



General Assembly

Amendment

February Session, 2018

LCO No. 5398



Offered by:

SEN. FONFARA, 1st Dist.

SEN. MCCRORY, 2nd Dist.

To: Senate Bill No. 528

File No. 557

Cal. No. 342

"AN ACT CONCERNING A STUDY OF STATE TAX POLICIES."

1 Strike everything after the enacting clause and substitute the
2 following in lieu thereof:

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4 statutes is repealed and the following is substituted in lieu thereof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

6 (a) The Secretary of the Office of Policy and Management and the
7 State Treasurer may enter the state into a contract with any designated
8 tier III or tier IV municipality, upon such municipality's request, and
9 after approval of the contract by the joint standing committees of the
10 General Assembly having cognizance of matters relating to
11 appropriations and finance, for the provision of contract assistance to
12 such municipality in accordance with the provisions of this section.
13 The contract shall not be signed or executed until such time that said
14 committees have approved the contract. Any such contract assistance
15 shall be limited to an amount equal to (1) the annual debt service on

16 the outstanding amount of (A) refunding bonds to be issued by such
17 municipality pursuant to section 7-370c, or (B) any other bonds or
18 notes issued by such municipality, provided such refunding bonds or
19 other bonds or notes are for payment, funding, refunding, redemption,
20 replacement or substitution of bonds, notes or other obligations
21 previously issued by such municipality, plus (2) costs of issuance on
22 any such refunding bonds and any other costs or expenses, including,
23 but not limited to, any tax payments, that result directly from the
24 refunding of debt.

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

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

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

46 (e) Any provision of a contract described in subsection (a) of this
47 section shall constitute a full faith and credit obligation of the state and

48 as part of any such contractual obligation of the state to such
49 municipality, trustee, paying agent or holder of any such refunding
50 bonds, other bonds or notes, as applicable, appropriation of all
51 amounts necessary to timely meet the terms of such contractual
52 obligation is hereby made and the State Treasurer shall pay such
53 amounts as the same become due to such municipality, trustee, paying
54 agent or holder, as applicable.

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

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

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

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

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

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

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

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

110 (m) Said joint standing committees may recommend to the General
111 Assembly that a designated tier III municipality be designated as a tier
112 IV municipality for the purpose of meeting the fiscal needs of such

113 municipality in accordance with any plan approved pursuant to
114 subsection (a) of section 7-576i.

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

128 (o) If any designated tier III or IV municipality that enters into a
129 contract assistance agreement with the state has, as a result of
130 consecutive annual operating deficits, a cumulative negative
131 unassigned fund balance in its general fund of two per cent or more of
132 its general fund revenues and operating transfers into its general fund,
133 as of and for the most recently completed fiscal year, as set forth in its
134 financial statements for such fiscal year and as audited by an
135 independent auditing firm, the total amount of all appropriated
136 municipal aid to such municipality, excluding the equalization aid
137 grant paid to such municipality pursuant to section 10-262i, shall be
138 reduced in the next fiscal year, unless alternate appropriated
139 municipal aid is approved by both chambers of the General Assembly.
140 The amount of such reduction shall be an amount equal to the debt
141 service paid by the state in the applicable fiscal year on behalf of such
142 municipality pursuant to any contract for financial assistance entered
143 into by the state and such municipality pursuant to this section, unless
144 alternate appropriated municipal aid is approved by both chambers of
145 the General Assembly. The provisions of this subsection shall not
146 apply to any cumulative negative unassigned fund balance to the

147 extent that such negative unassigned fund balance results from a
148 change in financial accounting standards or from a reduction in
149 municipal aid received from the state."

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	7-576j