

OFFICE OF LEGISLATIVE RESEARCH  
PUBLIC ACT SUMMARY



**PA 18-178**—sHB 5590

*Finance, Revenue and Bonding Committee*

**AN ACT AUTHORIZING AND ADJUSTING BONDS OF THE STATE FOR CAPITAL IMPROVEMENTS, TRANSPORTATION AND OTHER PURPOSES, CONCERNING THE BOND CAPS, ESTABLISHING THE APPRENTICESHIP CONNECTICUT INITIATIVE AND CONCERNING THE FUNCTIONS OF CTNEXT AND CONNECTICUT INNOVATIONS, INCORPORATED**

**SUMMARY:** This act authorizes up to \$182 million in new state general obligation (GO) bonds for FY 19 for various state projects and grants, including school security infrastructure, dredging, and trails. It also cancels or reduces approximately \$466.3 million in prior GO bond authorizations, including \$100 million for grants to hospitals for capital improvements (\$20 million per year, for FYs 18 through 22) and \$360 million for school construction.

The act authorizes the State Bond Commission to allocate up to \$500 million in state GO bonds for transportation projects in 2018 and 2019 and deems any bond authorizations for GO or special tax obligation (STO) bonds to have authorized such bonds to be issued as either GO or STO bonds. It exempts these transportation GO bonds from the state's caps on bond authorizations, allocations, issuances, and expenditures (see BACKGROUND). It also excludes from the caps on bond issuances and expenditures (1) refunding bonds and (2) bonds and other notes issued in anticipation of certain revenue.

The act limits the amount of STO bonds the treasurer may issue in FYs 19 and 20 for transportation projects to \$750 million in total each fiscal year (§ 44). It also restores approximately \$6.7 million in bonds cancelled in PA 17-2, June Special Session (JSS) and adjusts the purposes of several existing bond authorizations.

The act earmarks \$50 million in existing Manufacturing Assistance Act (MAA) bonds for transfer to the Department of Labor (DOL) to fund a new Apprenticeship Connecticut initiative that develops workforce pipeline programs for training qualified entry-level workers for jobs with manufacturers and employers in sectors experiencing workforce shortages.

The act revamps and expands the statutory mission of CTNext, a subsidiary of the state's quasi-public venture capital agency, Connecticut Innovations, Inc. (CI). It expands the mission from fostering innovation and business startups and growth to address the macro-level ecosystem that supports these activities. The act also requires CTNext's board to elect its chairperson from among its members and specifies how members must avoid conflicts of interest.

The act also authorizes three new programs to help entrepreneurs and provide the capital needed to develop commercial applications for research and grow early

# OLR PUBLIC ACT SUMMARY

stage businesses.

Lastly, the act gives businesses with unused research and development tax credits (i.e., stranded tax credits) the option of exchanging them under the stranded tax credit program or selling, assigning, or transferring them to another business for exchange under the program.

EFFECTIVE DATE: July 1, 2018, except a technical correction to PA 17-2, JSS, is effective upon passage (§ 39).

## §§ 1-15 — NEW BOND AUTHORIZATIONS FOR STATE AGENCY PROJECTS AND GRANTS

The act authorizes up to \$46.5 million in new GO bonds for FY 19 for the state projects and grant programs listed in Table 1. The bonds are subject to standard issuance procedures and have a maximum term of 20 years.

**Table 1: New GO Bond Authorizations for State Projects and Grant Programs**

<i>Agency</i>	<i>§</i>	<i>Purpose</i>	<i>Authorized Amount</i>
Capital Region Development Authority	2	Design and construct parking garages to support development in Hartford	\$16,000,000
Office of Policy and Management (OPM)	9	Grants for dredging and navigational improvements for economic development	25,000,000
OPM	15	Grants to reimburse municipalities for revenue loss from enterprise zone property tax exemptions	5,500,000

## § 16 — BOND ISSUANCES AND EXPENDITURE CAPS

Existing law imposes a \$1.9 billion aggregate cap on the amount of GO bonds or notes and credit revenue bonds (1) the treasurer may issue in any fiscal year, beginning with FY 19, and (2) for which the governor may approve allotment requisitions (i.e., expenditures) in any fiscal year, beginning with FY 17.

The act excludes from these caps (1) any bonds, notes, or other evidences of indebtedness for borrowed money that are issued to refund other debt (i.e., refunding bonds) and (2) obligations issued in anticipation of revenues to be received by the state during the 12 calendar months following a debt issuance (e.g., bond anticipation notes). It also excludes transportation GO bonds from these caps, as described below.

By law, GO bonds issued as part of the Connecticut State Colleges and Universities 2020 or UConn 2000 infrastructure programs are also excluded from these caps.

## §§ 16 & 41-43 — GO BONDS FOR TRANSPORTATION PURPOSES

The act authorizes the Bond Commission to allocate up to \$250 million in GO

OLR PUBLIC ACT SUMMARY

bonds for transportation projects for each of the 2018 and 2019 calendar years. It deems any STO or GO bond authorization enacted before, on, or after July 1, 2018, as authorizing such bonds to be issued as either STO or GO bonds under this provision, up to the amount authorized under the original authorization.

Under the act, the transportation GO bonds are exempt from the state’s caps on GO bond and credit revenue bond authorizations, allocations, issuances, and expenditures.

**§§ 17, 19 & 26 — BOND AUTHORIZATIONS FOR STATUTORY PROGRAMS AND GRANTS**

The act increases bond authorization limits for various statutory grants and purposes and allocates new bonding for these purposes for FY 19, as shown in Table 2.

**Table 2: Statutory Bond Authorizations for FY 19**

<i>Agency</i>	<i>§</i>	<i>Purpose/Fund</i>	<i>Additional Amount Authorized for FY 19</i>
OPM	17	Urban Action (economic and community development project grants)	\$100,000,000
Department of Energy and Environmental Protection	19	Bikeway, walkway, recreational trail, and greenway grants	3,000,000
Department of Education (SDE)	26	School security infrastructure competitive grant program	10,000,000

**§§ 18, 20-25, 27-38 & 40 — CHANGES TO PRIOR BOND AUTHORIZATIONS**

*Restored Authorizations and Language Changes*

The act restores the entire amount of a GO bond authorization, and a portion of another, cancelled in PA 17-2, JSS, as shown in Table 3, and makes conforming changes to the corresponding bond supertotals. It also adjusts the purposes of several existing authorizations, as shown in Table 4.

**Table 3: Restored Bond Authorizations**

<i>Agency</i>	<i>§</i>	<i>Purpose</i>	<i>Prior Authorization</i>	<i>Amount Restored</i>	<i>New Total Authorization</i>
Department of Mental Health and Addiction Services	23	Grants to nonprofits for community-based residential and outpatient facilities for purchases, repairs, alterations, and improvements	\$3,956,164	\$318,975	\$4,275,139
SDE	25	Grants for alterations, repairs, improvements, technology, equipment, and capital start-	18,554,746	6,334,200	24,888,946

OLR PUBLIC ACT SUMMARY

		up costs to expand high-quality school models and help implement the common CORE state standards and assessments			
--	--	--	--	--	--

**Table 4: GO and STO Bond Authorization Language Changes**

<b>Agency</b>	<b>§</b>	<b>Purpose</b>
Department of Administrative Services (DAS)	18	Earmarks up to \$5 million of the existing authorization for school construction projects for school security projects administered by the School Safety Infrastructure Council that involve multimedia interoperable communication systems (see Table 5 below for related cancellation)
Judicial Branch	20	Eliminates a \$5 million authorization for a new criminal and juvenile courthouse in New Haven and transfers the bonds to an authorization for repairs to existing judicial branch facilities in New Haven, thus increasing the latter authorization from \$4.5 million to \$9.5 million
Board of Regents (BOR)	21	Replaces a \$2.5 million authorization to plan, design, and build a new facility at Charter Oak State College with one to design, build, renovate, and make improvements related to the college's relocation
BOR	27	Replaces a \$4.8 million authorization to plan, design, and build a new academic building at Middlesex Community College with one to renovate and add to the college's Wheaton and Snow classroom buildings
Department of Housing (DOH)	32	Earmarks up to \$12 million authorized for housing development and rehabilitation for state-assisted affordable housing and housing-related financial assistance programs to be used for the Down Payment Assistance Program, administered by the Connecticut Housing Finance Authority, including providing financial assistance to those with incomes of up to 120% of the area median income
DOH	37	Earmarks \$7 million and \$3 million, respectively, of an existing \$10 million FY 19 bond authorization for lead abatement to be used for (1) residential lead abatement in any municipality and (2) grants to remediate housing blight conditions, provided such grants are for first-time homebuyers, may not exceed \$40,000, and the conditions must constitute blight under the applicable municipal ordinance or regulation (PA 18-52 designated the purpose of the \$3 million earmark for various environmental health and safety concerns)
Department of Transportation (DOT)	38	Specifies that projects funded by a \$64 million authorization for DOT's local transportation capital program (STO bonds) include those located at Grumman Hill Road in Wilton

*Bond Cancellations and Reductions*

The act cancels all or part of prior bond authorizations for the projects and grants shown in Table 5. It also makes conforming changes to the corresponding bond supertotals.

OLR PUBLIC ACT SUMMARY

**Table 5: Bond Cancellations and Reductions**

<i>Agency</i>	<i>§</i>	<i>Purpose</i>	<i>Prior Authorization</i>	<i>Amount Cancelled</i>
DAS	18	School construction projects for FY 19	\$450,000,000	\$360,000,000
SDE	29	Grants for alterations, repairs, improvements, technology, equipment, and capital start-up costs to expand high-quality school models and help implement the common CORE state standards and assessments	10,000,000	1,334,200
SDE	31	Grants for alterations, repairs, improvements, technology, equipment, and capital start-up costs to expand high-quality school models and help implement the common CORE state standards and assessments	5,000,000	5,000,000
OPM	40	Grants to hospitals for capital improvements (\$20 million per year for five years)	100,000,000	100,000,000

*Increases to Existing Authorizations*

The act increases two existing bond authorizations, as shown in Table 6.

**Table 6: Increases to Existing GO Bond Authorizations**

<i>Agency</i>	<i>§</i>	<i>Purpose</i>	<i>Prior Authorization</i>	<i>Increased Amount</i>	<i>Act's Authorization</i>
OPM	34	Information technology capital investment program	\$25,000,000	\$20,000,000	\$45,000,000
State Library	36	Grants to public libraries for construction, renovations, expansions, energy conservation, and handicapped access	2,500,000	2,500,000	5,000,000

§§ 45 & 51 — APPRENTICESHIP CONNECTICUT

The act earmarks \$50 million in existing MAA bonds for transfer to DOL to fund a new Apprenticeship Connecticut initiative that develops workforce pipeline programs to train qualified entry-level workers for jobs with manufacturers and employers in sectors experiencing workforce shortages. The act requires the program to include, where practicable, outreach to underserved populations, including youth, to successfully complete the program and support the state's economic development.

The act also requires each of the state's regional workforce development boards to submit to the General Assembly a report indicating its region's most pressing workforce needs and the industry sector or sectors with the greatest needs. They must do so before the deadline DOL sets for the program proposals described below.

*Regional Industry Partnerships*

## OLR PUBLIC ACT SUMMARY

By January 1, 2019, the act requires the DOL commissioner to issue a request for qualifications (RFQ) soliciting proposals for the program from regional industry partnerships for workforce pipeline programs serving the workforce needs of manufacturers and other employers in the region.

Eligible partnerships may include entities, organizations, or institutions that support the partnership's and initiative's goals and must include:

1. entities and organizations with expertise in regional economic and workforce development, including those offering apprenticeship or other workforce training programs;
2. the regional workforce development board for the applicable region; and
3. at least one educational institution (e.g., a vocational-technical school or higher education institution) or employer in the region.

Under the act, the partnerships must submit their proposals through their regional workforce development board.

### *Core Components*

The act requires each proposal to include the core components described below.

*Targeted Goal, Training Needs, and Sectors.* Each proposal must demonstrate the targeted goal of preparing qualified entry-level workers for careers providing a living wage. It must also identify the region's most pressing workforce needs and the industry sector or sectors with the greatest needs, which were reported by the workforce development board to the General Assembly, and include a detailed plan of how it will serve the employment needs of workers living in all of the towns in the region while focusing on the areas in the region with the most concentrated employment needs.

*Recruitment, Screening, and Assessment of Participants.* The proposals must include recruitment and outreach efforts and a screening and assessment process for participants. The screening must assess individuals' work readiness, aptitude for the relevant work skills, and other metrics the partnership specifies or DOL recommends. Those determined not to be suited for the program must be redirected to or connected with alternative career resources or services available to state residents that may be better suited to them.

*Training Programs.* The proposals must include separate training programs, one for participants who are in 11<sup>th</sup> or 12<sup>th</sup> grade and another for those who are at least 18-years-old and not currently enrolled in 11<sup>th</sup> or 12<sup>th</sup> grade. The training programs must last between five and 26 consecutive weeks and be provided by partnership members or with help from other identified parties. They must be periodically developed and revised through ongoing consultation with employers targeted for job placements.

At least one program offered for each age group must be provided through a certified pre-apprenticeship program offered by DOL. Other programs may (1) include a pre-apprenticeship component or (2) award industry-recognized certificates, as proposed by the partnership.

*Job Placement.* Each proposal must include a mechanism for placing selected participants who successfully complete the training program with an employer

## OLR PUBLIC ACT SUMMARY

identified by the partnership. The selected employer must commit to hiring one or more participants and may offer additional on-the-job training or other in-house training opportunities. The partnership must seek to leverage any such employer training or opportunities, apprenticeship programs, DOL's subsidized training and employment program, and other wage-subsidy programs with such employers, and may seek program funding for retention services.

*Duration.* The workforce pipeline programs must last at least four years.

*Resources.* For each program core component, the partnership must identify the existing resources available to it from the following sources: the regional workforce development board, the U.S. DOL's American Job Center system, the state DOL, employers, apprenticeship or other workforce training programs, state educational institutions, and other public or private sources. If the partnership proposes using program funds for any core component, it must demonstrate for each component that (1) there will be leveraged funding support from existing resources and (2) using program funds for such purposes will not affect the availability of the existing resources.

The act limits the partnerships' use of program funds as follows:

1. up to 70% for training programs;
2. up to 20% for program support services, including recruitment and outreach, screening and assessment, transportation, stipends, workplace tools or equipment, and pre-employment supports; and
3. up to 10% for other purposes, including administrative costs.

The act also authorizes the partnerships to (1) leverage tuition or financial assistance programs for workforce pipeline programs and to benefit program participants and (2) pursue charitable and employer investments to meet the program's hiring goal and support the retention of program participants.

### *Selected Proposals*

The act requires the commissioner to review all qualifying RFQ responses and select as many proposals as he deems well-planned and submitted by partnerships capable of implementing them. He must select proposals to achieve a goal of at least 10,000 individuals placed into new jobs over the program's first four years, one-third of which must be in the 11<sup>th</sup> or 12<sup>th</sup> grade and two-thirds of which must be at least 18-years-old and not currently enrolled in 11<sup>th</sup> or 12<sup>th</sup> grade.

### *Awarded Funds*

The commissioner must award funds to the selected partnerships in proportion to the magnitude of their region's workforce needs, relative to the other regions' comparable needs. He may also (1) weigh the distribution according to the partnership's proposed total cost per program participant (that the commissioner deems reasonable) and (2) give preference to a partnership with a lower per participant cost.

The act caps at \$20 million the amount of funds any one partnership may receive in total funding. It also requires the commissioner to (1) reserve, from any awarded funds, an amount sufficient to support the use of DOL's certified pre-apprenticeship program and (2) transfer the reserved funds to the appropriate

DOL account to be used for such purpose.

§§ 46 & 47 — CTNEXT

*Expanded Mission*

The act revamps and expands CTNext's statutory mission by requiring it to focus on the macro-level ecosystem that supports innovators and entrepreneurs. Specifically, it requires CTNext to:

1. oversee the growth and continuous improvement of a statewide entrepreneurial ecosystem that supports the state's innovators and entrepreneurs,
2. change practices the CTNext board deems outdated to improve this ecosystem,
3. maintain an active and conspicuous presence at the ecosystem's nodes and continuously increase their connections,
4. regularly reassess the ecosystem's health,
5. identify its changing needs,
6. adopt initiatives or adapt existing ones to meet those needs, and
7. regularly inform the legislature about the ecosystem's needs and recommend legislation the board deems necessary or desirable to address them.

The act authorizes CTNext to develop and operate a statewide hub to deliver entrepreneurial support services to help implement the recommendations of the statutorily required study assessing innovation and entrepreneurship in Connecticut (CGS § 32-39q).

The act also requires CTNext to address micro-level needs. Specifically, it must:

1. facilitate the development, growth, and evolution of innovation places and their mutually supportive interconnections, in addition to establishing these places, as existing law requires; and
2. identify areas in which their practices and policies fail to realize the institutions' full potential to facilitate innovation and entrepreneurship at institutions of higher education, as the law requires.

Lastly, the act authorizes CTNext to do all things necessary and proper to fulfill its statutory mission.

*CTNext Board Chairperson*

The act changes how the CTNext board chairperson is chosen. Prior law placed CI's chief executive officer (CEO) on the board and designated him its chairperson. Beginning January 1, 2019, the board must elect its chairperson to a two-year term from among its members. CI's CEO must continue to serve on the board, and its members may elect him chairperson.

*Board Members' Conflict of Interest*

The act specifies that CTNext's board members must (1) abstain from deliberating, acting, or voting with respect to a person, firm, or corporation in



## OLR PUBLIC ACT SUMMARY

which they have a financial interest or serve as a trustee, director, partner, or officer and (2) comply with the State Code of Ethics, as under prior law. Prior law allowed the members with these types of associations or financial interests to serve as long as they complied with the code, which includes abstaining from taking an official position on a matter if they have a substantial conflict of interest.

### §§ 48, 49 & 51 — NEW ENTREPRENEURSHIP AND INNOVATION PROGRAMS

#### *Entrepreneurs-in-Residence*

The act allows CTNext's executive director to establish and operate an Entrepreneurs-in-Residence program, which may replace and incorporate any similar CTNext or CI program that existed before July 1, 2018. The new program must match highly experienced entrepreneurs with entrepreneurs and businesses in CTNext's network to provide advice and assistance.

To serve as an entrepreneur-in-residence, a person must have been involved in successfully creating innovation-based startups and early-stage venture deals. The entrepreneur may serve on a paid or volunteer basis, as the entrepreneur-in-residence and the CTNext board agree. A CTNext employee may also serve as an entrepreneur-in-residence, but on a volunteer basis.

#### *Proof of Concept Fund*

The act allows CTNext's executive director to jointly establish with CI's CEO a fund to provide grants or make investments in activities that find commercial applications for research relevant to the state's key industries (i.e., proof of concept fund). The act earmarks up to \$10 million in previously authorized MAA bonds to CI for the fund. The fund may invest any amount in an eligible activity, but limits grant awards to a maximum \$100,000.

In awarding grants or investing funds, the fund may give preference to:

1. activities based on research conducted at the state's higher education institutions,
2. making investments in companies involved in this research or commercialization efforts, or
3. both.

The fund must award the grants and make the investments on a competitive basis. To do so, applicants must demonstrate their intent to find commercial applications for the research in a form and manner the executive director, in consultation with the CEO, prescribes. The fund may award a grant directly to an applicant or to the company involved in the research or commercialization efforts.

#### *Stimulating Formation of Private Venture Capital Funds*

The act authorizes CI's CEO to encourage the formation of at least one new Connecticut-based private venture capital fund and earmarks up to \$10 million in previously authorized MAA bonds for this purpose. In doing so, it allows the CEO to invest up to \$10 million per fund if the fund's private investors invest an

## OLR PUBLIC ACT SUMMARY

amount that equals at least 150% of CI's investment.

To receive a CI investment, a venture capital fund must:

1. invest all of the CI dollars in Connecticut-based startup and growth stage companies;
2. require its investors or its managing venture capital firm to have an office in Connecticut; and
3. allow, no sooner than five years after a fund's establishment, its partners to buy CI's equity stake plus interest at an annual rate agreed to by the fund's partners and CI's CEO.

### § 50 — EXPANDED STRANDED TAX CREDIT PROGRAM

The act adds a component to the stranded tax credit program, which allows businesses to redeem some or all of the value of unused research and development tax credits they earned but cannot use in exchange for making certain capital improvements or investments. Instead of redeeming the unusable credits in exchange for capital improvements or investments, the act allows a business to sell, assign, or otherwise transfer them to another business, but only for redemption under the program.

By law, businesses seeking to exchange unusable research and development credits under the program must agree to make certain capital improvements or investments.

### BACKGROUND

#### *Bond Caps*

The law imposes caps on GO and credit revenue bond (i.e., bonds backed by withholding taxes that are statutorily pledged for repayment) authorizations, allocations, issuances, and spending. Specifically, it caps at:

1. 1.6 times the estimated net General Fund tax receipts for the fiscal year, the total amount of General Fund-supported state debt the legislature may authorize (CGS § 3-21);
2. \$2 billion, the amount of GO and credit revenue bonds the State Bond Commission may allocate in any calendar year (CGS § 3-20(d)); and
3. \$1.9 billion, the amount of GO bonds and credit revenue bonds, with certain exceptions, (a) the treasurer may issue in any fiscal year, beginning with FY 19, and (b) for which the governor may approve allotment requisitions in any fiscal year, beginning with FY 18 (CGS § 3-21(f)).