bonding, spending, and budget reserve fund deposits or withdrawals, pursuant to section 2-33a of the general statutes, revision of 1958, revised to January 1, 2017, as amended by section 709 of public act 17-2 of the June special session; section 4-30a of the general statutes, revision of 1958, revised to January 1, 2017, as amended by section 704 of public act 17-2 of the June special session; section 2-33c in effect on October 31, 2017; subsections (d) and (g) of this section, revision of 1958, revised to January 1, 2017, as amended by sections 710 and 711 of public act 17-2 of the June special session; section 3-21 of the general statutes, revision of 1958, revised to January 1, 2017, as amended by section 712 of public act 17-2 of the June special session and section 3 of this act; and subsection (aa) of section 3-21 of the general statutes as created by section 706 of public act 17-2 of the June special session and as amended by section 1 of this act. Such commission shall:
(1) study the legality of using bond covenants to dictate bonding, spending, and deposits or withdrawals into the budget reserve fund, including, but not limited to, subsection (aa) of section 3-21 of the general statutes as created by section 706 of public act 17-2 of the June special session and as amended by section 1 of this act;

(2) study the long-term financial and economic implications of section 2-33a of the general statutes, revision of 1958, revised to January 1, 2017, as amended by section 709 of public act 17-2 of the June special session; section 4-30a of the general statutes, revision of 1958, revised to January 1, 2017, as amended by section 704 of public act 17-2 of the June special session; section 2-33c in effect on October 31, 2017; subsections (d) and (g) of this section, revision of 1958, revised to January 1, 2017, as amended by sections 710 and 711 of public act 17-2 of the June special session; section 3-21 of the general statutes, revision of 1958, revised to January 1, 2017, as amended by section 712 of public act 17-2 of the June special session and section 3 of this act; and (F) subsection (aa) of section 3-21 of the general statutes as created by section 706 of public act 17-2 of the June special session and as amended by section 1 of this act. Such an analysis shall evaluate the long-term financial and economic implications of the sections listed in this subdivision both separately and together.

(3) study the likely implications of section 2-33a of the general statutes, revision of 1958, revised to January 1, 2017, as amended by section 709 of public act 17-2 of the June special session; section 4-30a of the general statutes, revision of 1958, revised to January 1, 2017, as amended by section 704 of public act 17-2 of the June special session; section 2-33c in effect on October 31, 2017; subsections (d) and (g) of this section, revision of 1958, revised to January 1, 2017, as amended by sections 710 and 711 of public act 17-2 of the June special session; section 3-21 of the general statutes, revision of 1958, revised to January 1, 2017, as amended by section 712 of public act 17-2 of the June special session; and (F) subsection (aa) of section 3-21 of the general statutes as created by section 706 of public act 17-2 of the June special session and as amended by section 1 of this act on racial and economic disparities and future opportunities for social and economic mobility;

(4) recommend revisions to section 2-33a of the general statutes, revision of 1958, revised to January 1, 2017, as amended by section 709 of public act 17-2 of the June special session; section 4-30a of the general statutes, revision of 1958, revised to January 1, 2017, as amended by section 704 of public act 17-2 of the June special session; section 2-33c in effect on October 31, 2017; subsections (d) and (g) of this section, revision of 1958, revised to January 1, 2017, as amended by sections 710 and 711 of public act 17-2 of the June special session; section 3-21 of the general statutes, revision of 1958, revised to January 1, 2017, as amended by section 712 of public act 17-2 of the June special session; and (F) subsection (aa) of section 3-21 of the general statutes as created by section 706 of public act 17-2 of the June special session and as amended by section 1 of this act.

(5) study and recommend methods of ensuring that the legislature practice long-term fiscal decision-making other than those in section 2-33a of the general statutes, revision of 1958, revised to January 1, 2017, as amended by section 709 of public act 17-2 of the June special session; section 4-30a of the general statutes, revision of 1958, revised to January 1, 2017, as amended by section 704 of public act 17-2 of the June special session; section 2-33c in effect on October 31, 2017; subsections (d) and (g) of this section, revision of 1958, revised to January 1, 2017, as amended by sections 710 and 711 of public act 17-2 of the June special session; section 3-21 of the general statutes, revision of 1958, revised to January 1, 2017, as amended by section 712 of public act 17-2 of the June special session; and (F) subsection (aa) of section 3-21 of the general statutes as created by section 706 of public act 17-2 of the June special session and as amended by section 1 of this act.
(6) study the likely implications on the operations of state government and on the state’s ability to fund social services of section 2-33a of the general statutes, revision of 1958, revised to January 1, 2017, as amended by section 709 of public act 17-2 of the June special session; section 4-30a of the general statutes, revision of 1958, revised to January 1, 2017, as amended by section 704 of public act 17-2 of the June special session; section 2-33c in effect on October 31, 2017; subsections (d) and (g) of this section, revision of 1958, revised to January 1, 2017, as amended by sections 710 and 711 of public act 17-2 of the June special session; section 3-21 of the general statutes, revision of 1958, revised to January 1, 2017, as amended by section 712 of public act 17-2 of the June special session and section 3 of this act; and (F) subsection (aa) of section 3-21 of the general statutes as created by section 706 of public act 17-2 of the June special session and as amended by section 1 of this act.

(7) study the likely implications on the operations of state government and on the state’s ability to fund education and workforce development of section 2-33a of the general statutes, revision of 1958, revised to January 1, 2017, as amended by section 709 of public act 17-2 of the June special session; section 4-30a of the general statutes, revision of 1958, revised to January 1, 2017, as amended by section 704 of public act 17-2 of the June special session; section 2-33c in effect on October 31, 2017; subsections (d) and (g) of this section, revision of 1958, revised to January 1, 2017, as amended by sections 710 and 711 of public act 17-2 of the June special session; section 3-21 of the general statutes, revision of 1958, revised to January 1, 2017, as amended by section 712 of public act 17-2 of the June special session and section 3 of this act; and (F) subsection (aa) of section 3-21 of the general statutes as created by section 706 of public act 17-2 of the June special session and as amended by section 1 of this act.

(b) The commission shall consist of the following members:

(1) One appointed by the speaker of the House of Representatives;
(2) One appointed by the president pro tempore of the Senate;
(3) One appointed by the majority leader of the House of Representatives;
(4) One appointed by the majority leader of the Senate;
(5) One appointed by the minority leader of the House of Representatives;
(6) One appointed by the Senate Republican president pro tempore;
(7) The Secretary of the Office of Policy and Management, or the secretary’s designee;
(8) The Attorney General, or the Attorney General’s designee;
(9) The State Comptroller, or the State Comptroller’s designee;
(10) The State Treasurer, or the State Treasurer’s designee; and
(11) Two persons appointed by the Governor.

(c) (1) The appointing authorities shall endeavor to coordinate their appointments to achieve policy balance and diversity, including by appointing members who are representative of the diversity in gender, age, ethnicity, race and geography of the state population.

(2) Notwithstanding any provision of the general statutes, it shall not constitute a conflict of interest for 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, to serve as a member of the commission, provided such trustee, director, partner, officer or individual complies with all applicable provisions of chapter 10 of the general statutes. All members of the commission shall be deemed public officials for purposes of chapter 10 of the general statutes and shall adhere to the provisions of the code of ethics for public officials set forth in said chapter.

(3) Members of the commission shall receive no compensation for their services. All appointments to the commission shall be made not later than thirty days after the effective date of this section. Any vacancy shall be filled by the appointing authority.

(d) The speaker of the House of Representatives and the president pro tempore of the Senate shall select the chairpersons of the commission from among the members of the commission. Such chairpersons shall schedule the first meeting of the commission, which shall be held not later than forty days after the effective date of this section.

(e) The Secretary of the Office of Policy and Management, the Treasurer, the Comptroller, and the Attorney General shall provide staff support for the commission and shall each designate at least one staff member to attend meetings of the commission. Each of the four caucuses of the legislative branch, the Treasurer, the Comptroller and the Attorney General shall each appoint a staff member to (1) upon the request of the commission, attend meetings of the commission, and (2) communicate with the member's agency regarding the activities of the commission. The commission may request any office, department, board, commission or other agency of the state to supply such information and assistance as may be necessary or appropriate in order to carry out its duties and requirements. The commission may consult with public finance experts, municipal bonds experts, bond rating agencies, bond attorneys, and city and regional and government officials in order to carry out its duties and requirements.

(f) The commission shall solicit public comment by holding one or more public hearings on its proposals. Not later than March 1, 2019, the commission shall submit a report on its findings and recommendations to the Governor, the General Assembly and the joint standing committees of the General Assembly having cognizance of matters relating to commerce, planning and development, finance, revenue and bonding and appropriations and the budgets of state agencies, in accordance with the provisions of section 11-4a of the general statutes. The commission shall terminate on the date that it submits such report or March 1, 2019, whichever is later.

(g) Not later than March 30, 2019, the joint standing committees of the General Assembly having cognizance of matters relating to finance, revenue and bonding and appropriations and the budgets of state agencies shall either hold one joint public hearing or individual public hearings on the commission report.

Sec. 3. Subsection (f) of section 3-21 of the 2018 supplement to the general statutes is repealed and the following is substituted in lieu thereof (Effective from passage):
On and after July 1, 2018, the Treasurer may not issue general obligation bonds or notes pursuant to section 3-20 or credit revenue bonds pursuant to section 3-20j that exceed in the aggregate one billion nine hundred million dollars in any fiscal year. Commencing July 1, 2019, and each fiscal year thereafter, the aggregate limit shall be adjusted in accordance with any change in the consumer price index for all urban consumers for the preceding calendar year, less food and energy, as published by the United States Department of Labor, Bureau of Labor Statistics.

Any calculation made pursuant to subparagraph (A) of this subdivision shall not include (i) any general obligation bonds issued as part of CSCU 2020, as defined in subdivision (3) of section 10a-91c, or UConn 2000, as defined in subdivision (25) of section 10a-109c, (ii) any bonds, notes or other evidences of indebtedness for borrowed money which are issued for the purpose of refunding other bonds, notes or other evidences of indebtedness, or (iii) obligations in anticipation of revenues to be received by the state during the twelve calendar months next following their issuance.

Not later than January 1, 2018, and January first annually thereafter, the Treasurer shall provide the Governor with a list of allocated but unissued bonds. The Governor shall post such list on the Internet web site of the office of the Governor.

Notwithstanding section 4-85, the Governor shall not approve allotment requisitions pursuant to said section that would result in the issuance of general obligation bonds or notes pursuant to section 3-20 or credit revenue bonds pursuant to section 3-20j that exceed in the aggregate one billion nine hundred million dollars in any fiscal year. Commencing July 1, 2019, and each fiscal year thereafter, the aggregate limit shall be adjusted in accordance with any change in the consumer price index for all urban consumers for the preceding calendar year, less food and energy, as published by the United States Department of Labor, Bureau of Labor Statistics. Not later than April 1, 2018, and April first annually thereafter, the Governor shall provide the Treasurer with a list of general obligation bond and credit revenue bond expenditures that can be made July first commencing the next fiscal year totaling not more than one billion nine hundred million dollars. Commencing July 1, 2019, and each fiscal year thereafter, the aggregate limit shall be adjusted in accordance with any change in the consumer price index for all urban consumers for the preceding calendar year, less food and energy, as published by the United States Department of Labor, Bureau of Labor Statistics. The Governor shall post such list on the Internet web site of the office of the Governor.

Any calculation made pursuant to subparagraph (B) of this subdivision shall not include (i) any general obligation bonds issued as part of CSCU 2020, as defined in subdivision (3) of section 10a-91c, or UConn 2000, as defined in subdivision (25) of section 10a-109c, (ii) any bonds, notes or other evidences of indebtedness for borrowed money which are issued for the purpose of refunding other bonds, notes or other evidences of indebtedness, or (iii) obligations in anticipation of revenues to be received by the state during the twelve calendar months next following their issuance.

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3 Ibid.
4 Ibid.


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