



Senate Bill No. 528

Public Act No. 18-157

AN ACT CONCERNING STATE CONTRACT ASSISTANCE PROVIDED TO CERTAIN MUNICIPALITIES.

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

Section 1. Section 7-576j of the 2018 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(a) The Secretary of the Office of Policy and Management and the State Treasurer may enter the state into a contract with any designated tier III or tier IV municipality, upon such municipality's request, and after approval of the contract by the joint standing committees of the General Assembly having cognizance of matters relating to appropriations and finance, for the provision of contract assistance to such municipality in accordance with the provisions of this section. The contract shall not be signed or executed until such time that said committees have approved the contract. Any such contract assistance shall be limited to an amount equal to (1) the annual debt service on the outstanding amount of (A) refunding bonds to be issued by such municipality pursuant to section 7-370c, or (B) any other bonds or notes issued by such municipality, provided such refunding bonds or other bonds or notes are for payment, funding, refunding, redemption, replacement or substitution of bonds, notes or other obligations

Senate Bill No. 528

previously issued by such municipality, plus (2) costs of issuance on any such refunding bonds and any other costs or expenses, including, but not limited to, any tax payments, that result directly from the refunding of debt.

(b) Any contract described in subsection (a) of this section may provide that such contract assistance that is necessary to make debt service payments on behalf of such municipality shall be paid directly by the state to the municipality, trustee, paying agent or holder of the refunding bonds, other bonds or notes that are the subject of such contract.

(c) Notwithstanding the provisions of subsection (a) of this section, no such contract shall be entered into by the secretary and the Treasurer unless such designated tier III or tier IV municipality files a certificate with the secretary, [and] the Treasurer and the joint standing committees of the General Assembly having cognizance of matters relating to appropriations and finance that sets forth the amount of debt service and costs of issuance expected to be paid on any such refunding bonds to be secured by such state assistance contract.

(d) In making any requisite finding or determination for the purpose of entering into, [or] executing or approving any contract described in subsection (a) of this section, the secretary, [and] the Treasurer and the joint standing committees of the General Assembly having cognizance of matters relating to appropriations and finance may rely upon any reports or estimates of experts, as appropriate, to evaluate the feasibility of any such refunding of debt.

(e) Any provision of a contract described in subsection (a) of this section shall constitute a full faith and credit obligation of the state and as part of any such contractual obligation of the state to such municipality, trustee, paying agent or holder of any such refunding bonds, other bonds or notes, as applicable, appropriation of all

Senate Bill No. 528

amounts necessary to timely meet the terms of such contractual obligation is hereby made and the State Treasurer shall pay such amounts as the same become due to such municipality, trustee, paying agent or holder, as applicable.

(f) Any designated tier III or tier IV municipality that enters into a contract with the state pursuant to subsection (a) of this section may pledge such contract assistance of the state as security for the payment of such refunding bonds issued by such municipality.

(g) In lieu of contract assistance in accordance with subsection (a) of this section, the secretary and the Treasurer may agree to provide other forms of credit support to any designated tier III or tier IV municipality, including, but not limited to, an assumption of all or any portion of any bonds, notes or other obligations of such municipality or issuance of new state obligations in replacement of such bonds, notes or other obligations, provided such credit support shall not exceed the amount of contract assistance that could otherwise be provided by the state to such municipality in accordance with subsection (a) of this section.

(h) Nothing in this section shall be construed to limit the total funds available to a distressed municipality.

(i) The secretary and the Treasurer shall not enter into a contract, as described in subsection (a) of this section, with any municipality that files for bankruptcy.

(j) Notwithstanding any provision of the general statutes, following the provision of contract assistance to any designated tier III or IV municipality pursuant to this section for a period of more than five fiscal years, the total amount of all appropriated municipal aid, excluding the equalization aid grant paid to any such designated tier III or IV municipality pursuant to section 10-262i, shall be reduced for

Senate Bill No. 528

the sixth fiscal year following the first full fiscal year in which such contract assistance was in place, unless alternate appropriated municipal aid is approved by both chambers of the General Assembly. The amount of such reduction shall be an amount equal to the debt service paid by the state in the applicable fiscal year on behalf of such designated tier III or IV municipality pursuant to any contract for financial assistance entered into by the state and such designated tier III or IV municipality pursuant to this section, unless alternate appropriated municipal aid is approved by both chambers of the General Assembly.

(k) Notwithstanding any provision of the general statutes, the aggregate level of state aid provided to any such designated tier III or IV municipality shall be subject to approval by each chamber of the General Assembly. In determining the level of state aid provided to such a municipality, the General Assembly shall give appropriate consideration to the recommendations made by the Municipal Accountability Review Board pursuant to this section.

(l) The Municipal Accountability Review Board shall make recommendations to the Governor and the joint standing committee of the General Assembly having cognizance of the budgets of state agencies on the amount of funding needed for the Municipal Restructuring Fund to enable any such municipality to meet the fiscal needs of such municipality in accordance with any plan approved pursuant to subsection (a) of section 7-576i. Such recommendations to the Governor shall be timely made for the purposes of the Governor's budget proposal. The joint standing committees of the General Assembly having cognizance of the budgets of state agencies and finance shall hold a joint public hearing on any such recommendations. Following such hearing, said committees shall make recommendations to the board and the General Assembly.

(m) Said joint standing committees may recommend to the General

Senate Bill No. 528

Assembly that a designated tier III municipality be designated as a tier IV municipality for the purpose of meeting the fiscal needs of such municipality in accordance with any plan approved pursuant to subsection (a) of section 7-576i.

(n) Any designated tier III municipality that enters into a contract assistance agreement with the state, shall be designated as a tier IV municipality by the secretary if such municipality: (1) Has an annual operating budgetary deficit in its general fund of two per cent or more of its general fund revenues for the most recently completed fiscal year, as set forth in its financial statements for such year and as audited by an independent auditing firm, unless such deficit results from a reduction in municipal aid from the state, or (2) in two consecutive fiscal years has an annual operating budgetary deficit in its general fund of one per cent or more of its general fund revenues, as set forth in its financial statements for such year and as audited by an independent auditing firm, unless such deficit results from a reduction in municipal aid from the state.

(o) If any designated tier III or IV municipality that enters into a contract assistance agreement with the state has, as a result of consecutive annual operating deficits, a cumulative negative unassigned fund balance in its general fund of two per cent or more of its general fund revenues and operating transfers into its general fund, as of and for the most recently completed fiscal year, as set forth in its financial statements for such fiscal year and as audited by an independent auditing firm, the total amount of all appropriated municipal aid to such municipality, excluding the equalization aid grant paid to such municipality pursuant to section 10-262i, shall be reduced in the next fiscal year, unless alternate appropriated municipal aid is approved by both chambers of the General Assembly. The amount of such reduction shall be an amount equal to the debt service paid by the state in the applicable fiscal year on behalf of such

Senate Bill No. 528

municipality pursuant to any contract for financial assistance entered into by the state and such municipality pursuant to this section, unless alternate appropriated municipal aid is approved by both chambers of the General Assembly. The provisions of this subsection shall not apply to any cumulative negative unassigned fund balance to the extent that such negative unassigned fund balance results from a change in financial accounting standards or from a reduction in municipal aid received from the state.

Vetoed June 14, 2018