



Senate

General Assembly

File No. 310

January Session, 2019

Substitute Senate Bill No. 274

Senate, April 2, 2019

The Committee on Higher Education and Employment Advancement reported through SEN. HASKELL of the 26th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT REQUIRING THE ESTABLISHMENT OF THE LEARN HERE, LIVE HERE PROGRAM.

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

1 Section 1. Section 32-4i of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective July 1, 2019*):

3 (a) The Commissioner of Economic and Community Development,
4 in consultation with the Commissioner of Revenue Services and the
5 president of the Connecticut State Colleges and Universities, [may]
6 shall establish the Learn Here, Live Here program. Such program
7 [may] shall provide an incentive for graduates of a public institution of
8 higher education, private university or college, or health care training
9 school in this state, or graduates from a technical education and career
10 school, to buy a first home in the state. Persons who graduate on or
11 after January 1, [2014] 2020, from such institutions, universities,
12 colleges or schools and have a Connecticut adjusted gross income of
13 not more than seventy-five thousand dollars during the taxable year

14 may have their income tax liability, up to a maximum of two thousand
15 five hundred dollars annually, segregated into the Connecticut first-
16 time homebuyers account established pursuant to section 32-4j,
17 provided not more than one million dollars from all program
18 participants may be so segregated in any calendar year. After a period
19 not exceeding ten years after graduation, any amounts so segregated
20 may be withdrawn by a participant for the purchase of a first home in
21 the state. The Commissioner of Economic and Community
22 Development [may] shall make payments in accordance with this
23 section from said fund to the participants. For the purposes of this
24 section, "health care training school" means a medical or dental school,
25 chiropractic college, school or college of optometry, school or college of
26 chiropody or podiatry, school of occupational therapy, hospital-based
27 occupational school, school or college of naturopathy, school of dental
28 hygiene, school of physical therapy or any other school or institution
29 giving instruction in the healing arts.

30 (b) (1) After a period not exceeding ten years after the date of
31 graduation, a participant in the program established pursuant to
32 subsection (a) of this section may apply to the Commissioner of
33 Economic and Community Development for a payment to be issued,
34 on behalf of such participant, and used as the down payment on a
35 house, which [must] shall be the first house such participant has
36 bought, either singly or jointly. Such payment may be in an amount
37 equal to the amount of segregated funds deposited on behalf of such
38 participant. If the payment is less than such amount, any excess
39 amount shall be deposited in the General Fund.

40 (2) If a participant ceases to live in the state at any time up to one
41 year after [such date] the date on which the Commissioner of
42 Economic and Community Development issued the payment to the
43 participant, such participant shall repay one hundred per cent of the
44 amount paid out. If a participant ceases to live in the state at any time
45 up to two years after such [date] payment, such participant shall repay
46 eighty per cent of the amount paid out. If a participant ceases to live in
47 the state at any time up to three years after such [date] payment, such

48 participant shall repay sixty per cent of the amount paid out. If a
 49 participant ceases to live in the state at any time up to four years after
 50 such [date] payment, such participant shall repay forty per cent of the
 51 amount paid out. If a participant ceases to live in the state at any time
 52 up to five years after such [date] payment, such participant shall repay
 53 twenty per cent of the amount paid out. After five years, there is no
 54 repayment obligation. Any amounts repaid under this subdivision
 55 shall be deposited in the General Fund. The commissioner shall file a
 56 lien against the title of the property purchased by the participant in the
 57 amount of the payment issued by the commissioner on the date of
 58 such purchase to secure the repayment of the amounts required
 59 pursuant to this subdivision. The lien filed by the commissioner shall
 60 take precedence over any subsequent transfer or encumbrances
 61 recorded against the title of the property, including any mortgage lien
 62 filed contemporaneously with the commissioner's lien, and shall expire
 63 after a period of not less than five years from the participant's purchase
 64 of the property.

65 (c) On or before December 1, [2012] 2019, the Commissioner of
 66 Economic and Community Development [may] shall develop, within
 67 available appropriations, a comprehensive public education program
 68 to educate recent graduates of a public institution of higher education,
 69 private university or college, or health care training school in the state,
 70 or of a technical education and career school, about the program
 71 established under this section for first-time home buyers. The public
 72 education program shall include, but not be limited to, information
 73 concerning life-time savings plans and information on the purchase of
 74 a home. [If the commissioner develops such public education program,
 75 the] The department shall begin to implement such program not later
 76 than January 1, [2014] 2020.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2019</i>	32-4i

HED *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 20 \$	FY 21 \$
Revenue Serv., Dept.	GF - Revenue Loss	None	Up to 1 million
Department of Economic & Community Development	GF - Cost	Up to 116,213	68,530
Revenue Serv., Dept.	GF - Cost	100,000	None
State Comptroller - Fringe Benefits ¹	GF - Cost	27,273	28,228

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill, which requires the Department of Economic and Community Development (DECD) to establish the currently optional Learn Here, Live Here program, results in: 1) a General Fund revenue loss of up to \$1 million annually beginning in FY 21, 2) an annualized ongoing salary and fringe benefit cost of \$93,486 in FY 20 and \$96,758 in FY 21, 3) a one-time marketing and outreach cost of up to \$50,000 in FY 20 only and 4) a one-time cost of \$100,000 to the Department of Revenue Services (DRS) in FY 20 only.

Projected Costs

Assuming 400 participants set aside the maximum \$2,500 in income tax payments annually the DECD would require one full-time position at an annual cost of approximately \$93,486 (\$66,213 for salary and

¹The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 41.19% of payroll in FY 20 and FY 21.

\$27,273 for fringe benefits). This position would be responsible for tracking the income eligibility, employment, residency, and participation status of program participants, as well as coordinating with the DRS to ensure proper income tax set-asides and file liens against any property's title for all homes purchased pursuant to the program. They would also be responsible for enforcing the program's claw back provisions as needed.

The DECD would also incur additional costs associated with marketing materials and outreach activities estimated to be up to \$50,000.

The proposal is also estimated to result in a one-time set up and programming cost of \$100,000 in FY 20 to the DRS to administer the tax provisions of the proposal.

Background

According to data from the Office of Higher Education and the State Department of Education, there are approximately 45,000 graduates from public colleges, independent colleges and vocational technical schools per year. The Connecticut Department of Labor reports that 68% of the 2015 public college graduates were employed in Connecticut nine months after graduation; it is not known how many independent college or vocational school graduates remain in the state.

The Out Years

The annualized ongoing cost impact identified above would continue into the future subject to inflation. The annualized ongoing revenue impact identified above could be mitigated in the out years to the extent that program participants are subject to the bill's claw back provisions.

OLR Bill Analysis**sSB 274*****AN ACT REQUIRING THE ESTABLISHMENT OF THE LEARN HERE, LIVE HERE PROGRAM.*****SUMMARY**

This bill activates the Learn Here, Live Here program, which, under current law, may offer eligible graduating students (see BACKGROUND) the option of segregating a portion of their income tax payments into a special account they can use to make a down payment to purchase their first home in Connecticut.

Specifically, the bill requires, rather than allows, the Department of Economic and Community Development (DECD) to establish the program, and resets the implementation deadlines. It also revises the program's eligibility criteria. To be eligible under the bill, a student must graduate on or after January 1, 2020, instead of January 1, 2014, and have a Connecticut adjusted gross income of no more than \$75,000.

Once the program is activated, the law allows participating graduates to segregate up to \$2,500 per year from their income tax payments for up to 10 years after graduation. It also limits the total amount the state may segregate for all participating graduates to \$1 million per year. A participant may withdraw some or all of the funds for a down payment any time within 10 years after graduation, but any balance remaining after 10 years must be deposited into the General Fund.

The bill requires participants to repay funds received through the program if they move out of state within five years after the DECD commissioner issues payment to them. It also requires the commissioner to file liens to secure the payments.

EFFECTIVE DATE: July 1, 2019

IMPLEMENTATION DEADLINES

Current law allows the DECD commissioner to market the program, within available appropriations, by December 1, 2012, and begin to implement it by January 1, 2014. The bill instead requires him to do so by December 1, 2019, and January 1, 2020, respectively.

REPAYMENT OF PROGRAM FUNDS

Current law requires a program participant who moves out of state up to one year after joining the program to repay 100% of the amount he or she received under the program. Those who leave in any of the four subsequent years must repay smaller amounts as follows: 80% in the second, 60% in the third, 40% in the fourth, and 20% in the fifth. The bill specifies that a participant's repayment obligation starts from the date on which the DECD commissioner issued the payment to the participant. By law, there is no repayment obligation after five years. Any amounts repaid must be deposited into the General Fund.

The bill requires the commissioner, on the date the participant purchases the property, to secure the repayment amount by filing a lien against the property's title in the amount of the payment issued to the participant. The lien takes precedence over any subsequent transfer or encumbrance recorded against the title, including a mortgage filed at the same time as the commissioner's lien, and does not expire until at least five years after the participant purchased the property.

BACKGROUND

Eligible Students

The Learn Here, Live Here program is open to students graduating from Connecticut public higher education institutions, private universities and colleges, technical education and career schools, and health care training schools. Health care training schools include medical or dental schools, chiropractic colleges, optometry schools or colleges, chiropody or podiatry schools or colleges, occupational therapy schools, hospital-based occupational schools, naturopathy

schools or colleges, dental hygiene schools, physical therapy schools, and any other healing arts school or institution.

COMMITTEE ACTION

Higher Education and Employment Advancement Committee

Joint Favorable Substitute

Yea 20 Nay 2 (03/14/2019)