CHAIRPERSON: Representative Michael D'Agostino

SENATORS: Fonfara, Leone, Witkos

REPRESENTATIVES: Gibson, Ackert, Cheeseman, Allie-Brennan, Altobello, Arconti, Candelaria, D'Amelio, Luxenberg, Orange, Rutigliano

REP. D'AGOSTINO (91ST): We'll, as is traditional fashion, spend the first hour on our public officials. We don't have many who are here, but I see a couple of them who wanted to speak on some of the bills that are on the agenda today. So, let's get right to it. Representative Petit, are you ready? Yes, sir, please have a seat. Thank you.

REP. PETIT (22ND): Good morning, Representative-Chair D'Agostino, and Ranking Members, Witkos and Cheeseman. I am William Pettit, State Representative for the 22nd District. I'm here with my constituent, Richard Bucchi, to speak in favor of House Bill 5267.

This bill is similar to S.B. 821 that was passed in 2017, and started out the same way as H.B. 5191 in '18. The first bill was passed in the House and Senate, but vetoed by Governor Malloy due to other issues that were tacked onto the initial bill, while House Bill 5191, last year, devolved into a study which was not subs'd and obviously not completed.

The current bill aims to allow businesses to fulfill warrant claims for small equipment to be paid fair and reasonable rates for parts and labors for that
work. The bill does not look to advantage nor disadvantage either side involved in these contracts. Many of these small businesses in our towns are not paid their posted labor rates nor allowed any profit margin for their contractual warranty work. Most are paid discounted rates.

Over the past several years I have met with perhaps fifteen different business owners from about Connecticut that feel fair reimbursement would allow their business to actually hire more workers. As they are often paid inadequate reimbursement, it places them at increased risk of economic failure.

I would like you to hear from a constituent. Mr. Richard A. Bucchi of Plainville and the Sno-White Outdoor Power Equipment business. His family has run one of these businesses. They were in Plainville for many years and are now on Towne Line Road in Southington. And he reviews some of these issues for you. I cede the rest of my time to Mr. Bucchi.


What is a dealer warranty? Well, a dealer warrant is something that is a process that will fix a manufacturer's problem. In many cases, the problem is a manufacturing defect. And the dealers are there to support the manufacturer, and more importantly, to support the customer who purchased that equipment. The warranty is mainly the manufacturer's obligation. The dealer is there as a channel to correct manufacturer's problems whether
the dealer sold the equipment through his or store or not. Quite often, dealers have to fix warranty work and part defects that a product is bought in a big box store, and the small dealer is responsible for fixing that.

So, dealer by contract then performs the work on the equipment. So, basically, all the dealer is looking for in this particular bill is we would like to be able to get reimbursed by the manufacturer our posted labor rate which we would normally charge a regular customer and a fair market markup of what parts are used on that warranty work. So, quite often, based on the contract, the dealer is forced by a manufacturer to take less of a markup on parts. So, the dealer would do that without getting reimbursed for the full posted warranty labor rate. So, that's a hit on the dealer as well.

So, basically, there's thirteen steps for warrant work that a dealer has to go through, everywhere from figuring out what the problems are, contacting manufacturers, discussing the problem, filling out the warranty paperwork. There's thirteen steps in the process, of which only two the dealer gets paid for so that the dealer has no control on the price that they get from labor from the manufacturer or no control of time spent on the item; the actual hours spent.

So, the dealers, all we're looking for is fairness. No one really gets rich based on this deal or this change. Last year, as an example, Sno-White Outdoor Power Equipment lost $16,038 dollars based on warranty rebates. So, we can't continually support the dealer and keep this money, because eventually the consumer will ultimately get hit if we get out
of business based on not being able to support our warranty work.

So, again, there's two main issues that we want. Posted labor rates on all warranty work and a fair market price for parts used for warranties. Thank you.

REP. D'AGOSTINO (91ST): If you lost $16,000 dollars last year doing this work, why do you continue to enter into relationships with the dealers?

MR. BUCCHI: Because the dealer has a one-way -- the manufacturer has a one-way contract with the dealer. Okay?

REP. D'AGOSTINO (91ST): No, no. I realize that. Why do you renew your contract with the dealer?

MR. BUCCHI: Well, you'd be out of business because all the manufacturer contracts are the same. So, if you don't sign that contract you have nothing to sell. So, part of --

REP. D'AGOSTINO (91ST): So -- so -- so, you make money selling their products.

MR. BUCCHI: Correct, we do.

REP. D'AGOSTINO (91ST): So, the economic decision to sell -- economically, you make enough selling their products so it's worth it to still do the work. In other words, you make more on their product than you loose on the warranty work. It's economically beneficial to be in this contractual relationship.

MR. BUCCHI: Not necessarily, because we also have to -- we have to support the products that we don't
sell. For example, all those manufacturers go to big box stores, an example, a Home Depot or a Lowe's, and if they have that same manufacturer defect on that product, Lowe's and Home Depot, as an example, do not fix that product. They have no repair facilities.

REP. D'AGOSTINO (91ST): Yeah. No, I get that. I'm trying to get at the economics that you deal with.

MR. BUCCHI: Yeah.

REP. D'AGOSTINO (91ST): You said you lost $16,000 dollars doing this work.

MR. BUCCHI: We were shorted $16,000 dollars, yes. Correct.

REP. D'AGOSTINO (91ST): Now, if that was the only economic impact of this, presumably you would not carry the -- enter into these contracts anymore. What I'm getting at is you must get an economic benefit from the relationship with the dealers that outweighs the loss for the work. Right? Otherwise you wouldn't enter into the contracts.

MR. BUCCHI: Well, yes and no. But we also lose the opportunity to fix other customers' equipment at fair -- at posted labor rates, as an example, without fixing manufacturer warranty issues as well.

REP. D'AGOSTINO (91ST): Yeah, but you -- do you see my question, though? You -- economically, these contracts are a net positive for you, otherwise you wouldn't be in the relationship. Right? I mean, presumably. I expect you'd use economics 101.

MR. BUCCHI: Yes. Yeah. And we can argue for how much is enough, what's -- what's --
REP. D'AGOSTINO (91ST): Well, and that's real -- I guess that's what I'm getting at, right. You make money off -- these relationships with the dealers are economically beneficial to you. You would just like them to be more beneficial.

MR. BUCCHI: Fair and beneficial. Correct.

REP. D'AGOSTINO (91ST): Okay. All right. Because I just want to -- I mean, let's sort of cut to the chase here, right. I mean, if you guys were all losing money on these deals, you wouldn't do these deals. You make money on these deals with the dealers. You just want to make more.

MR. BUCCHI: Well --

REP. D'AGOSTINO (91ST): That's okay. I'm not saying that's a positive or a negative. I just want to cut to what this is all about.

MR. BUCCHI: Right. But the more warranty work that you do and if you're not getting paid a fair labor rate on that warranty and fair parts on that warranty, then you lose the opportunity -- it's a diminishing -- it's a diminishing margin.

REP. D'AGOSTINO (91ST): But it's still in that positive.

MR. BUCCHI: Right, yeah.

REP. D'AGOSTINO (91ST): Yeah. I mean, clearly, you wouldn't be in the relationship if it wasn't in that positive.

MR. BUCCHI: Absolutely a net positive.

REP. D'AGOSTINO (91ST): How do you respond to the -- what we'll hear from the dealers, which is if you do this, well, -- I mean, look, they don't just take
the additional amount that they have to pay to you and take it out of the CEO's salary, unfortunately. Right? They're gonna raise prices on their consumers. So, ultimately, the consumer is paying more to get more money in your pocket. Is that fair? Is that a fair criticism of what you're --

MR. BUCCHI: No. I don't think the consumer is paying more.

REP. D'AGOSTINO (91ST): It's not?

MR. BUCCHI: No.

REP. D'AGOSTINO (91ST): You don't think the dealers will raise their prices to the consumers for the product if they have to pay you more?

MR. BUCCHI: The manufacturers, you mean, raising their price?

REP. D'AGOSTINO (91ST): Yeah, yeah. I'm sorry, the manufacturers, yeah.

MR. BUCCHI: Okay. Well, not necessarily, no. Because we're eating that cost for the manufacturer.

REP. D'AGOSTINO (91ST): Yeah. And now we're gonna increase that cost for the manufacturer. What do you think they're gonna do with that increased cost?

MR. BUCCHI: Yeah.

REP. D'AGOSTINO (91ST): It's likely they'll pass it on to the consumer, right?

MR. BUCCHI: Correct. Just as I'm if I'm not getting that margin, I'm gonna have to figure out a way to pass that on to my other consumers.

REP. D'AGOSTINO (91ST): So, why haven't you done that?
MR. BUCCHI: Because it's very difficult. Because you need to represent the manufacturer and you're trying to represent your store and the manufacturer is in the best light as you possibly can. And it's always difficult because you're in competition with the big box stores and everyone else that's not selling that, so there's only so much margin. You compete with those big box stores every day.

REP. D'AGOSTINO (91ST): So, there's economic forces that prevent you from raising prices.

MR. BUCCHI: Absolutely.

REP. D'AGOSTINO (91ST): All right, thank you.

MR. BUCCHI: Mm-hmm. Thank you.

SENATOR WITKOS (8TH): Thank you. So, I just want to make a point that this is a very engaged committee membership. A lot of our members are out at other hearings and other committee meetings going on. That's why. But they may be watching on television and they certainly appreciate everybody coming in today to testify, even though they can't physically be here at this moment.

But a couple of questions. You said that you lost about $16,000 dollars annually because you're -- because of the manufacturers paying below posted rates on parts. Could you give me a breakdown of the difference, if you have it or know it, between what is the labor end of it and what is the parts end of it?

MR. BUCCHI: I would say it's about 60/40 labor parts.

SENATOR WITKOS (8TH): And what is your average markup on parts?
MR. BUCCHI: Thirty to forty percent on parts.

SENATOR WITKOS (8TH): What happens if a customer pays for an extended warranty when they purchase a piece of equipment? Where does -- if they buy one from you and you say would you like to purchase this extended warranty. Where does that money go? Does that go to the dealer? Does that go back to the manufacturer? Tell me how that works.

MR. BUCCHI: It all depends what type of extended warranty it is. If it's an extended warranty based on -- from the manufacturer, it would go to the manufacturers. Sometimes a dealer would create their extended warranty or service plan and then the dealer would eat that money, would gain that upfront fee and eat the responsibility to service that machine.

SENATOR WITKOS (8TH): So, how do we -- if we're trying to legislate something to help you out where you're not paid at your market rate for fixes that's beyond the warranty period or by somebody that has taken out an extended warranty, this makes it more difficult for me to try to determine -- if you, as a dealer, have the right to do your own extended warranty beyond what the manufacturer does, how can we differentiate in that respect I guess?

MR. BUCCHI: Well, I think -- I think the topic of extended warranties sort of muddies up, because not all dealers, including us, provide extended warranties. Plus the actual warranties that we have to fulfill most likely, a lot of times, are from equipment that we have in stock.

SENATOR WITKOS (8TH): And the State of Connecticut is -- has contracts out with certain vendors, and
they -- because of the economies of scale, they get different and better prices both on purchase and repairs. Would you be opposed to an exemption from the State of Connecticut for this language if this were to pass?

MR. BUCCHI: I would not.

SENATOR WITKOS (8TH): Thank you. Thank you, Mr. Chairman.

REP. CHEESEMAN (37TH): Thank you, Mr. Chairman. What proportion of your business consists of warranty work as opposed to direct sales and other repair work?
MR. BUCCHI: Probably about ten percent.

REP. CHEESEMAN (37TH): So, about ten percent is warranty work. So, you have a contract with a manufacturer, do you sell their whole range of equipment? And if not, are you required to do repair work on their whole range of equipment, even if it's not something you yourself sell?

MR. BUCCHI: Yes. If you're -- if you're an authorized dealership for that manufacturer, then you have to repair that work whether you sell it or not.

REP. CHEESEMAN (37TH): Okay. And in terms of the parts on warranty work, are you required to keep them in stock? Is this something you order from the manufacturer as needed? I have a John Deere. It's still under the warranty and X has gone wrong. Walk me through the process.

MR. BUCCHI: Okay. Most likely we would store that part. But, as an example, let's say it was a carburetor malfunction and it's a wide warranty, then we wouldn't stock that many parts, so that we would have to order those parts from the manufacturer to service all those warranties. Let's say if you have ten or twenty of those warranties stacked up. Now, quite often what happens is the manufacturer -- let's say, for example, a part would cost $20 dollars and then that you would get ten or -- I'll just use the example you get ten percent of that as a markup on that $20-dollar part. If there is a wide range of problems for those carburetors, let's say that, for example, the manufacturer would have to hundreds or thousands of these, they would reduce the price of that carburetors for that period of time and they'll say, okay, all the carburetors
are $2 dollars now, so you'll get the same ten percent on that $2 dollars now for a part instead of getting the ten percent on the $20 dollars for the part.

So, they have the ability to change the cost of that part on the fly and then not give the dealer that proper margin in dollars, even though the percentages are the same. And quite often, that's a problem. So, the manufacturer has that ability to do that. That's why we would like to also see in this law that we would take the first -- you know, the average cost of that part within 18 months or 12 months so that we can't be manipulated on the price of a part.

REP. CHEESEMAN (37TH): And for a typical warranty repair, what would you say is the average time spent in labor?

MR. BUCCHI: It's hard to say, depending upon what the issue is. But it can be anywhere from twenty minutes to three hours. But here again, the manufacturer will tell you how much they will pay to fix that, not necessarily based on the dollar amount and on the time amount. So, if they say it's gonna take you ten minutes to repair it, to replace a carburetor, and it's gonna take you 15 or 20, you've lost that. So, you don't get the actual charge. You get the fixed-rate charge of what they deem it's gonna take you to fix that part and replace that part.

REP. CHEESEMAN (37TH): And how many different manufacturers would a dealer have contracts with?

MR. BUCCHI: It could be anywhere between five and twenty.
REP. CHEESEMAN (37TH): Thank you for your answers. Thank you, Mr. Chairman.

REP. D'AGOSTINO (91ST): Any questions? Thank you very much. Thank you. Representative Perillo I seen in the audience.

REP. PERILLO (113TH): Representative D'Agostino, Senator Witkos, Representative Cheeseman, good morning to you and members of the committee. I am very happy to testify this morning in favor of House Bill 5139, AN ACT CONCERNING TOBACCO BARS.

You know, of the bills I've submitted this session, no bill has gotten as much positive response, at least to me, than this bill. I don't know if it's because this bill is so great or the rest of my bills are so lousy, but this has gotten quite a response. And I think it's one of those bills that's time has come. In a year where we're talking about recreational marijuana as a revenue generator, in a year where we're talking about expansion of casinos, expansion of sports betting as revenue generators, we have an opportunity to do that here.

Tobacco bars as you may recall were -- there was essentially a moratorium back in 2002 when we changed our laws as to smoking in restaurants. There remains in Connecticut one tobacco bar which is nearly full, which I think is great. But the State of Connecticut can surely bear more than one successful business. This is very much a pro-small business bill. It would allow the expansion of tobacco bars and there's no doubt in my mind that there's certainly a market for it.

My written testimony is not yet filed online. You'll have it, so I'm not gonna go through that.
But I just really want to talk about some of the things I've heard over time as to why this is a bad idea. This has been before Public Health many times. I served on the committee for many years. One of the things that I've heard is that this promotes underage drinking, and let me tell you why that's not true.

First of all, I think this is the year we're finally gonna see Tobacco 21 pass. I'm a supporter of that. So, this is not a bill from my perspective that is driving an expansion in tobacco use. It is simply aiming tobacco use at those who are already interested in tobacco. These are establishments that will also serve alcohol. So, if you're a 17-year-old and you're trying to smoke underage, this is the last place you're gonna go to do it. If we pass Tobacco 21 and you're a 19-year-old and you're trying to smoke, you're not gonna go to a place that's already predisposed to ask for your I.D. Again, not the place you're gonna go if you want to be an underage smoker.

This is geared towards folks over the age of 21, plain and simple. So, I don't believe that argument that this promotes underage smoking and young people smoking is accurate.

The second concern I've heard over time is the assertion that this is gonna be a real problem when it comes to second-hand smoke. And I will say this; nobody ever walked in to a tobacco bar and said, wow, I didn't realize there'd be so much smoking in here. You know what you're getting into. You know, moms aren't bringing their two -- their 5-year-old and their 3-year-old in to a tobacco bar to have lunch. It just doesn't work that way. This is an
establishment that people go to because they know what they're getting, they know there is going to be smoking in here, and, quite frankly, if you're an employee, you choose to be an employee here because either you smoke yourself or you're okay with the fact that others are smoking.

You know, I've heard that argument for many, many years, and to me, quite frankly, it just doesn't hold water. You may hear that from some of the advocates, the anti-smoking advocates, who are, you know, doing an admirable job. As I said, I agree with them on their Tobacco 21 proposal. I suspect they may not agree with me on this. And that's fine. You know, this is the business where we give and take.

But, you know, I certainly leave it up to you folks, the leadership in this committee, who know the general law statutes and the liquor statutes far better than I, to determine the best way to do this from a statutory perspective. But I just wanted to voice my support for the concept, for the bill, and let you know that I've heard very vocally from others in the State of Connecticut that they think this is a good idea for business. I'm happy to entertain any questions.

REP. D'AGOSTINO (91ST): Representative Altobello.

REP. ALTOBELLO (82ND): Thank you, Mr. Chairman, good morning. I received an email this morning from a constituent regarding your bill, and he was in favor of it.

REP. PERILLO (113TH): Good!

REP. ALTOBELLO (82ND): But I'm -- and I did take the time to read the bill. It's a short, proposed
bill. It hasn't been fully drafted yet. But is it the intention of the bill -- the statement of purpose has something a little bit different than the main body of the bill I think. Is the intention of your bill to lift the moratorium or to just allow any existing -- I guess there's only. We have testimony to that effect as well corroborating. Is your intention to lift the moratorium so we could have them, well, wherever they want to be, or just to allow someone to expand or move, which is only one entity evidently at this time.

REP. PERILLO (113TH): It is -- the intention is to fully lift the moratorium, which would allow for the expansion -- the creation of new tobacco bars. It would also allow for the individual who owns the one tobacco bar to either expand his existing establishment or to open others in other parts of the state.

REP. ALTOBELLO (82ND): Thank you very much.

REP. D'AGOSTINO (91ST): Representative Ackert.

REP. ACKERT (8TH): Thank you, Mr. Chairman, and good to see you here. I am also a strong proponent of raising the age. I've been pushing it to 21 for quite awhile now. Just a follow up. And I know -- I guess there is one in the state that we heard about. This would -- obviously, people have come to you and said, you know, I'd like to open up a tobacco bar, there's a need for that. And the second part of that question is this an establishment that you can eat at? I've never been to one, you know, but can you also purchase food there?
REP. PERILLO (113TH): Yes, you can. The primary underlying premise, though, as tobacco bars are defined in statute, is there are percentages of your revenue that you must still gain from tobacco and tobacco-related products. And, you know, my proposal is not to change that. You'd still have to generate a certain percentage of your revenue based upon tobacco and tobacco-related.

REP. ACKERT (8TH): And the primary part of that -- the beginning part of that question was did someone come to you and say, Representative, you know, I'm looking. You know, we have an opportunity here to open up one of these establishments. Is that -- because we have the one, had someone come to you and indeed say, you know, I've got an idea for this? I'd like to open this up in the State of Connecticut.

REP. PERILLO (113TH): Well, initially, it started it as one individual in my district. But this bill has been has been before us many times and I've proposed it many times. So, what starts with one individual who's interested, you know, has become many individuals who are interested, from many parts of the state. People hear about the bill and they say, hey, you know, I own a tobacco shop and I'd like to expand into alcohol and food. So, word gets around and people become interested.

REP. ACKERT (8TH): Great. Thank you for your answer. Thank you, Mr. Chairman.

REP. D'AGOSTINO (91ST): Representative D'Amelio.

REP. D'AMELIO (71ST): Thank you, Mr. Chairman.
Good morning, Representative Perillo.

REP. PERILLO (113TH): Good morning, sir.
REP. D'AMELIO (71ST): You know, this is - it's not a new idea, I mean, tobacco bars have been around. But, you know, we have these smoke shops, like in my area too, where they sell cigars and stuff. You're allowed to bring in wine or scotch and stuff and enjoy - enjoy it with your cigar or whatever, you know, you choose to smoke. But the state's not gaining any revenue from that because the place is not allowed. But, you know, just for the committee's sake, there are a lot of places out there that are, you know, great retail places for cigars that allow you to go in, they have beautiful setups where you can sit and drink, but you bring in your own booze. So, this -- we're not really inventing something here, but, you know, we could further regulate it through this bill, you know, and maybe gain some revenue from it. So, you know, thank you for bringing this to the committee's attention and I think it's something the committee should really look at and expand. Thank you.

REP. PERILLO (113TH): Thank you. And you're absolutely right with the state getting no revenue. Thank you.

REP. D'AGOSTINO (91ST): We have some other questions. I just want to put it out just for committee members just for the record, so we know this. This actually passed the House last year. There was language that passed the House last year and I'll make sure everybody's got it circulated. The language, last year, that passed the House by a vote of 139-11, was that it would require -- you have to get your liquor and restaurant license through the normal DCP procedures and it added a requirement of, as Representative Perillo just mentioned, at least 20 percent of your sales were
from tobacco products. So, it was the combination of those two things. We're not talking about -- at least from that language, we're not talking about an existing tobacco bar suddenly being able to sell food. They'd have to go through the DCP process. But that was the language that we had drafted that passed the House last year, so. Representative Cheeseman. I'm sorry. Senator Witkos. Senator Witkos, I'm sorry.

SENATOR WITKOS (8TH): Thanks. Just one question. Since the bill before is really in its draft format, do you foresee the same language that passed in the House last year as the basis for this committee to JF out if such.

REP. PERILLO (113TH): Yeah, I think that language from last year is a good starting point. I was fortunate to work with Representative D'Agostino on that language. If that is the language to move forward, I'm certainly happy with that. But at the same time, I'm willing to work with members of the committee and other stakeholders to determine what that best language that everybody can agree upon should be.

SENATOR WITKOS (8TH): The one cigar bar that we have in the state, I don't know if the person's here to testify on it, but I'm curious as to -- they must move a lot of tobacco products within that facility to account for 20 percent of their sales, especially if there's liquor being sold as well. And do you believe that or have any insight as to whether the market would be saturated if we open up more; where it may the downside would be causing the closure of some because they couldn’t hit the 20-percent mark?
REP. PERILLO (113TH): Well, right now there's only one. So, I don't think we're gonna drive that one out of business. So, there's nothing else to close at this point.

SENATOR WITKOS (8TH): Okay. Thank you. Thank you, Mr. Chairman.

REP. D'AGOSTINO (91ST): Representative Cheeseman.

REP. CHEESEMAN (37TH): Thank you, Mr. Chairman. So, we have one existing. Anyone who wanted to open an additional one would be governed by the usual DCP regulations in terms of alcohol and food licensing.

REP. PERILLO (113TH): That is correct.

REP. CHEESEMAN (37TH): Do you have - I mean, you said you've been -- it was originally triggered by a constituent approaching you. Do you; and this is just off the top of your head, have any idea of how big the market is? I mean, are we looking at, you know, one in every town or are we looking at ten in the state?

REP. PERILLO (113TH): I don't know the answer to that, but as with anything else, you know, the market will bear that out.

REP. CHEESEMAN (37TH): Okay. Thank you. Thank you, Mr. Chairman.

REP. D'AGOSTINO (91ST): Thank you. Representative Altobello.

REP. ALTOBELLO (82ND): Thank you, Mr. Chairman. Representative D'Amelio covered by topic fairly thoroughly, but -- and thank you. If you could share the bill no. from last year that would be very beneficial I think to the committee. Thank you.
REP. D'AGOSTINO (91ST): Yeah, well make sure. Jeff, don't forget to make sure that the committee get it. It was LCO, amendment 5988 from last year, file number 193, from 2018, section two. Other questions? Thank you, Representative. Thank you for bringing this to us again.

REP. PERILLO (113TH): Thank you all. Thank you very much.

REP. D'AGOSTINO (91ST): I know we received some written testimony from Senator Looney regarding his bill with respect to generic drugs. I think he may come and testify later. I'd urge the committee members to take a look at Senator Looney's testimony. His bill was modeled off of a Maine law that passed last year in Maine, requiring drug manufacturers to provide adequate samples to generic manufacturers and it passed in Maine and has been upheld. And I think he'll come and testify later with respect to that.

So, we will move off of the legislative -- legislator speakers and get to our public. And we'll just back and forth with respect to the legislators who show up in particular. So, the first speaker we have is -- signed up is Dan McInerney from IBEW with respect to bill no. 9, H.B. 5267.

MR. MCINERNEY: Good morning. Chairman D'Agostino, Ranking Members Witkos and Cheeseman, members of the General Law Committee, my name is Daniel McInerney and I'm here representing the International Brotherhood of Electrical Workers, IBEW, and National Electrical Contractors Association, NECA, to oppose Senate Bill, No. 9, AN ACT ADJUSTING FEES
FOR OCCUPATIONAL LICENSES, CERTIFICATIONS AND REGISTRATIONS.

The IBEW and NECA represent thousands of electrical workers in Connecticut and we feel that the current fee process should not be changed. Renewal fees for an electrical license have already doubled in the last 15 years. The electrical construction industry in Connecticut has only felt the uptick in the economy in the last couple of years since the general -- since the great recession began. We experienced tremendously high rates of unemployment from 2008 until recent years. Many of our workers are just getting back on their feet and feel it is unfair to increase the fees on the renewals of their license.

The electrical apprenticeship program in the state requires a person to serve a four-year, 8,000-hour apprenticeship before they are eligible to sit for a journeyman's test. We like to call it you earn while you learn. You work during the day and you go to school at night. During that 8,000 hours, an apprentice receives incremental pay raises as hours are worked. In our program, an apprentice starts out at 45 percent of a journeyman’s wage, and for every 1,000 hours worked after his original 2,000, they get a five-percent pay raise. So, when an apprentice finishes the program, he is earning 80 percent of what a journeyman would make, which will enable that person to easily afford the license fee.

Electricians in Connecticut are not only required to pay the fee for their license, they also pay anywhere between $75 dollars and $200 dollars for continuing education each year, which is a requirement by the state. They also have to pay
anywhere between $70 dollars to $100 dollars every five years for OSHA training, which is also required by the state. Many contractors also require first aid and CPR training, which is not free, as a pre-hire requirement.

The language of the bill seems vague. And how do you calculate the percentage? They want to give it a 75 percent decrease from the license fee for your initial license and the rest gets made up by the renewal fees. The electrical field alone has 12 different licenses totaling 13,512 existing licenses. There were 129 new licenses issued from January 4th of 2018 to February 15th of 2019. As an example, the plumbing field, all their different licenses total 6,924. They had 211 new licenses in the same period. I am only using one trade for comparison, but there are many other trades involved. How do you come up with a fair and balanced calculation for the different trades? Well, the renewal fee changed from year to year, depending on the number of new licenses that will be issued.
The IBEW and NECA feel that the present fee schedule works fairly for all trades and should be left alone. For that reason, we cannot support S.B., No. 9, and would encourage you to not support it as well. Thank you for the opportunity to address the committee.

REP. D'AGOSTINO (91ST): Thank you. Questions?

SENATOR WITKOS (8TH): Thank you. Thank you for your testimony. I'm gonna make a statement and then I'll have a question to follow up. So, the impetus behind this bill was the fact that Connecticut was one of 12 states that was chosen as -- to participate in removing barriers for apprenticeships and folks in the trades. And one of those barriers happened to be that we found out was the ability to obtain a license, an initial license, for whatever the reasons are. So, Senator Duff and I were trying to come up with a way to allow those individuals to get their license while still remaining revenue neutral to the state because of our financial condition. We didn't believe we could afford to lose any money at this time.

But I -- the question I have is when you -- do you have to get a license for an apprenticeship, a journeyman and then whatever, I guess, a master? Are their licenses to each phase of that?

MR. MCINERNEY: There is a registration for the apprenticeship program, yes. And they have to --

SENATOR WITKOS (8TH): How much is that?

MR. MCINERNEY: I'm not -- forgive me, I do not know that answer for the apprenticeship fee. I can give you the license fee for -- for a journeyman.
SENATOR WITKOS (8TH): I'd like to pick your brain as to --

MR. MCINERNEY: I'd like to say it's $75 dollars, but I'm not positive.

SENATOR WITKOS (8TH): Okay. So, $75 dollars. How do we -- and we constantly hear that there's not a huge pool of qualified candidates to make up for those folks that are looking at retirement because there's not enough people getting into that field. So, how do you make sure that we make it affordable so folks can enter that field and being their training? I know that, as you stated in your testimony, that as they move up through, I'll say, through the ranks, their wages increases, so they should be able to afford it by the time they sit down for their examination for their licensure.

But how do you come up with a policy to eliminate a potential monetary barrier from folks that want to get into that field? I guess that's the goal of this piece of legislation. We'd be more than willing to listen to any options that you all folks have.

MR. MCINERNEY: Well, I'm not sure how you would eliminate the barrier, but, you know, during your apprenticeship program, you're actually earning a paycheck while you're -- it's not like you were going to college and, you know, when you come out of college you've got to come up with a fee for something, because you don't have a job yet. You have a job that you work at during the day and, you know, you get incremental increases as you go along through your program, which enables you to pay for that license when the time comes for you to sit and take the test.
SENATOR WITKOS (8TH): If one of the barriers is the $25 dollar, $75 dollar registration fee, would you be opposed to the different organizations of wherever they are apprenticing in paying for that?

MR. MCINERNEY: No. On the apprenticeship side, no.

SENATOR WITKOS (8TH): Okay, great. Thank you. Thank you, Mr. Chairman.

REP. D'AGOSTINO (91ST): Thank you. Representative Ackert.

REP. ACKERT (8TH): Thank you, Mr. Chairman. And good to see you here testifying. You know, I remembered a time when all the licenses throughout the State of Connecticut doubled and it was -- all occupational licenses. It was a money generator at the time, so we all took a hit on that and, you know.

MR. MCINERNEY: We sure did.

REP. ACKERT (8TH): And I remember when, I believe it was under Governor Rell at the time, that we experienced that and it's stuck since. And I know there's been times over the years that we've had to do just the opposite and just say, hey, let's bring it back to the original times, especially during the down economy over the recession here that we've actually looked at trying let's bring it back to the original time because, you know, obviously, people just couldn't pay that. And then we've lopped on the continued education fees and the OSHA training. Another one the State of Connecticut is -- the only one that has a renewal every five years. The rest of the country is -- so, we set the mark on this and I do appreciate you.
The State of Connecticut's apprenticeship program, it's similar to yours. They start out at 50 percent of the fee when you come out. So, right off the bat you're making more than minimum wage, right, when you get out of high school. And a mandatory five-percent increase. Not too many companies-- too many businesses out there get a ten-percent mandatory raise every year. So, I think that we take care of our trades people.

I think one of the areas maybe you and I might disagree on; on the why we don't have enough apprentices, but, you know, one of it is our ratio system is just -- it doesn't really work well with the larger companies as opposed to the smaller companies. And that dialog I've been trying to raise over the timeframe. But to your -- you had mentioned that the economy is coming. Are you out-- are there more people now out working in the field. I know we went through some tough times that are -- in terms of your apprenticeship, are you growing your trade?

MR. MCINERNEY: Yes, we are. In the last three years, we've probably doubled the amount of apprentices that we have taken in in the first year of the program.

REP. ACKERT (8TH): That's great to hear. I know some of the people came out of the tech school that I'm near by ending up going to IBEW and so that's good to hear. I look forward to the continued dialog on this and working with the chairs on this bill. And please keep letting your members know what their thoughts are on this. Thank you. Thank you, Mr. Chairman.

REP. D'AGOSTINO (91ST): Representative Cheeseman.
REP. CHEESEMAN (37TH): So, I believe in your testimony you say there -- thank you, Mr. Chairman -- there are 12 different licenses?

MR. MCINERNEY: For electrical, yes.

REP. CHEESEMAN (37TH): For electrical. So, is there a different fee per license, or are they all the same?

MR. MCINERNEY: No, there's a different fee for the licenses.

REP. CHEESEMAN (37TH): Okay. And can you give me an example of the differing licenses?

MR. MCINERNEY: Well, an electrical contractor license is $150 dollars every year. A electrical journeyman is $120 dollars every year. I'm not exactly sure. I apologize. I should've had those numbers with me. I can get them to you. Like, a telephone license is probably not the same as those two licenses would be. The most expensive ones will be the E license and then I would venture to say that they decrease as you go down.

REP. CHEESEMAN (37TH): Okay. And do you have any idea how these compare to our neighboring states?

MR. MCINERNEY: I do not.

REP. CHEESEMAN (37TH): Okay. Because it'd be interesting to know that.

MR. MCINERNEY: I can get that information for you.

REP. CHEESEMAN (37TH): That would be great. And how long have these fees been at this level?

MR. MCINERNEY: Well, they doubled -- I want to say they doubled somewhere around 2005 and they've been
at that rate since. Actually, it's kind of double doubled. Because it used to be a two-year license and then it went to one-year, and I believe they didn't change the fee from two years to one year and then it doubled again in the mid 2000s.

REP. CHEESEMAN (37TH): Oh, that's a secret way of raising revenue without raising taxes, yes. And I'm sorry; it may be in your testimony. Approximately how many licensed electricians are there in the State of Connecticut to the best of your knowledge?

MR. MCINERNEY: There was -- there's 13 -- there's almost -- there's -- hold on, I'll give you that info. Sorry. There are 13,512 licenses right now just in the electrical field.

REP. CHEESEMAN (37TH): And typically -- and this is my last question, Mr. Chairman. Over the course of the year, how many people choose not to renew their licenses and how many new licenses are issued?

MR. MCINERNEY: I do not have that information. You -- you know, you have to realize that you have retirees that may choose to not renew a license.

REP. CHEESEMAN (37TH): Sure. I didn't know if there was sort of an average ebb and flow. Does the level stay pretty constant?

MR. MCINERNEY: I can get that info -- I'll get you that info.

REP. CHEESEMAN (37TH): Okay, that would be great. That would be very useful.

MR. MCINERNEY: Sure.

REP. CHEESEMAN (37TH): Thank you, Mr. Chairman

REP. D'AGOSTINO (91ST): Representative Altobello.
REP. ALTOBELLO (82ND): Thank you, Mr. Chairman.
Good morning.

MR. MCINERNEY: Good morning.

REP. ALTOBELLO (82ND): What -- how much money does a journeyman make these days?

MR. MCINERNEY: In the IBEW --

REP. ALTOBELLO (82ND): You've been greeted by Representative Orange over here with her magic music. I think she's putting pixie dust on your testimony or something.

MR. MCINERNEY: There's three what we call, inside locals, in Connecticut that are your basic electricians and their salary ranges from $37.50 to almost $40 dollars an hour.

REP. ALTOBELLO (82ND): And an apprentice would make approximately 45 percent of that day one?

MR. MCINERNEY: Starting out. Yes, starting out.

REP. ALTOBELLO (82ND): And a journeyman's license, annual license, is about $125 dollars?

MR. MCINERNEY: $120 dollars per journeyman.

REP. ALTOBELLO (82ND): $120 dollars? So, we can assume an apprentice is a little bit less or -- is there a registration and a license?

MR. MCINERNEY: Yeah, the registration fee. I'm not exactly sure what the registration fee is. I believe it's $75 dollars per person.

REP. ALTOBELLO (82ND): So, walking in the door, you need $75 dollars and, of course, all your tools and so on and so on.
MR. MCINERNEY: Correct.

REP. ALTOBELLO (82ND): Thank you very much. Thank you, Mr. Chairman.

REP. D'AGOSTINO (91ST): Thank you. Thank you very much.

MR. MCINERNEY: One -- can I make one comment, though, to Senator Witkos on the trying to get more people into the trades?

REP. D'AGOSTINO (91ST): Sure.

MR. MCINERNEY: I think part of the problem is that for a very long time everyone's been pushing children to go to college. And, you know, there's nothing wrong with that. Not everyone's a college student, though. And you can -- I think what part of the process is we need to reach out to parents to let them know there is an alternative to college, where you can still make a good living, raise a family, and, you know, retire with some dignity. So, I think that's one of the issues we need to maybe address, is how to get into the households that there is an alternative to college.

SENATOR WITKOS (8TH): I couldn't agree with you more. I think that's why you see a lot of the spotlight going on advanced manufacturing. If you look at our technical high schools, you know, there's waiting lists for kids to get into there unfortunately. I wish we could expand the opportunities for more kids to go because I think that would solve the problem too and take away the stigma. So, thanks Dan.

MR. MCINERNEY: Absolutely. And in the public school system, I mean, back in my time, you know,
every public school had a shop, you know, a wood shop, auto shop, machine shop, and most of those are all gone now.

SENATOR WITKOS (8TH): Thank you.

MR. MCINERNEY: Thank you.

REP. D'AGOSTINO (91ST): Just a note. I mean, we don't -- we're not -- no, no, you're all set. Thank you. We don't have a timer on you guys. Just looking at this crowd, this is a very professional crowd that's coming before us, and so I would just urge you to try to keep your testimony brief, particularly if it's on an issue that this committee has addressed before, and if you're a lobbyist, you've already addressed the committee members with respect to it. You can assume a base of knowledge here with us. I'm sure the committee members will have questions for you. So again, no timer. I don't think there's a need to impose it on an experienced group like this. I'll leave it to your judgment in terms of your testimony. So, CT CPA.

MS. STEWART: Good morning. Thank you very much for giving me this opportunity to appear before you today. My name is Bonnie Stewart and I'm the executive director of the Connecticut Society of Certified Public Accountants. Am I on? There we go. Sorry. My name is Bonnie Stewart and I'm the executive director of the Connecticut Society of Certified Public Accountants.

I'm here today to join in with the speaker before me, the Electrical Union, to indicate our opposition to Senate Bill 9. Connecticut's CPAs pay a fee of $565 dollars a year for renewal. It's six times higher than the national average and significantly
higher than anyone else in the northeast. We -- similar to what the Electrical Union was saying, we have mandatory CPE. In our case it's 40 hours a year. We have experience requirements before we can become CPEs, CPAs. There's just a lot we do to maintain our licenses. However, we don't have to have a license for most of the things that we do and, therefore, as the price has risen for registration, the number of CPAs that continue to be licensed in our state is dropping. We're kind of pricing ourselves out of the market because we have what's called CPA mobility.

And you can be a licensed accountant in any state and perform work in our state. So, I would strongly urge you to reject this measure. The CPAs feel very strongly that this would actually harm our profession in the state and not move us forward. And just to help you get, at a glance, a quick understanding of what we face. At the end of my testimony; it's the second to last page, I've included a chart that shows Connecticut, in red, compared to the rest of the nation. And you will see that we are head-shoulders above every other state in what we charge for a renewal fee. And in my testimony there is also a grid early on where you can see just how much higher we are than anyone else in the northeast.

So, for example, our one year renewal fee, compared to every other state, would get us a minimum of four and a half year' worth of licensing in the state that's the next most expensive and as much as eleven years in the state that is the least expensive in the northeast. So, I would strongly encourage you to reject Senate Bill 9.
REP. D'AGOSTINO (91ST): Senator Witkos.

SENATOR WITKOS (8TH): Thank you, Mr. Chairman. And thank you, Bonnie, for your testimony. I think we're going to be at least; I'm gonna speak to my counterpart, looking at possibly the -- addressing the registration fee issue, which Mr. McInerney spoke about as when somebody has to -- when they want to get into the apprenticeship program, they have to pay a fee, and I think that's where Senator Duff and I were looking at trying to remove that barrier, because some folks that are just trying to get some employment, they don't have the money, necessarily, to do that. Is there any fee that somebody that wants to move towards the goal of becoming a CPA, similar to an apprenticeship program, that they have to register as? And could you talk a little bit about that if there is one?

MS. STEWART: So, our initial fee is $150 dollars to register versus our renewal fee is $565 dollars a year. It's a significant fee, but not nearly the problems that we face with renewal. To be quite honest, it's the cost of sitting for the exam that's so expensive for most of our members. I would tell you the biggest challenge to getting more CPAs is the fact that we require more than a bachelor's degree now. Most people don't realize that for accountants; that they have to have a minimum of 150 hours in order to become a CPA. You can start to sit for the exams before you've got the full 150.

But I would tell you right now that's probably the biggest barrier we face. Just with the cost of college educations now, many people want to start work right after they graduate from college. What we're seeing is that more people are becoming
accountants at companies than are going into public practice. Because to be an accountant at a company you don't have to have your CPA credentials, and therefore you can go into that line of work without having the additional 30 hours, which is very expensive and something that I believe deters many people from going into the CPA line of work.

SENATOR WITKOS (8TH): Who pays -- who sets the rates for the examination?

MS. STEWART: That's set by the National Association of State Boards of Accountancy. It's not a Connecticut-based rate.

SENATOR WITKOS (8TH): And if this legislation was limited to the building trades specifically just for their registration fee, then you would have no opinion on the bill? Or would you still be --

MS. STEWART: We'd love to see it expanded to reduce our renewal, right? But no, we wouldn't be in opposition to the measure, as is our big concern right now is not increasing our renewal rates any further.

SENATOR WITKOS (8TH): Sure. Okay. Thank you. Thank you, Mr. Chairman.

REP. D'AGOSTINO (91ST): Thank you for the point, Senator. Other questions? Representative Gibson.

REP. GIBSON (15TH): Thank you, Mr. Chairman. Good morning, Ms. Stewart.

MS. STEWART: Hi.

REP. GIBSON (15TH): A couple of quick questions. How much does it take to -- cost to take the CPA exam?
MS. STEWART: I apologize. I don't have that number off the top of my head, but I will get that to you today.

REP. GIBSON (15TH): Okay. And how about CPA review courses? Do you have that number?

MS. STEWART: The CPA review courses vary because there's a number of people that offer them. But they're over $1,000 dollars generally.

REP. GIBSON (15TH): And I know everyone wants to pass the CPA exam the first time, but on an average, how many times does it take someone to pass the exam?

MS. STEWART: There's a -- it ranges significantly from school to school and from state to state. But I will tell you that the number of people that pass it the first time -- it's recently undergone significant changes and it's a more expansive exam, I'm gonna say, now than it was before. You actually have to show how you would apply the different concepts that you've learned. So, if I gave you the rate, it would be the rate from the old exam. We don't have -- I don't believe we even have two years full data yet. But I believe that for the average. I'm trying to look at all the schools together in the state. I'm gonna say 50 percent. But let circle back to you with a hard number on that too because I know each of the schools versus the overall rate.

REP. GIBSON (15TH): Thank you, Ms. Stewart. Thank you, Mr. Chair.

REP. D'AGOSTINO (91ST): Thank you, Representative. Other questions? Representative Altobello.
REP. ALTOBELLO (82ND): Thank you, Mr. Chairman. Good morning.

MS. STEWART: Hi.

REP. ALTOBELLO (82ND): Under your CPA mobility, it appears you have reciprocity in 49 states?

MS. STEWART: Yes.

REP. ALTOBELLO (82ND): I’m not gonna ask who the 50th is.

MS. STEWART: We're not one of them, which is so unusual, because we're oftentimes the last one to get onboard and.

REP. ALTOBELLO (82ND): I said I wasn't gonna ask.

MS. STEWART: That's good. (Laughs)

REP. ALTOBELLO (82ND): If I'm a current CPA in Connecticut, I work for a Connecticut firm, why wouldn't I just go to Springfield and renew my license there for $81 bucks instead of $565 dollars?

MS. STEWART: So, we are finding that many Connecticut CPAs are now licensed outside of the state in addition to Connecticut and don't use their -- just because you do not have to be a CPA to perform a lot of the work that CPAs perform, so they only have to be a CPA for attestation purposes or if they're saying I'm a CPA. But if you'll see, most accounting firms are now known as advisory firms because what they're doing has expanded so dramatically. So, your question is a very good one. What we see is that people are opening offices in Springfield and Providence in New York. Most of the organizations, that I would say midsize, don't only have multiple offices in Connecticut but they're now
making sure they get over the border. It is something where I do believe we've priced ourselves a bit out of the market, and that's too bad. So, the people that we're seeing grow at those advisory firms here in the state, the accounting firms that now refers to themselves as advisory CPAs at those firms that are growing, we are seeing more of the IT people, the engineering people, that don't have the same licensing issues.

REP. ALTOBELLO (82ND): So, if I wanted to perform attestation work in Connecticut, would I need this $565 dollar fee?

MS. STEWART: The only person who would have to have that fee was the person that signed the papers. So, you will find that most of our younger CPAs are no longer licensed in Connecticut. They may be registered here, but they're not longer licensed because they're not the ones who signed the papers and because it is such an expensive fee. It's a way for the firms to save money by just not having their people licensed. That it is one of the firm partners that will be licensed and sign the papers. So, they can do attestation work. They can't sign those papers. It'll be their supervisor or their -- one of the managing -- one of the partners in the group that tend to be those that have an active license and sign those papers.

REP. ALTOBELLO (82ND): Okay. And lastly, do you have any idea how much we collect in this $565 dollar fee annually?

MS. STEWART: You know, I don't know any longer, but I will tell you despite all the money you collect, none of it goes to the State Board of Accountancy who oversees us.
REP. ALTOBELLO (82ND): Thanks for the donation. Thank you, Mr. Chairman.

REP. D'AGOSTINO (91ST): Representative Ackert.

REP. ACKERT (8TH): Thank you, Mr. Chairman. And good to see you. A question. Do you know if the -- how many licensed CPAs that we do have and is that growing or lessening?

MS. STEWART: So, I can tell you how many registered CPAs we have, which is different than licensed. It will be a combination of those who pay a flat fee because they've passed the exam, but they are not using their CPA credentials in terms of attestation work, signing the papers, or holding themselves out to be a CPA. They can do the tax work, etcetera, without saying it and it's significantly less expensive. According to the Department of Consumer Protection's files, we have 12,000 CPAs in Connecticut right now.

REP. ACKERT (8TH): And they're just the ones that you say are registered. So, it wouldn't --

MS. STEWART: That includes registered, licensed and -- so, a lot of times when people retire they'll go from having a license, if they were a partner, to being registered. They still want to be able to get back in the game if for whatever reason they want to serve on a board as a treasurer or anything like that. So, we have 12,000 that are a combination of registered and licensed.

REP. ACKERT (8TH): Thank you. Thank you, Mr. Chairman.

REP. D'AGOSTINO (91ST): Thank you. Other questions? Thank you very much.
MS. STEWART: You're welcome.

REP. D'AGOSTINO (91ST): Bryan Hulburt.

MR. HULBURT: Good morning, member of the General Law Committee. For the record, I'm Bryan Hulburt. I'm the executive director of the Connecticut Farm Bureau Association. I have submitted testimony in advance and so I'll just be brief with my comments there, to your point earlier, Mr. Chairman.

Just by way of background, the Connecticut Farm Bureau Association is a private, non-profit membership organization representing 3,000 Connecticut families dedicated to elevating the status of agriculture in our state through education, market promotion and legislative advocacy. And agriculture in Connecticut is made up of over 6,000-plus small businesses that contribute $4 billion dollars to Connecticut's economy, employing over 21,000 people and working 436,000 acres of land.

We're here to testify in support of H.B. 5831, AN ACT CONCERNING THE REGULATION OF HONEY AND MAPLE SYRUP. This is very similar to a proposal that the Environment Committee has also raised and had heard a few weeks ago. And you should have testimony from three other similar members of my association, the Maple Syrup of Connecticut Association, supporting this. What we are looking for is that passage of this proposal would provide clarity and certainty to the operations, the farmers, as to how they are regulated and how they continue their operation. There is -- it's not sure right now with DCP about regulations will be coming through through the cottage law provisions versus other regulations on maple and honey.
And I also want to point out in my testimony that maple syrup -- producing maple syrup is a relatively safe process. The syrup has to be boiled to over 200 degrees. It's considered a low risk to make maple syrup and maple candy, according to the FDA. And so we do think that the Department of Agriculture is the appropriate place for this and would suggest that it provide clarity that it's not just exemption from cottage law, but also that any regulation should go over to the Department of Agriculture.

We've been in conversations with the Department of Consumer Protections. They've submitted testimony to you as well. We have an agreement in principle and we look forward to continuing to work with them on finding an appropriate resolution for this. And with that, I'll turn it over to the members for any questions.

SENATOR WITKOS (8TH): Thank you, Bryan. I'm in 100 percent support of the bill. But I don't want to have multiple bills floating around with the same subject matter. Do you know if the Environment Committee plans on voting this out or whichever goes first? What is -- what are you hearing out there?

MR. HULBURT: I haven't heard. But we'd, you know, allow the members to figure out the best path forward.

SENATOR WITKOS (8TH): Is there's a Senate Bill or House Bill? Do you know?

MR. HULBURT: I believe it's a Senate Bill.

REP. D'AGOSTINO (91ST): Other questions? Representative Orange.
REP. ORANGE (48TH): Thank you, Mr. Chair. Hi, Bryan.

MR. HULBURT: Good morning.

REP. ORANGE (48TH): Can you tell us if the verbiage is the same for this committee as it is for the Environment Committee, or what's the difference?

MR. HULBURT: Representative Altobello is shaking his head no. It's very similar, but I believe they're both just one or two sentences and have a little bit of work to be done before anything would get JF'd out.

REP. ALTOBELLO (82ND): Thank you. You stated that there were DCP regulations coming down the pike on this?

MR. HULBURT: There's been the concern that there are. DCP hasn't given us any clarity as to whether there are or aren't, but they recently were at a Maple Sugar Producers Association meeting, talking about the decision to whether or not they would have regulations. And so, just having clarity would benefit the members of this industry.

REP. ALTOBELLO (82ND): Yes, it would, but we seem to have a dual jurisdiction here, or a potential one. In a supermarket, which DCP oversees the food in a supermarket; the honey on the shelf would be overseen still by DCP. So, I'm sure we don't want to mucky up the waters any further.

MR. HULBURT: I could bring that up with the department and see if we can resolve that.

REP. ALTOBELLO (82ND): And I think the department's testimony is pretty direct, but also pretty scenario driven; if this happens and this happens and this
happens. So, just to make that point. I thank you sir and I thank you, Mr. Chairman.

MR. HULBURT: Thank you, sir.

REP. D'AGOSTINO (91ST): Thank you. Bryan, could you make sure that we have the agreed upon language? Could you send that to the committee, sent to myself, and the rest of the leadership of the committee? We'll make sure that our staff has it in case we want to move forward with our vehicle, and I'm getting the sense that we probably do, from our perspective, so that we've got the right language and help alleviate a burden on our staff.

MR. HULBURT: Absolutely.


MS. PAQUETTE: Good morning. Representative D'Agostino, Senator Witkos, Representative Cheeseman, and the distinguished members of the General Law Committee, my name is Nicole Paquette and I am a licensed funeral director and a legislative co-chair of the Connecticut Funeral Directors Association which represents 220 Connecticut funeral homes.

With me today is the current president of CFDA, Ed Sheehy. CFDA appreciates this opportunity to testify in support of section one of Senate Bill 848, AN ACT CONCERNING FUNERAL SERVICE CONTRACTS AND CEMETERIES. Section one simply seeks to remove the dollar cap of $8,000 dollars regarding an irrevocable funeral service contract without impacting a resident's Medicaid eligibility.
Funeral directors prepare prepaid funeral service contracts for individuals seeking to plan the funeral of their choosing without financially burdening their family at the time of their death or for individuals that are preparing to qualify for Medicaid. However, with a statutorily set cap on what can be set aside, surviving family members are often left with a balance due or given the unenviable task of deciding what funeral service items will be eliminated from their loved one's funeral.

By removing this statutory cap, individuals that seek to prepay their funeral will be able to do so without burdening surviving family members. CFDA supports removing the dollar cap for three beneficial reasons for the families that we proudly serve. A single, irrevocable funeral service contract with no statutory cap is easier for the consumer to understand and will permit them to fully fund their funeral. Currently, when preplanning a funeral, there may be two or three contracts required to fund a funeral service. Even with these three contracts, individuals are not able to fully fund their funeral.

Two - individuals or their families will be free to make and fully fund their selections that are appropriate to them and their customs, their traditions, culture, religion and their finances. Three - surviving family members sometimes have an impression that their loved one's arrangements are all taken care of, when a statutory dollar cap actually prevented this during the prepayment process. A fully-funded, irrevocable funeral service contract with no cap will reduce or eliminate the financial burden of the surviving
family members during a time of high stress. This allows families to follow their loved one's wishes and not make a heart-wrenching decision to alter the funeral service because of finances.

Finally, 42 other states including the entire northeast do not impose a dollar cap on an irrevocable funeral service contract for their residents. CFDA respectfully requests the General Law Committee's support for this proposal which benefits your families and all of the families in Connecticut who one day will be faced with this issue when preplanning their funeral service. I genuinely appreciate this opportunity to testify before you and Ed Sheehy and I will be glad to answer any questions. Thank you.

SENATOR LEONE (27TH): Mr. Chairman, would you mind? Thank you. Thank you for your testimony. As I'm walking in and listening to the testimony, you mentioned a cap of $8,000 dollars in Medicaid reimbursement. If we remove the cap, would Medicaid then be obligated for any excess funds about the $8,000 dollars or is that a separate matter?

MS. PAQUETTE: Under the law, in an irrevocable trust any excess or growth is not accessible to the beneficiary of the contract. So, for Medicaid matters, the funds would need to be used on the decedent.

SENATOR LEONE (27TH): I understand, but would Medicaid be obligated to pay more than the $8,000 dollars?

MR. SHEEHY: No, sir. This is -- Medicaid encourages people to use their own funds to pay for the funeral so they -- and they do not supplement
any further funds at all. So, there is no payment from a Medicaid process whatsoever on a prepaid funeral. It strictly comes from the family and whatever their funds are to pay for the funeral. And right now, the cap limits that, so.

SENATOR LEONE (27TH): So, there would be no additional burden to the state and then --

MR. SHEEHY: There's no additional burden to the state whatsoever.

SENATOR LEONE (27TH): Okay. And what was the genesis of a cap in the first place? Do you know? I mean, that's probably before my time. If this is all about the consumer putting money aside, I'm just curious why there was a cap in the first place.

MS. PAQUETTE: I think this also predates Eddie and I.

MR. SHEEHY: No, it doesn't.

MS. PAQUETTE: No?

MR. SHEEHY: Not predates me. Back in 1987 through '89, when they started this process of allowing the funeral directors to repay -- the clients to prepay funerals in the State of Connecticut, it was a formula that was created based off of Medicare payments and that formula was created back then. And it was -- there was enough -- back then it was more reasonable, like, the difference between a cost of a funeral and what people were able to prepay. It wasn't so much of a great difference. You know, today, obviously, you know, with the increased costs of performing a funeral, you know -- and we're taking funds that aren't ours also. You remember, there's some attorney costs, there's clergy costs,
newspaper costs, flowers cost. We're taking all those to help benefit the family, you know, for those other outside vendors that we take and place into the trust so, again, the family eases their financial burden in the future. So, with the rise of all of that, you know, the difference between what an average funeral would be today including -- inclusively of everything and the $8,000 dollars, the distance is tremendous.

SENATOR LEONE (27TH): Thank you. So, am I to surmise that; and this is just me surmising, that the original $8,000 dollar cap also contributed to or tried to ensure that costs for funerals remained at a decent level? So, I mean, without a cap, I would then think that the cost of funerals could then rise because of supply and demand maybe, so. And before you prepare an answer to that, what is the average cost of a funeral these days?

MR. SHEEHY: It's really a personal -- you know, there's an average cost of a traditional burial which is -- you know, the State of Connecticut is very unique because of our uniqueness from lower Fairfield County to, like, the northwest corner. So, if you take a full average from, you're probably looking at anywhere from $12,000 dollars to about $18,000 dollars for a full traditional burial, a full traditional funeral. And what I mean by full traditional; that would be for visitation hours with the deceased present, clergy, newspapers, florists. We pass, you know, food after services, merchandise. And so all of that inclusive. So, I don't -- the cap doesn't cause funerals to be less or cause people to choose less funerals. It causes the family to make a decision.
So, a lot of times what is see is we buried the dad 20 years ago. Mom dies. She ends up going into a convalescent home because she's 90. And anybody 90 ends up hitting that fee, either hitting that area. The family doesn't have sometimes the money even though mom has saved up for it her entire life. So then they now have to choose maybe not to bury mom. Maybe have to choose to cremate mom and bury her ashes, and that's against her moral upbringing and her moral wishes. And that's what we're seeing. That's what the problem is. You know, people can obviously control -- we help people control cost all the time on funerals, but, you know, this is dramatic. So, they're not gonna be able to get what they did for their husband or their wife, you know, the second time around.

MS. PAQUETTE: And if I may add to that, Senator Leone. It's not so much that it's limiting the cost of funerals, but it's completely impacting the ability of families to prepay the funeral of their choosing. That's really the heart of the issue. The cost of the funeral will be the cost of the funeral. But this bill at hand addresses the inability presently of a consumer that cannot prepay the funeral of their choosing.

SENATOR LEONE (27TH): Thank you. I'll listen to some other questions and review the testimony. I appreciate the answers. So, you mentioned the price, low and high. So, if I wanted to just be buried in a pine box, God for, it would be roughly -- the cheapest would be right around $12,000 dollars give or take?

MR. SHEEHY: Well, Senator, pine's very expensive. So, we're gonna give you a popular wood casket that
actually helps control the cost. But it really depends on a lot of things. There's a lot of factors that go into the cost of a funeral. Newspaper costs are extremely growing. Florists costs. The cemetery themselves averaging between $1,500 dollars and $2,500 dollars to open up the gravesite. The merchandise actually is one of the least expensive costs when we -- when I sit down with families because of our industry's willingness to continue to keep costs down. And so merchandise with inexpensive popular wood caskets and metal caskets. And so we're always trying to cost down for people. It's the outside vendors that, you know, we have no control over that continues to rise; $500 dollars to $700 dollars to place an obituary in the newspaper for one paper, you know, that's just one piece of the pie and you're almost -- you know, you're close to $1,000 dollars in just a newspaper notice. So, those are part of the things that we have, you know, a hard time controlling, besides guidance to the family.

SENATOR LEONE (27TH): So, this is all just about prepaying, right? So, if the cap remains in effect, I or any family member could only pay up to the $8,000 dollars. And then if a calamity occurs, you then have to pay the difference at the time of occurrence.

MS. PAQUETTE: Well, $8,000 dollars in an irrevocable funeral service contract plus a revocable burial space item contract. That would be a second contract that I had referred to. And then some funeral directors would write a third in a small insurance policy if they also are an insurance producer in addition to being a funeral director. So, that's where funeral directors are writing
possibly up to three separate types of contracts. But even with the three, they may not be sufficient to satisfy the family's particular choices for the funeral that they would like. And that's why we're here. That's the problem that we're sharing with you; that families are struggling with. Quite frankly, they don't understand why when they come before us, they don't understand, when they have the means to prepay, why they're not allowed to. And this is the struggle that we're sharing with you.

SENATOR LEONE (27TH): So, we could go down from possibly three contracts to just one with the removal of the cap and keep it as simple as possible for the consumers. Is that correct?

MS. PAQUETTE: Correct.

MR. SHEEHY: And Senator, if I may add to that. Not every funeral director holds a life insurance license, so not every funeral director can provide that final $1,500 dollar allowance in an insurance policy that the Medicaid allows. So, again, you know, just to provide proper ease to your constituents and the clients. I mean, that's why we're here. They're asking us and asking us and asking us to continue every year to try to make this easier for them.

SENATOR LEONE (27TH): Thank you. Thank you, Mr. Chairman, I appreciate the time.

REP. D'AGOSTINO (91ST): Representative Cheeseman.

REP. CHEESEMAN (37TH): Thank you, Mr. Chairman. Typically, and I know typically is a terrible way to start a question, how many prepaid funeral contracts are normally sold?
MS. PAQUETTE: As a funeral director in the capacity that I work in the funeral home where I am, I am solely a pre-planner funeral director, and I meet day in and day out with families and I may meet with one to three families per work day. Not every family is prefunding. Some people just come in to express their wishes. So, it's a couple of hundred, you know, several hundred.

REP. CHEESEMAN (37TH): So, several hundred people you see or several hundred prepaid contracts over the course of a year?

MS. PAQUETTE: Several hundred people I see. And of that, I would say there's perhaps 60-70 percent who may prepay.

REP. CHEESEMAN (37TH): And out of those, what percentage would be subject to cap?

MS. PAQUETTE: Well, essentially everyone really is, because any person -- if I meet with a couple and they come in and --

REP. CHEESEMAN (37TH): So, I sign the contract --

MS. PAQUETTE: If you --

REP. CHEESEMAN (37TH): If I don't know I'm -- I suppose my question is. So, I'm in perfect health and I do a prepaid contract for $20,000 dollars. And all of a sudden I'm wiped out or whatever, my children say, ma, spend everything down, you've lost your mind, we're putting you in a nursing home. So, that $20,000 dollar contract is no longer valid?

MS. PAQUETTE: It's in jeopardy because it doesn't qualify for the Medicaid eligibility regulations. So, we would have to amend that. We'd have to pull out funds from that contract. And in those
situations that I have assisted families with, we've had to return funds that were over the allowance that Medicaid allowed. And you, as the person who prepaid, could've done that 20 years prior, you know, or more.

REP. CHEESEMAN (37TH): So, basically, you take the funds out of the contract, put it in, this is my pool of money to have that Medicaid then takes into account when they're determining my eligibility. If I understood this correctly?

MR. SHEEHY: That's correct, yes. There's no -- you're not exempt from any look-back period like some other funds that you might've transferred. So, you know, these contracts are not exempt even though you've done it without the intent to go on Medicaid. You've done it for just a planning stage. And that was what really, really hurts the people. You're just doing it to -- you know, for your children, you know, for yourselves. You're a planner. And now all of a sudden all that planning goes out the window because of this cap, so. In my firm, we usually -- I usually do about a hundred or so contracts a year, 99 percent of them -- 98 percent of them are Medicaid. And so we're always, you know, -- and this is gonna rise. They're saying that in the future we should -- 50 percent of our funerals should've been prepaid prior, as our future clients, because of the next generation which are planners.

REP. CHEESEMAN (37TH): Okay. Thank you. Thank you for the very clear explanation. Thank you, Mr. Chairman.

REP. D'AGOSTINO (91ST): Representative D'Amelio.
REP. D'AMELIO (71ST): Thank you, Mr. Chairman. One quick question. If we raised this cap and say a funeral is $18,000 dollars and I prepay it today, and I live another 20 years. Do you hit the family with any increases after that 20 years or do you lock it in at the rate of when they purchased the contract?

MR. SHEEHY: Most funeral homes -- obviously, everybody has their own individual business. But most funeral homes do guarantee their services. All the funeral homes I've spoke with over the years and that I meet being the Connecticut Funeral Director president, they do guarantee their services. The only services we can't guarantee is items that we don't own; churches, cemeteries, newspapers, florists. But the interest that we're receiving on that money, 100 percent of the interest gets applied to their future cost. And the longer somebody lives; obviously, interest is great because it grows on top of interest, on top of interest.

And so, what I've seen, and like I said, I'm doing this on the ground floor. Like, I've been a funeral director since day one that we were able to do this. And if someone plans it correctly and they fund it correctly, the balance to families are minimum to none, you know, so. And that's usually the -- you know, there's -- everybody has their own individual business, but that's the standard throughout our industry that most people will do that. So, you can see the benefit.

And I can give you one quick example if you may indulge me. I had a lady back in 1991, prepaid her funeral at $4,500 dollars after her husband died because she wanted to make it easier for her
children. She died when she was 99 years old. So, it was 20 -- she was 71. So, it was 28 years later. Her funeral would've cost her family $13,500 dollars. It was paid for and I was able to buy them extra flowers, and we may have been able to have -- to pay for the cemetery extra costs on a Saturday because we earned -- and if there was any extra interest, we'd return it to the family. And she never hit Medicaid. But that's the perfect example to the people in the State of Connecticut that we could do when they fully fund their funeral.

When someone doesn't -- when someone fully funds it and then goes onto Medicaid and we have to take the contract apart and give that money back, now they have lost that guarantee because we can't continue to guarantee the growth to offset future inflation. So, that's another thing that definitely hurts the families.

And sitting in these and watching children say, you know, Mom really wants to be buried, but now we had to use all her money health care and we have three kids in college, you know, because of having kids late in life and we don't have any extra funds. I guess we have to cremate and maybe bury her ashes on top of Dad. You know, and that's just morally, you know, wrong. And that poor lady, who, you know, was a baby during the depression and saved her entire life and put money underneath the mattress can't get the services that she wanted to or follows her religious beliefs. And that's what we're faced with. And that's a heart-wrenching, you know, when I'm sitting across the table from somebody, having to tell them that, you know. Or maybe they have to go take a loan or, you know, it's hard.
MS. PAQUETTE: And if I may add to the guarantee statement, our current law states that a funeral service contract must state if it has a guarantee or not in clear language. So, that's built in already for the families that we serve.

REP. D'AMELIO (71ST): And how is the money protected? I mean, if a funeral home is sold or goes out of business, is it like a trust fund that you guys put it in where --

MR. SHEEHY: Yeah. The money is in the -- the money is in the person's name and social security number and held in escrow, and so they get statements once a year, by law. And so even if they -- like, if they had died my hair and had left it purple and people don't want to come to me because I have purple hair. They can obviously have the choice to change funeral homes. It does happen when -- and if someone goes out of business, you know, there's notifications, by law, you know. But it's held in escrow in their social security off site, so they really have a choice to go to any funeral home, even if they prearranged with anyone. They don't have to -- they're not really tied into that funeral home until the death actually occurs.

REP. D'AMELIO (71ST): Okay. Thank you. Thank you, Mr. Chairman.

REP. D'AGOSTINO (91ST): Thank you very much. Sue Camire and John Pinone, Catholic Cemeteries.

MR. PINONE: Good morning everyone. Thank you for your time to all the committee members. At this time, my name is John Pinone. I'm the executive director of the Catholic Cemetery Association of the Archdiocese of Hartford. At this time, I want to
introduce Sue Camire, my associate, who is going to provide our testimony today. Sue?

MS. CAMIRE: Good morning, ladies and gentlemen. I'm the executive -- the assistant to the executive director for the Catholic Cemeteries Association. I'd like to thank you for giving me the opportunity to speak this morning. Currently, the association has 30 cemeteries under our care and we're here to testify in support of Senate Bill 848.

Recently, upon reviewing our available inventory at the cemeteries, we became aware that we did not have a large inventory of crypts or niches available to provide our families. So, at this time -- at that time, we began looking into the expansion and came across the current law. Section 2, section 19a-312a, the existing law prohibits cemeteries from pre-selling mausoleum crypts and niches and columbarious niches. Pre-selling crypts and niches will allow families the opportunity to purchase with the comfort of knowing that there's enough space to allow for their future generations and relatives to be in close proximity to one another. This will also allow special consideration during construction for any specific requests by the family. If they'd like to buy a large number of crypts and have an area for their family, we can make it a gated area, that that can be done during construction.

Any monies collected from pre-sales will be placed in an escrow in an interest-bearing account which cannot be withdrawn until the completion of construction, will follow all guidelines stated in the consumer protection laws. If a death should occur between the time of the pre-sale and the time of completion of the construction, the cemetery will
provide an on-site, temporary crypt or niche for the deceased at no cost to the family. Once the facility is completed, the deceased will be moved, disinterred, disentombed, and moved to the final resting place in the crypt or niche that the family purchased and all administrative costs will be handled also by the cemetery, again, at no additional cost to the family.

If construction costs should exceed our beginning estimate, the cemetery will assume the responsibility of any increases. The family will only pay the amount on their original presold contract. We appreciate your time and consideration of this bill and sincerely request that you vote in support of Senate Bill 848. Thank you for your time and we'll answer any questions you might have.

SENATOR WITKOS (8TH): Thank you. Any questions from committee members? Senator Leone.

SENATOR LEONE (27TH): Thank you, Mr. Chairman. On these presale, if -- how many would you need to have in hand in terms of the contract in order to build X amount of mausoleum spots?

MR. PINONE: That would probably depend on the size of the columbarium or the new crypt -- new column -- or niche spaces that we would provide. We're probably thinking in the area of 20 percent to 25 percent would have to be presold for us to continue construction.

SENATOR LEONE (27TH): So, if I want pre-sell -- I mean, pre-buy one of these and you don't have one already built and I then pass away, what then happens to me as a -- in terms of the consumer respective -- how would I then fulfill being buried?
MS. CAMIRE: Your remains?

SENATOR LEONE (27TH): Yes.

MS. CAMIRE: We would put them in an on-site [inaudible - 01:28:57]. We have 12 mausoleums and columbarium now, multiple columbarium. We would take your remains and place them in a temporary holding crypt or a niche at no extra cost to the family. Once the building was completed, then we would move your remains.

SENATOR LEONE (27TH): And how long would it take to build one of these? I mean, how long would you hold on to my remains if one is not available?

MR. PINONE: We would -- we figure it would be no longer than three years to build it and we wouldn't even start to take any contracts, Senator, until we have received all our final approvals and permits, which could take up to a year. And at that point, it would probably be another two years to complete construction. So, it's a total period of three years, but we wouldn't start taking any pre-sale contracts until we have received full approval from all the local zoning boards and the State Department of Public Health.

SENATOR LEONE (27TH): So, three years is a pretty long time. I mean, is -- are you losing sales because it takes you so long to build these? Meaning, someone would choose to go somewhere else where availability exists and not have to wait for this to be built?

MR. PINONE: We may be losing some sales for that matter, but I think this is more of a family tradition and generations. Like, we have families that have been -- had grandparents, their parents
and now their next generation is coming in. So, we see a lot of this as that the next generation wants to be with their family still. And this comes down the fact that while we have limited supply left, this is how it came to our sight that we're gonna continue to be able to serve the families for the next generation, that we would have to go down this road.

SENATOR LEONE (27TH): And if I do pre-buy, are the costs locked in?

MR. PINONE: Yes, they are.

SENATOR LEONE (27TH): So, there's no -- it takes three years to be built. There's not gonna be some extenuating fee or because building costs went up?

MR. PINONE: There will not be any other fee other than what you signed in your original contract.

MS. CAMIRE: And you're -- you're mentioning three years, but on the consumer's end it would be within two years because the first year we wouldn't be doing any sales. That would be just us doing our architecture or work and applying for all the permits.

SENATOR LEONE (27TH): Thank you. Thank you, Mr. Chairman.

SENATOR WITKOS (8TH): Any further questions from committee members? None? Thank you very much.

MR. PINONE: Thank you. Next up, Steve Kaplan followed by Steve Karp.

MR. KAPLAN: I have two [inaudible - 01:31:44] (not on microphone.)
SENATOR WITKOS (8TH): Sure, Steve. Have them come up and then they can just introduce themselves for the record. Sure.

MR. KAPLAN: Good morning to everybody. Thanks for letting us appear before you. I'm Steve Kaplan, legal counsel of the Connecticut Subcontractors Association. With me on my right is -- we have two of our board members with me, Glenn Salamone, who is the president of QRS Steel, a Hartford contractor, and Bill Flynn, who is vice-president of Electrical Contractors Inc., another Hartford contractor.

We are here in support of Raised Bill, No. 849. This bill was passed I think unanimously last year out of this committee and we thank you very much for that. And we also thank you for the many years now of support of contractors and subcontractors in Connecticut. We passed a number of very important pieces of legislation starting with this committee and we're very, very appreciative of that.

Just to refresh your recollection very briefly and we have submitted written testimony on this. This bill would affect just private construction. It does not affect public or municipal or state construction and certainly not federal. Just private construction. Not residential. It would be only for larger residential projects over four units under the statutory steam work we have in place anyway and would principally affect institutional, commercial developments. It would establish a baseline 15 percent for overhead and profit for change order work. This is extra work. That's when contractors or subcontractors are required under their contracts to perform extra work, they cannot
decline. They have to do it. Otherwise, they'd be in breach of their contract.

There's essentially no bargaining power in establishing what the rate of overhead and profit is in a for change order work. Owners establish this in their general contractor's -- in their general contracts or with their construction managers. When subcontractors then negotiate "for trade work," electrical, mechanical, plumbing, steel, what have you, they are given a formed contract. And if they try and push back on overhead rates, overhead profit rates for change orders, they are unanimously told in every instance the owner has set that. We cannot vary it. We cannot change that. If you want to work, you have to sign this. I'll let my industry folks talk to you about how the 15-percent level is really important.

As someone who has been doing this for decades, I routinely see boilerplate type contract language that requires six or eight percent overhead and profit on change order work. And contracts --

REP. D'AGOSTINO (91ST): Again, just reminding you guys. We've heard from the three of you before. We know this issue well.

MR. KAPLAN: Right.

REP. D'AGOSTINO (91ST): We passed this language last year. So, I would encourage you all to keep it succinct.

MR. KAPLAN: I'll turn it over to these guys then. Thank you, Representative.

MR. FLYNN: To keep it succinct, basically, where we have projects that are out to bid, where the owner
sets the levels through the general contractor or the construction manager at any level under 15 percent, any additional work we do will be at a loss. When we bid the contract itself to do the building or the project itself, we're allowed to carry whatever margin we feel is necessary for us to do the work and make a small profit and get out of there. We're all competing, so the profit can't be very high to begin with. But then once we're on the job, we're captives to the contract language, we're forced to accept when they do additional work.

And a lot of -- I've been doing this for over 40 years and what I see is -- what I believe I see is some people looking at actually adding work to the project later on to be able to get it done at a lesser rate than what they would do if they included it in the original bid. And if we can't get 15 percent markup on top of our costs, we lose money. I mean, we -- we're audited every year. The CPA firms that come in and audit us over and over and over again have told me that it's 14.65 percent. That's what I need to get to break even. So, when I'm on a project and I have to do the extra work for six percent, eight percent, I'm just losing money hand over fist. And it's also a snowball effect.

When I bid a project, and its' for all the electrical, the security, the fire alarm, the telephone system, all of those systems, a great many times I will subcontract. And I'm actually required if it's on a public project, but now we do it a lot. We will subcontract to small SV, MV firms that we're friendly with, that we want to give work to, to do maybe the fire alarm system, maybe the telephones, security system or whatever. Well, they're trapped in the same way we are. Once they come onboard, if
there is more work added by the owner to me, to them, they now have to perform that work at a loss. And I know of at least two companies that have gone out of business because they got too much extra work. I mean, I can't -- I can't wrap my mind around that.

And going back, the standard contracts in our business and still are in place, the American -- the AIA, the Architects Association, and the General Contractors Association have always had ten and five for markup. That's their standard. And so the companies that are doing this are modifying what was always the industry standard and driving down the allowable margin overhead and profit that we're allowed to get. And it's just not right. And, my experience, it's been mostly companies coming from out of state and it's not the companies that are already here.

MR. KAPLAN: Should we take questions to --

REP. D'AGOSTINO (91ST): That'd be great, yeah. Questions from the committee?

SENATOR WITKOS (8TH): Thank you. If this language were to pass, wouldn't you foresee that most of the contracts between the owner and the general contractor would have the 15 percent in there now? Because, obviously, the general contractor is gonna eat it at this point if it passes. If they're -- the contract is for change orders at six percent, as what you're telling me the experience is now, and we provide that subscale minimum of 15 percent, they're not gonna want to pay out of pocket themselves. So, their contracts that they sign with the owners will now go to 15 percent. Correct?
MR. KAPLAN: The law would apply -- I'm sorry, Senator. The law would apply to any contract. So, it applies across the board for any change order work. DC or CM might have some charges themselves for extra work. They would get the same 15 percent overhead profit. It would be uniform throughout the whole chain, from owner to DC as the subcontractor.

MR. FLYNN: Senator, my friends that I -- that are on the other side of the table, that are general contractors and construction managers, the ones that I speak to every day are in favor of this bill.

SENATOR WITKOS (8TH): The -- I just checked the public hearing testimony from folks that have submitted testimony and the Council of Small Towns is opposed because of the additional costs may be to municipal projects. Would you be opposed to an exemption or exclusion for municipal projects?

MR. KAPLAN: That's already been done, I think. We have -- I think that's already been pared out. So, that's why this -- what's in front of you now just affects private projects.

SENATOR WITKOS (8TH): Okay, great. Thank you. Thank you, Mr. Chairman.

REP. D'AGOSTINO (91ST): Other questions? Thank you gentlemen. Thank you for bringing this to us again. Steve, I think it's Karp, NASW.

MR. KARP: Good morning. My name is Stephen Wanczyk-Karp. I'm the executive director for the National Association of Social Workers, Connecticut Chapter, representing over 2,500 members. And we're here today in opposition to S.B. 9 due to the negative impact it will have on our licensing program over time.
Our objections are basically threefold. First of all, reduction in an application fee is a one-time savings with loss of revenue being made up through renewal fees. Given that most social workers will be licensed for 25 or 30 years in Connecticut, in the long term, it would actually cost our members far more under this proposal than there would be any savings. And for those of our members who are already licensed, there is no savings at all because they've already paid a high initial fee and we're now asking them to pay a higher renewal fee.

Also, the Department of Public Health renews licenses based on the month you were born. So, for many of our members their renewal comes up within one -- less than one year from the time of their initial application. So, even though there may be up front savings, you immediately, within a year, you have a higher renewal rate. We believe that this bill is meant to address the high cost for a new license to either start their career, but it doesn't do anything to address the far greater issue of the overall cost of licensing in Connecticut. Connecticut is a very expensive state for social work licensing.

And thirdly, the licensing fees are sort of hodgepodge. I mean, they really make no sense in Connecticut. If you look at the three behavioral health at the master level, there's a significant difference between what people pay in initial licensing and what they pay in renewal licensing. It doesn't seem to have any -- fees seem to have no connection to the profession, no connection to career paths. They just seem to be whatever got through the legislation for that point and time.
Based on 2017 data, Connecticut has the second highest application fee in the country for the clinical licensed social workers, next to Wyoming. We have the fourth highest initial fee for the master of a license. As far as renewing a license, Alaska is the only state in the country that currently charges more to renew a license on an annualized basis than Connecticut. So, Alaska's basically -- the annualized basis in Alaska is $20 dollars more to renew than we are.

So, we do hear from social workers who are struggling to get their initial license. With the cost of the license, the cost of the exam, the cost if you're taking a prep class, and we do have people that say I can go to Massachusetts and pay a whole lot less. So, you know, licensing fees are a concern for us here in Connecticut. Given the state budget, we're not asking that you lower or it's not that's there's gonna be -- have purview over that. We're not looking to have our licensing fees lowered in this biannual budget. There's far more need for human service dollars that needs to be spent than our concern about the cost of licensing.

But we would hope that you would take a look at this bill and consider changing it to a study bill. It would be very useful to take a look at what is the impact on licensing fees, on current rates, in terms of business impact. What is the rate of fees compared to other states? Which licenses need to be renewed annually versus those that maybe biannually? We're one of only I think seven -- six or seven states in the country that does an annul renewal for social workers. Four of them do triannual. The rest of them do biannual. For consumer protection, how often should we be renewing people's license. I
think there really needs to be something -- this is an issue that needs to be looked at.

I think the whole licensing fees in this state needs to be looked at. In terms of this particular proposal, while I think it's well meaning to try to get at the initial costs, I think in the long run it cost our members more and it doesn't get at the larger issue of trying to make some sense out of what we have the licensing fees for all the different professions. And because of that, we cannot be in support of this bill.

SENATOR WITKOS (8TH): Thank you. In your profession, do you -- it is reciprocal amongst the states and is Connecticut a part of that compact where you can be licensed in one state and practice in others? Or do you have to do license in each of the individual states that you practice?

MR. KARP: Every state is different. So, Connecticut, for social work, does not have reciprocity. We have something called endorsement. It says that if you come from a state where your requirements are equal or greater than Connecticut, then we'll give you the license. We do have a big problem I think with people coming in from New York. Because many of them have 20-25 years of experience, they took a lower level exam, because New York didn't have the higher level exam. But yet, they have years and years of experience and we say to them, you still have to take our higher level exam. So, it's definitely problematic. Coming in and coming out of the state is -- for social work is a big problem across the country.

SENATOR WITKOS (8TH): But it thought you mentioned in your testimony that you said something to the
effect of, well, we can just go to Massachusetts because of the form of licensure. But if they're required to -- if you're practicing in Connecticut, you have to be licensed in Connecticut, so.

MR. KARP: Yeah. So, Massachusetts is one of the states that typically is much lower for the cost. So, we have new graduates that say, you know, I can go to Massachusetts and it will cost me a lot less to get started, to get my license. The typical renewal fee across the country is probably an average of $60 dollars to $80 dollars. We're paying $190 dollars to renew our license in Connecticut. And most states do it biannually and we're doing it annually. So, we do look at surrounding states and people are saying it's a lot cheaper to start a practice in -- in essence; it's cheaper to practice in general in some of the other states.

SENATOR WITKOS (8TH): Well, we heard from the IBEW and for apprentices making less than $37,500 dollars, you know, as struggling to get into that field. What is a social worker average salary when they're starting out?

MR. KARP: So, for a master level social worker, which would require licensure if you're doing clinical work, typically they're starting around $40,000 dollars, $45,000 dollars if they're in the nonprofit sector. In the public sector, it's probably a little higher, probably closer to $50,000 dollars for initial salary.

SENATOR WITKOS (8TH): Okay. Thank you. Thank you, Mr. Chairman.

REP. D'AGOSTINO (91ST): Thank you.

MR. KARP: Thank you very much.
REP. D'AGOSTINO (91ST): Tony Gargano.

MR. GARGANO: Good morning, Mr. Chairman, and members of the General Law Committee. My name is Tony Gargano and I represent Gano's Power Equipment in Colchester and I'm here in support of House Bill 5267.

We, as small, independent dealers of outdoor power equipment, represent the manufacturers and the products that they build. We don't design the products or make the products. We have no say in what components that they choose to put into the products. And in many times, they'll either put a lesser product of a lesser cost part to save themselves a few dollars or a part that really hasn't been thoroughly tested. And they put it in the field and they'll let the dealers deal with it under warranty later. And we do fix it under warranty to keep the consumer happy, but it comes at a cost to us as dealers.

My shop alone, last year, lost $8,500 dollars just in labor money that was lost, never mind profit on parts, because many of the manufacturers only pay us cost on the parts. Some will give us a profit on parts, some do not. So, that was just strictly labor lost money. From the time that the manufacturer states that they will pay you versus the time it actually takes to do some of the repairs or diagnostic times that we have to take to work on something to figure out the problem and then they only pay us to fix the problem.

It was brought up in a last testimony that manufacturers would pass this cost along to the consumers. And I don't feel that's the case because many of the manufacturers, they established their
prices a year ahead of time. And there's many other states that have passed laws similar to this where the cost of the products have not gone up. The products have stayed the same.

I feel that this law needs to incorporate not only wheeled power equipment, but also handheld equipment including, but not limited to, gas and battery. Battery handheld products is coming on super strong in our industry and it is estimated that in five to eight years that battery handheld equipment will be about 80 percent of our market. So, I think that that needs to be considered with this law as well.

We talked before about contracts. That was brought up in the last testimony. And the contracts are really dictated by the manufacturers. We don't have much say in them. It's either sign here and agree to our terms or you don't carry our product line, so therefore you can't sell our product line. There is no negotiation. There is no nothing like that. Myself, at one time, I had a manufacturer come to me and wanted me to be exclusive with them. So, I wrote up a contract and handed it back to them and said you be exclusive with me. You don't go anywhere else within 15 miles around me and you stay with me. You don't go into big box stores, hardware stores or anything like that. They wouldn't sign it, but they want me to sign it. So, it really is a one-way street as far as contracts go.

I see in other testimony that manufacturers -- it says here that they distribute solely through dealers. That is not true. Manufacturers distribute online. They distribute through mass merchants. They distribute direct. Many manufacturers direct sell now. Online purchases
takes sales money or sales tax money from the state. It takes revenue from the state that we are collecting and bringing into the state. And then we don't get that sale, but we're still mandated by the contract, that we do have to sign, to do the warranty work. And then we lose money on that warranty work.

It says these contracts are mutually agreed upon. They're really not. It's -- you have no choice. It's sign here or go away. And it's also true that manufacturer's warranties and extended warranties, in particular, are used as marketing tools. Manufacturers do that so that they can sell their product. Ourselves, in our store, we do not off an extended warranty. The manufacturer has it. We take the money for the extended warranty. It goes to the manufacturer and not to us. And then we're obligated to lose money even a little bit longer. And its' difficult.

I mean, you can work on a machine -- you've got a machine come in your store with an electrical problem. It can take you ten minutes, twelve minutes to find the electrical problem, ten minutes to fix it, and you get paid for the ten minutes to fix it plus the cost of the part. So, the ten or twelve minutes diagnostic time you lost plus the profit you lost on the part. So, that is all there

REP. D'AGOSTINO (91ST): Thank you. We've heard a lot of this same testimony.

MR. GARGANO: I know you've heard a lot.

REP. D'AGOSTINO (91ST): Let me open it up to questions from committee members.

MR. GARGANO: Sure.
REP. D'AGOSTINO (91ST): Do you have a question? Go ahead.

REP. ORANGE (48TH): Thank you. Good to see you, Tony.

MR. GARGANO: You too, Linda.

REP. ORANGE (48TH): And thanks for coming again this year.

MR. GARGANO: No problem. Thank you for --

REP. ORANGE (48TH): First and foremost, last year when we were working on this bill, CBIA was opposed to this bill and they sent it out on their little hit list of what they support and what they don't support.

MR. GARGANO: Okay.

REP. ORANGE (48TH): Yet, they claim to be for small and large businesses. So, I want to bring it up just to put it on record and as far as I know, in checking with the Clerk and reading through testimony, they did not put any testimony into this committee. There is no testimony here from CBIA. So, they come in, generally, last minute and dive bomb with an opposition statement, which is totally unfair. They know the process. This is where you come to oppose something and they don’t show up. They come in later on. So, I'm kind of annoyed with that. And I just want --

REP. D'AGOSTINO (91ST): I'm sure none of the lobbyists in this room would ever do anything like that. (Laughter)
REP. ORANGE (48TH): I just want to state that for the record. And I do have a couple of questions, Tony, if you don't mind?

MR. GARGANO: Sure.

REP. ORANGE (48TH): Who determines how much labor time is paid for a repair?

MR. GARGANO: The manufacturer. They have preset times and it's all done by them. It's -- we have no say in the matter on what it takes. Like, I gave the example of the electrical problem.

REP. ORANGE (48TH): Yeah. And you -- then I take it you can't amend your dealer agreement?

MR. GARGANO: The dealer agreements are not able to be amended at all. No. It's -- they come in, it's preformatted, it's laid out, contract, and either you want to sign it or you don't. And to be in business you have to products. To have products you have to sign the contract. It's just that simple. It was mentioned before, you know, profit -- we're in business to make profit. Yes, that is true. But when we have to subsidize money that could go to employees and money that could go to building repairs and money that could go to infrastructure to subsidize the warranty loss that we should be getting paid. We're not asking to make money. We're asking to be treated fair, get what we should get from a consumer if a consumer walked in the door. We're not looking to make anything more than that. So, we shouldn't have to subsidize out one portion of our business for another.


MR. GARGANO: Yep.
REP. D'AGOSTINO (91ST): Other questions? Senator.

SENATOR WITKOS (8TH): Thank you, Tony. Do you guys -- do you belong to the Association of Dealerships in Connecticut?

MR. GARGANO: I do.

SENATOR WITKOS (8TH): And do -- is there a standard hourly rate, for the most part, give or take a dollar or two depending on where your shop is located, that the average dealer would charge for repairs, the posted labor rate?

MR. GARGANO: I would say in Connecticut it's probably between $85 dollars, $86 dollars an hour, and $90 dollars, $95 dollars an hour is probably the average for outdoor power equipment. Ag dealers could be a little bit more.

SENATOR WITKOS (8TH): And has the association ever gone to these manufacturers as a group to say, you know, making the argument that you're making here today, to show that your hourly -- your posted labor rate is $80 dollars to $85 dollars, somewhere in that range, that they should be paying that? Have those discussions taken place at all or no?

MR. GARGANO: I personally can't tell you if the association has gone to them or not. I don't know that. But I can tell you, in some paperwork that I submitted; they don't have enough money right now. There is a program for one of the manufacturers. It's a national program. And depending upon -- like, they'll pay you $60 dollars an hour if you don't agree to carry every product that they sell. They'll pay you $70 dollars an hour if you carry this much product that they sell and they'll pay you your full shop labor if you carry everything that
they sell. They sell good and bad product. I don't want to sell bad product in my store so I choose not to sell it all. I get stuck at $60 dollars an hour when our shop labor rate is $88 dollars an hour. And that's a big loss.

SENATOR WITKOS (8TH): And, you know, I personally have an issue with part markup. But what -- how much would you say your inventory of parts that you have -- I mean, if you have so many products, you can't necessarily keep one of every single item of every single part in your store.

MR. GARGANO: Correct.

SENATOR WITKOS (8TH): So, on an average repair, do you have to order through the manufacturing or do you usually have something on the shelf?

MR. GARGANO: Common parts, we'll have. Exceptional parts or, like, I keep -- you know, I keep transmissions and hydro pumps. I keep a lot of parts on my shelf. But you could have two machines come in in the same day with a blow hydro pump and you only have one. Because a hydro pump's $800 dollars and change, so you're gonna have one. You're not gonna have five. But filters, I could have 30. You know, there's a lot of common parts that we have and there are special order parts that we need to get.

One thing I would like to see in this, because you talked about the parts markup, I would like to see a margin of 20 percent, 25 percent for us for the parts markup. You know, the markup to the consumer is between 30 percent and 40 percent. So, it was brought up at one time, I think in the bill in 2017, that we were gonna get list price. But a 25 percent
or even 20 percent, it's a bargain to the manufacturer. But they need to give us something. We can't survive at cost.

SENATOR WITKOS (8TH): If you're making your labor.

MR. GARGANO: But we're not.

SENATOR WITKOS (8TH): Well, that's what this bill proposes to fix.

MR. GARGANO: Correct.

SENATOR WITKOS (8TH): Why would the -- why do you think it's fair that a dealer should get a 25-percent markup on a part that you just ordered and putting into the, which you're getting paid the labor for?

MR. GARGANO: Well, because, A - we have to order it. We have guys that have to accept the part, put the part away. There's overhead costs that go with it. There's overhead costs that go with anything. To ask somebody to make zero margin on something is loss. It's not -- you don't -- it's not a break even percent. It's probably a break even at 15 percent. But, you know, it's not a break even at zero percent.

SENATOR WITKOS (8TH): Okay. Thank you. Thank you, Mr. Chairman.

REP. D'AGOSTINO (91ST): Senator Leone.

SENATOR LEONE (27TH): Thank you, Mr. Chairman. Good to see you again.

MR. GARGANO: Thank you. You too.

SENATOR LEONE (27TH): If this bill were to pass and this would allow for you to recoup the costs. Just
basically is the cost of doing business for you, from what you should be reimbursed from the manufacturer.

MR. GARGANO: Correct.

SENATOR LEONE (27TH): And currently you're not. Would there be the potential for the manufacturer to then not enter into a contract with you because they don't want to pay these increased fees to them? Would they see it as such?

MR. GARGANO: I don't see that happening, though, because they need a contract to sell their product, to service their product. There is a contract between you, but right now it's a one-sided contract.

SENATOR LEONE (27TH): But would -- would they be able to go to, say, a big box store to have them do the service under a different plan versus the full recuperation of costs to you or to someone such as yourself?

MR. GARGANO: They could try, but it won't work, because A - big box stores don't service products. The products come to small, independent guys like us. In the past, there have been brands. If you go back in the 70s; Homelite and McCulloch, for example, were big product brands. And they don't exist anymore because the dealers got away from the product, the service got away from the product. The product went away. And, you know, manufacturers know that. They don't want to admit, but they really need us to keep their product running to keep their customer happy.

SENATOR LEONE (27TH): Wouldn't they also be able to open up their own shop then, under their own brand?
MR. GARGANO: Sure. Absolutely they could. Manufacturers have tried it and they have not succeeded at it because they realized the costs that are involved with the running a service shop.

SENATOR LEONE (27TH): Great. Thank you. Thank you, Mr. Chairman.

REP. D'AGOSTINO (91ST): Thank you. Other questions? Thank you, Tony.

MR. GARGANO: Okay. Thank you very much.

REP. D'AGOSTINO (91ST): Tim Wentz.

MR. WENTZ: Chairman D'Agostino, Vice-Chairman Gibson and Leone, Ranking Member Senator Witkos, distinguished members of the committee, thank you for your time today. Obviously, you've heard from several people. I'm not gonna beat that horse. The only thing that I think that I would like to point out, we've talked a lot about the process of a warranty. A warranty is the manufacturer's obligation. Dealers didn't buy it. They didn't build it. So, attached to my written testimony -- my testimony, I provided a timeline of what's involved in fulfilling a warranty obligation, a manufacturer's warranty obligation. Do you have any questions about that timeline, how it's structured, what's compensated to the dealer through that?

REP. D'AGOSTINO (91ST): Questions? No, I don't think so.

MR. WENTZ: Do you have any further questions of me?

REP. D'AGOSTINO (91ST): No. Look, I think you're getting the sense of the trepidation some of us have about this, right, the -- and I'd guess I'd ask you just for your comments about, for example, the
questions I asked about. I mean, really, what this is about, if you just disagree, is, you know, these independent dealers would just like to make more money off this arrangement. But I think it's not quite accurate to suggest that they're all losing money off of this arrangement. The relationship with the manufacturers clearly is a beneficial one, an economically beneficial one. If it was not, you wouldn't be in that relationship. So, the question is just -- I think, to be blunt, what they want is for this committee and the legislature to make that a more economically beneficial relationship. But clearly it is. If on a yearly basis, you're losing money from this relationship, you don't enter into the relationship anymore. So, whether it's through the sales of the product or the traffic that honoring their product offers, it's still a net positive to be in these contractual relationships with the manufacturers. Isn't that correct?

MR. WENTZ: Can I -- I don't want to argue, you know, whether the dealers are ultimately making money or not. But let's just take Tony's store for example. His dad built that store. He's trying to continue on that business, that ongoing business. He has employees that are being paid, you know, taxes, etcetera, etcetera. Tony doesn't get -- in order for Tony to continue on that dealership, he has to sign that -- that --

REP. D'AGOSTINO (91ST): I've actually -- I really do want to focus in my point, though. I get --

MR. WENTZ: Well, yeah, but I'm getting -- I'm trying to answer your point, maybe too far. Sorry for raising my voice. I'm trying to get to your point. Tony wants to continue on that business, so
he doesn't -- he's invested hundred of thousands of dollars building that brand reputation with his customers. You heard him say that he likes to carry stuff that works. He likes to, you know, carry stuff that is beneficial to his customers. His family has invested. Their equity is in that dealership. So, for Tony to say I'm not gonna carry X brand anymore, he's already invested hundreds of thousands of dollars in advertising that brand and building that public, you know, buy-in, if you will.

So, as -- when his dad started that dealership, I can't say what that relationship was. I suspect that he took on manufacturers that paid him fairly, that treated him fairly, that had markup profit margins, etcetera, etcetera. So, that's why they took on those lines and build their business. I don't -- I hope I've answered your question. I don't mean to --

REP. D'AGOSTINO (91ST): Not even remotely. My point; and I think you just confirmed it, is that there's a benefit to that relationship; the benefit of carrying the manufacturer's product, of being seen as offering it. It's helped build the brand. It's helped build the relationship with the customers. There's a value to that, an economic -- and that economic value -- this is just economics 101 to me, but maybe I'm wrong. That economic value outweighs the cost of doing this repair work. If it didn't, you wouldn't be in the relationship. If you were just net, down $20,000 dollars a year because of this relationship, I would think you wouldn't be in the relationship. So, there must be an economic benefit to be in the relationship that outweighs the cost of this service. Is that correct?
MR. WENTZ: I -- the argument, as I understand what you're telling me, is that, okay, I'm representing X brand, I generate so much sales, net profit, I have -- yeah, I have a loss on this warranty. I'll eat that loss because I can make up or because I have this net profit on the sales. I can't argue with that. That's -- yeah, that's bookkeeping 101.

REP. D'AGOSTINO (91ST): Right, right.

MR. WENTZ: So, then if your question is, if you take it the next step, if I drop that line and I drop the next and I drop, you know. Mind you, Home Depot, Lowe's, national accounts. They're all sold direct. I'm obligated to fix that. So, every year you're gonna go through that. Every year you're gonna go through that thought process. Does it make sense to do business with Tim Wentz, right? So, what's the benefit to the constituents if every year I go through that process? Hey, Tim isn't paying me, I'm gonna drop his line. Next year, Joe isn't paying me, I'm gonna drop his line. Pretty soon I don't have anything they'll I don't have anything to sell. So, long term, you could be in a situation where Connecticut constituents don't have a place to take their equipment that they buy and then it becomes a throw away. So, I'm not arguing that. They're making a decision, a business decision. You are correct. That it pays for me to do business with Tim this year, so.

REP. D'AGOSTINO (91ST): Right. I'm not saying this is right or wrong. I'm just trying to the chase here and, I think, maybe articulate why there is some -- I don't speak for other members. But why there's some trepidation on this, because ultimately what we're being asked to do is insert ourselves
legislatively into a private contractual relationship. We do it all the time. We do that all the time as the State of Connecticut. (Chuckles) But to do it in a relationship where, you know, both sides are making money and it is a net positive relationship, and your guys would like to just make more on that relationship. That's okay. That people ask us that all the time. I just want to be clear what we're talking about here.

And like I said, this has got some support. That's fine. I note that there were -- I'd ask you guys to think about -- there was some language the last time we did this that I think the cap -- what was the 18-percent cap? Do you remember? There was an amendment that capped things at 18 percent that seemed to be agreeable to both the smaller -- to your folks and also to the manufacturers, at least most of them. That was something that seemed to have traction that alleviated some of their concerns, but still gave you all an addition --

MR. WENTZ: We're open to discussions.

REP. D'AGOSTINO (91ST): Yeah.

MR. WENTZ: We're open to, you know, -- if I remember correctly, that language didn't have any protect -- I regularly see manufacturers, if they have a warranty issue, they'll take that $200 dollar part and make it $20. So, if we have the opportunity to tweak that language, you know, we're happy to do that. We're -- we just want to make sure that the dealers aren't losing money on a warranty. That's -- we're not here to -- we want to be reasonable.
REP. D'AGOSTINO (91ST): Okay. Thank you. Please, Representative Orange.

REP. ORANGE (48TH): Thank you. So, Tim, I think what we're looking to do is fairly reimburse the small business dealer.

MR. WENTZ: Yeah.

REP. ORANGE (48TH): That the whole intent is to fairly reimburse. Labor rates have risen. Part costs have risen. They're not being paid entirely for the cost that they pay for the part, which is totally unfair, I believe -- I believe. And if we can work on this language, as the good Chairman has indicated, I think that we might be able to move this along with the good Chairman's support. What do you think?

MR. WENTZ: We're certainly open to, you know, to finding language that everybody can agree to.


MR. WENTZ: Thank you.

REP. D'AGOSTINO (91ST): Thank you, Tim. Sorry, I've got some cross-outs on my list here. I think we are up to Juliane Roth.

MS. ROTH: Hi. Good afternoon. My name is Juliane Roth and I am the secretary of the board of the Home Care Association of America, also serving in that capacity as the board liaison to the Connecticut Chapter. I'm also the board chair for the Association of Connecticut Home Care Agencies, and in my spare time I run Companions for Living in West Hartford.
Thank you all for allowing us to present this proposed bill. The purpose of this bill is to protect consumers by arming them with information, additional information. However, our counterparts from the registries, while they agree with the intent of this bill, have, today, raised some concerns about the proposed language in our testimony.

So, what we pledge to do is meet with the registries and work together with them to modify the language to resubmit this bill once it's mutually agreeable.

SENATOR WITKOS (8TH): Thank you very much and we look forward to getting the compromised agreeable language.

MS. ROTH: Thank you.

REP. D'AGOSTINO (91ST): Soon as you can. Thank you. Richard Glassman.

MR. GLASSMAN: Good afternoon. My name is Richard Glassman. I'm a partner in the law firm of Schatz, Brown and Glassman, a local firm that specializes in the area of employee stock ownership plans. I submit this testimony for the purpose of requesting the committee to consider amending the bill before you, House Bill 7116, to allow architectural firms located in Connecticut the opportunity to utilize an employee stock ownership plan as a significant shareholder.

State law requires now requires at least two-thirds of the stock of an architectural firm to be owned by licensed as architects. The statute also requires that the CEO and the architects themselves be licensed. We are requesting that the ownership restrictions be amended to permit shares owned by an
employee stock ownership plan, an ESOP, a qualified retirement plan created pursuant to ERISA, to make up some or all of the two-thirds ownership requirement.

Two concerns led to the creation of ESOPs back in the 1970s. First, the average worker in the United States, it was felt, did not save enough money during his or her working years to provide for a reasonable standard of living during retirement. The adoption of an ESOP hopefully would alleviate this concern, and history has shown that is correct.

Second, wealth in the United States is concentrated at the ownership level within a company. An ESOP, by design, alleviates this concern by sharing the value of the corporation across the broad base of employees that work for the corporation. These are the concerns that were shared with the Senate Finance Committee in Washington back in the '70s. I think you may all agree with me that these concerns are just as valid today.

ESOPs also have the added benefit of providing for the orderly succession of ownership. The Baby Boomer generation has reached the age where thousands of privately-held businesses will need to transition ownership over the next 10-15 years. If the ESOP alternative is chosen, the business remains local, decision making remains local, the tax base remains local. We believe it will be a very beneficial to our state, it's architectural firms and their employees to allow an ESOP to become a significant owner of the shares of a corporation that provides architectural services, all the way up to 100 percent.
All that we are requesting is that the ownership requirements be amended so that an ESOP sponsored by the architectural company be permitted to own any amount of the voting shares up to 100 percent of the shares. We believe that this amendment will encourage the creation of ESOPs at architectural firms in Connecticut. The resulting benefits include providing a great retirement plan for the employees, alleviating the concentrating of wealth and sharing across the broad base of employees, and, importantly, keeping the business and jobs in Connecticut.

Kaestle Boos of New Britain is one of these architectural firms that currently is considering the adoption of an ESOP as a transition for the ownership of the company. If Kaestle Boos moves forward with the creation of an ESOP, its employees will be ensured of the business staying local, its management staying local. Additionally, they will be the recipients of a great retirement plan.

I have submitted further detailed testimony for your consideration and I thank you for the time here. Be happy to answer any questions that you might have.

REP. D'AGOSTINO (91ST): Senator.

SENATOR LEONE (27TH): Thank you, Mr. Chairman. Thank you for your testimony. I'm just trying to remember what we had done, I think, a year or so ago. We had allowed architects from out of state to be -- an unlicensed architect to also be a partner in the firm, if I remember correctly. Something to that degree. So, now you're asking for out-of-state architects to be part of an ESOP plan. Is this to be utilized as some kind of a recruiting tool? Why
-- I guess, where -- what is causing the difficulty if this were not to pass?

MR. GLASSMAN: Excuse me. I do not believe that this request has anything to do with out-of-state architects or with the licensure of architects. The statute requires architectural services to be performed by licensed architects. The statute requires the CEO of the firm to be a licensed architect. All we're talking about is the ownership. Many firms, especially those looking to transition ownership from one generation to the next, may wish to use an ESOP, an employee stock ownership plan.

It's just an ERISA plan created by the company itself to become a shareholder. There are wonderful tax benefits. It provides for the orderly succession. Truthfully, it keeps the company here in Connecticut as opposed to, you know, possibly selling out to a company that, you know, would not be headquartered in Connecticut. Potentially, jobs are lost, certainly control is lost. And again, all we're talking about here is the ownership requirement. Not the provision of services.

SENATOR LEONE (27TH): And so, is -- what kind of plans exists now for the firm outside of an ESOP?

MR. GLASSMAN: Well, actually, as of today, because of a two-thirds ownership requirement, an ESOP, an employee stock ownership plan, could own up to one-third of the share. For many of these companies, it's very beneficial to use a much higher percentage or go to 100 percent ESOP ownership. And that's really the flexibility. We're not -- there's no requirement here whatsoever. We're just looking for the flexibility that if a Connecticut-based
architectural firm wishes to use an ESOP as a greater than a 33 percent shareholder, it be permitted to do that. This is just for the benefit of the employees, and again, it keeps everything local.

SENATOR LEONE (27TH): And would this -- is this in order to retain people in your employee or to get more people in your employee? Is this a tool for that or -- I mean, are --

MR. GLASSMAN: ESOPs do -- on a nationwide basis, we have proven -- the industry has proven that the creation of an ESOP at any company, certainly an architectural firm, can be a great recruiting tool, an employee retention tool, very beneficial to the business. During the recession, or whatever you want to call it, 2008-2010 period, on a national level, it has been proven and we shared this testimony down in Washington, the lobbyists for the ESOP Association on a national level, that ESOP-owned companies went into bankruptcy at a lower level than non-ESOP-owned companies.

ESOP-owned companies laid off employees at a lower level than non-ESOP-owned companies. In other words, there were less people on unemployment, less people looking for other safety nets, whether it be state or federal, more people working at ESOP-owned companies because of the cultural benefits. We really haven't talked about that. I'm not here testifying on the cultural benefits to a company that is providing an ESOP benefit to its employees, they certainly are there.

SENATOR LEONE (27TH): And by doing this, wouldn't this increase the cost of your entity for doing business? You're gonna be offering them more for
their retirement benefits under the ESOP plan. Isn't that gonna be an additional cost for the firm?

MR. GLASSMAN: Well, it is a cost and of course the retirement benefit that is created for the benefit of the employees is a cost that the company has to decide whether it wishes to take on. Many, many companies -- there are very -- there are successful -- many successful ESOP-owned companies here in Connecticut and that's a decision that the companies make when they provide benefit plans for their employees.

SENATOR LEONE (27TH): So, are you able to offset, say, salary costs by increasing ESOP costs for -- instead of upfront costs. In terms of salary, you're offering more on the tail end, on the retirement side?

MR. GLASSMAN: I can only give you anecdotal evidence on that. I've been in the ESOP world as a lawyer for 15 years. I've been in the business world in Connecticut for much longer than that. I have not seen any reduction in salaries or other types of benefits, with one exception. There are many companies that if they have a 401K plan already and that 401K plan has a match, and now they're bringing in an ESOP as an additional benefit plan, I have seen companies reduce or modify the match from the 401K plan. My general recommendation to my clients is that they keep the 401K plan, but what they do with the match or not is totally up to them.

But on a nationwide basis, ESOPs have performed better, and we have this data -- have performed better than the average 401K plan over the last ten to fifteen years. Now, I would always say doing an ESOP is no guarantee of the future. The company has
to run well. The company still has to have good management, good products and good services and all of that. But the ESOP benefits have proven to be very beneficial to the employees of the company.

SENATOR LEONE (27TH): Thank you. Thank you, Mr. Chairman.

REP. D'AGOSTINO (91ST): Senator.

SENATOR WITKOS (8TH): Thank you. Attorney Glassman, so you're here representing a law firm which specializes in ESOPs. Have -- I kind of looked very quickly online to see if I saw any opposition testimony. I didn’t see any yet, but knowing how this building operates. Have the -- is there a council on architecture, architects or anything like that that may be coming in opposed to what you're offering today? Attorney Glassman, just turn your mic on there.

MR. GLASSMAN: I apologize. You may be surprised at this, but actually I am not being paid to be here today. I am in private practice in the ESOP space. I think this is very beneficial and I'm honestly pleased to be here in support of ESOPs and architectural firms. I just heard prior to coming into the meeting -- the test -- the hearing room this morning that the Architectural Association of America, excuse me, of Connecticut, the Trade Association, may have some questions on what we're doing. We are -- I've been told by others that they are reaching out to them right now to see what their concerns might be, if any. Again, my own personal opinion is this only goes to the benefit of the architectural firms here in Connecticut. It does not mandate anything. It just gives a little bit more flexibility on ownership.
SENATOR WITKOS (8TH): Thank you. And I would urge you to reach out to that -- the Trade Association just in case it may allay their fears. Because as you testified to, I think this is a way to -- a mechanism to allow these firms that are established in Connecticut to stay in Connecticut and --

MR. GLASSMAN: Exactly.

SENATOR WITKOS (8TH): But I'd hate to see something derail because folks misunderstood what the intentions of some possible legislation is. So, thank you very much. Thank you, Mr. Chairman.

MR. GLASSMAN: Thank you.

REP. D'AGOSTINO (91ST): Any questions? Thank you, Attorney Glassman, appreciate your time.

MR. GLASSMAN: Thank you.

REP. D'AGOSTINO (91ST): Bryte Johnson?

MR. JOHNSON: Good afternoon. My name is Bryte Johnson, Connecticut director of Government Relations for the American Cancer Society Cancer Action Network. We've submitted longer testimony in writing so I'll use my time to just focus on a few points. ACS CAN strongly opposes the H.B. 5139, AN ACT CONCERNING TOBACCO BARS, and respectfully urge the committee to do the same.

Despite significant progress in reducing smoking rates from 17.4 percent of adults to 12.7 percent since the Clean Indoor Air Act was passed 15 years ago, smoking still kills more people each year in Connecticut than alcohol, AIDS, car crashes, illegal drugs, accidents, murders and suicides combined. At a time when Connecticut has seen a disturbing spike in tobacco use for the first time in eight years,
driven largely by the popularity of electronic cigarettes, we shouldn't be condoning a needless weakening of our smoke-free laws, already with seven exemptions, which has reduced the positive impact this law has had.

Tobacco use cost Connecticut $2.03 billion dollars annually in health care expenses including over $500 million dollars to Medicaid alone. This bill will only increase those costs at a time when the state can ill afford additional fiscal burden, especially one that is entirely preventable. Forty-nine-hundred people will die in Connecticut. This bill will only likely increase that number.

While patrons can choose in which -- choose in which establishments they spend their time, workers often do not have the same choice. Expanding the current tobacco bar exemption will reverse 15 years of progress and will once again leave workers vulnerable to a known cause of life-threatening illnesses like cancer, heart and lung disease and stroke. No one should ever have to choose between their health and their paycheck, but this is exactly the choice many employees would be forced to make.

The American Cancer Society Cancer Action Network believes the only way to protect worker and customer health from the dangers of tobacco is by creating 100% smoke-free environments and that no one should have to choose between a job and good health. Therefore, ACS CAN strongly opposes any efforts to weaken the Clean Indoor Air Act.

This bill sends a bad message, threatens to once again normalize smoking and nicotine addiction, will lead to increases in health care costs and deaths related to tobacco use and it will roll back 15
years of steady progress since the passage of the Clear Indoor Act and reducing the annual toll of tobacco use on the people of Connecticut. We urge the committee to oppose this bill. Thank you.

REP. D'AGOSTINO (91ST): Questions? Thank you very much.

MR. JOHNSON: Thank you.

REP. D'AGOSTINO (91ST): John Shulansky.

MR. SHULANSKY: Distinguished Chairs and members of the committee, my name is John Shulansky and I'm managing director of EldersChoice of Connecticut, which is a homemaker companion agency that's classified as a registry and I'm also an employer fee paid employment agency registered with the Department of Labor. I'm the past president and currently acting president of the Connecticut Association of Home Care Registries and I speak as a registry here, talking about S.B. 263, which you heard earlier testimony from Juliane Roth, which is, frankly, groundbreaking testimony.

The fact is that the registry and home care industries, which are all under the same classification, are gonna work together to present to you a bill that we think will work and provide better protections for our consumers and more transparency, and that's essential. That's really essential.

The only thing I want to comment on today other than that, and my testimony has been submitted electronically, is the bill was originally titled AN ACT CONCERNING HOME HEALTH CARE REGISTRIES. It doesn't exist in Connecticut. Home health care is provided by organizations that are licensed by --
through the Department of Public Health and provide licensed individuals to provide care in the home or in a hospital, but particularly in a home. That's the VNAs that we know of today.

Home care industries are regulated by the Department of Consumer Protection. Anybody can open a home care industry. It takes $375 dollars. Anybody, and I mean anybody, can provide care at home to a frail individual. There is no requirement in Connecticut for any training, for any experience, for a health exam. So, if you need someone, you'll see the ads on TV to come take care of your mom. That person is likely or has no legal requirements to have any training or experience or health exam. That's, ladies and gentlemen, where we need to be going. We can talk about all of this consumer transparency, but the fact is that consumers are at risk every day and we also need to do a better job of protecting caregivers who are providing care in the home.

So, that's my testimony. We are working with the Home Care Association and we will get you a better bill with better language. But ultimately, that's the issue we have to deal with long-term. So, I'd be glad to answer questions.

REP. D'AGOSTINO (91ST): Senator Witkos.

SENATOR WITKOS (8TH): Thank you. You know, we look forward to, John, for you working with the other folks, providing some language for it. Because our ultimate goal is to make sure that we provide those protections and transparencies for everybody that utilizes those services. So, I look forward to having you send some [inaudible - 02:32:03] language back to the committee.
MR. SHULANSKY: Thank you, Senator. I will add that last year a bill very similar to this passed, remarkably, unanimously through the Aging Committee. It never got through this committee because of the timing and a short session. With my testimony, and I'll be glad to include it, was a sample of the disclosure that's required by the State of Pennsylvania of registries that goes exactly to the point of the disclosures in this bill. It's a perfect model and there's no reason why we shouldn't adopt it. Thank you.


MS. CRONIN: Good afternoon, Chairman D'Agostino, Chairman Fonfara, Senator Witkos, Representative Cheeseman and members of the General Law Committee. My name is Jean Cronin. I'm the legislative representative for the Association of Equipment Manufacturers, also known as AEM. AEM is North American-based International Trade Association representing more than 1,000 companies in the off-highway, agriculture construction, industrial, utility and forestry equipment and machinery market. AEM members and our industry contribute over $970 million dollars to the state economy in Connecticut.

AEM is opposed to House Bill 576 -- 5267, which suggest an alteration of the treatment of consumer warranties for certain products. It is an unnecessary intrusion into the business relationship between an equipment supplier and the retail dealer. This is bad public policy that offers no benefit to consumers in Connecticut. The legislature should refrain from dictating contract terms including warranty reimbursement terms, favorable to suppliers
or dealers, since such intervention only increases complication and difficulties in the business environment for everyone.

Manufacturer warranties are marketing tools that provide an opportunity for dealers to strengthen relationships with their customers as they demonstrate commitment to service and positive performance experience for the end user. The terms of warranty reimbursement vary by contracts that the manufacturer and the dealers agree to, but are created in a way that balances the responsibilities of the manufacturer and the dealer to promote mutual success.

Almost all equipment suppliers distribute their products through independent dealers located throughout the world. Over the decades, these manufacturers and their dealers have developed close business relationships that have stood the test of time in the marketplace. The contracts that have evolved are a function of the type of these products, the nature of their markets, and their combined experience.

These mutually agreed upon contracts are balanced to share the duties and responsibilities in such a way that both parties can make the best contributions towards a long-term relationship to work out isolated disagreements and conflicts that may arise and not seek state legislation that rewrites and impairs existing contracts.

This committee has considered a similar bill last year. It was House Bill 5191. We were not in favor of it, but we were asked by the leadership at that time to see if we could work out some kind of a compromise with the dealer industry, which we think
that we did. And at that time, we suggested that we reimburse current net price plus 18 percent for any parts and the posted hourly labor rate that the dealer charges, which had previously been made known to the supplier. That would be the list that they have to post with the equipment manufacturers either on an annual basis or at the time that they change those rates. So, we thought that would be a fair and reasonable rate. Also, the net price is the price that the manufacturer gives to all of the distributors in the state. So, that would be a reasonable price for us to be able to calculate.

REP. D'AGOSTINO (91ST): Jean, I tried to find that. I found the amendment and I've just had trouble getting that -- could I ask you to just dig through the records and --

MS. CRONIN: You know, if you look at the testimony that we submitted today, that should be all attached.

REP. D'AGOSTINO (91ST): The amendment, but if somebody could just put together the full bill with the amendment language in the original --

MS. CRONIN: With the amendment attached.

REP. D'AGOSTINO (91ST): Just so we've got like a full statutory write-up because it was hard to marry all the different pieces.

MS. CRONIN: One with the other, yeah.

REP. D'AGOSTINO (91ST): That'd be a big help.

MS. CRONIN: Yeah. We'd be happy to do that.

REP. D'AGOSTINO (91ST): I mean, listen, you guys are all professionals on both sides of this issue.
MS. CRONIN: We try.

REP. D'AGOSTINO (91ST): You worked together last year to come up with some language. I think we'd ask you to do the same again this year. We know there's gonna be some members on either side who aren't gonna be in favor of the compromised language. But to the extent that we can get as many folks on the two sides of this issue together on that, that'd be a big help. So, just having that core language in one format and maybe you can work with Tim and some others to do that. That'd be great.

MS. CRONIN: Sure. We would be happy to do that. I would also suggest - I think the underlying bill is a little different this year. It's kind of vague and it talks about just equipment that has tires and transmissions. Last year's bill was much more inclusive. It was all power equipment. So, we would suggest going back to --

REP. D'AGOSTINO (91ST): Yeah, we'd like to go back to last year's compromised language.

MS. CRONIN: That way it's, you know, consistent for all. It's 18 percent across the board and not figuring out what has tires and transmissions.

REP. D'AGOSTINO (91ST): Correct. Thank you, Jean.

MS. CRONIN: Thank you.

REP. D'AGOSTINO (91ST): Ruth Canovi.

MS. CANOVI: Good afternoon distinguished chairpersons and members of the General Law Committee. My name is Ruth Canovi. I'm the director of Advocacy for the American Lung Association in Connecticut. The American Lung
Association is a not-for-profit public health association working to save lives by improving lung health and preventing lung disease. We work on behalf of the 33 million Americans living with lung diseases including lung cancer and COPD, which are primarily caused by tobacco use and exposure to secondhand smoke. I am here to express our opposition to House Bill 5139, AN ACT CONCERNING TOBACCO BARS.

Connecticut showed incredible leadership back in 2003 when the state legislature passed the laws eliminating smoking in most public places and workplaces. Since then, we have seen many other states institute similar laws and have learned from the experiences of others. The fact is, that based on both science and societal norms, states that pass smoke-free laws today pass much stronger, more comprehensive smoke-free laws than Connecticut's current law. It is time to close the loopholes originally established in our laws, not open up additional ones. The fact is that there is no risk-free level of exposure to secondhand smoke and Connecticut must do more to protect its residents who remain excluded from the protections of our Clean Indoor Air laws.

Secondhand smoke contains hundreds of chemicals known to be toxic or cancer-causing including formaldehyde, benzene, vinyl chloride, cyanide, carbon monoxide, ammonia and nicotine. Secondhand smoke causes more than 41,000 deaths annually. It can cause or make worse a wide range of damaging health effects including heart disease, stroke, lung cancer, respiratory infections and asthma.
While tobacco bar proponents may say that patrons know the risk when they walk into such an establishment, the American Lung Association aims to protect everyone from the ill effects of secondhand smoke, especially employees who have a prolonged exposure to secondhand smoke. Another concern about creating a tobacco bar exemption is what happens when these establishments are in locations other than free-standing buildings. If located in a shopping mall or otherwise directly next to other retailers or restaurants, employees and purveyors of these other establishments also need protection from secondhand smoke.

The 2006 Surgeon General's report on secondhand smoke states - *Eliminating smoking in indoor spaces fully protects nonsmokers from exposure to secondhand smoke. Separating smokers from nonsmokers, cleaning the air, and ventilating buildings cannot eliminate exposures of nonsmokers to secondhand smoke.*

The American Society of Heating, Refrigerating and Air Conditioning Engineers also supports these same conclusions.

So, we ask that you please protect Connecticut's public health by opposing the proposed rollback of our state's smoke-free law. We urge you to oppose legislation that endangers workers' health due to secondhand smoke exposure. This legislation would reverse the decades of progress Connecticut has made in reducing secondhand smoke exposure for our residents. So, thank you very much for the opportunity to talk about this today.

REP. D'AGOSTINO (91ST): Thank you. Questions?
Thank you, Ruth.
MS. CANOVI: Thank you.

REP. D'AGOSTINO (91ST): Tim, did you want to testify?

MR. PHELAN: I'm the last one?

REP. D'AGOSTINO (91ST): You signed up. I don't know if you're the last one. Tim Phelan.

MR. PHELAN: Yes, if you don't mind.

REP. D'AGOSTINO (91ST): Please.

MR. PHELAN: I know that this committee has heard testimony on this issue before, but I did want to go on the record. And I know -- I didn't realize you'd got to the end of the list. So, this is great. For the record, I'm Tim Phelan, president of the Connecticut Retail Merchants Association. I'm here today to testify on House Bill 6869. I've submitted written testimony, so I won't bore the committee with that.

But let me just, again, just, you know, very briefly give you a quick review of how we've gotten to this point. If you recall, this committee, back in 2005, gave passage to a bill that put in place what we thought was the best gift card law in the country. It said no expiration date and no escheating on gift cards which created a win-win for both the retailer and more importantly the customer. It also prohibited retailers from charging inactivity fees. We think that bill -- we still maintain that that was model legislation that other states looked at and so any change to that law, we are very guarded in the original Act of 2005, and then a couple of years ago, they increased -- they amended it -- the
legislature amended it and changed the cash back requirements to, I think, it was $3 dollars.

There are proposals -- there is a proposal in the Banks Committee and also, obviously, why I'm here today in your committee, that we increase that threshold to $5 dollars. We just think that you're slowly increasing the threshold amounts. So, is there going to be a moment in which there is more cap on the amount of cash that you can give back on a gift card. And that in and of itself sort of eliminates the whole nature of what a gift card is. A gift card is in fact a gift to somebody rather than cash. If somebody wanted to have cash, they would've requested the cash, but they requested the gift card.

So, anyways, you've heard me say that before. And I just wanted to go on record again and formally say that. And again, I'm not sure how in the legislative process how you reconcile bills that are similar to different committees, but I'll leave that up to you to figure out. As I said, there's a bill in the Banks Committee as well.

And, Mr. Chairman, if I can, just very briefly, there are two other bills I did not submit written testimony on. I just want to let the committee be aware that I'd be willing to work with you on these two bills. One is dealing with acceptable forms of currency as payment for local business, House Bill 3703, which I think is yours, Representative Cheeseman. And another bill that requires the disclosure of only accepting cash payments. I would just for the record, often times why a retailer only accepts cash is because the cost of accepting credit
cards is too expensive for them, as Senator Witkos can I'm sure attest to.

You know, the steady increase over the last ten years or so on interchange rates that retailers have to pay for the acceptance of credit cards has increased the cost of doing business. And in some cases, micro-small retailers have decided altogether that they would not longer accept credit card payments and it's cheaper in the long run to just accept cash. And I would only caution the committee that signs or notices are very well intended, but to the point where there was lots of signs in retail stores. We don't want to overdo that and have consumers get confused by the number of different signs, so. But, you know, if those bills should advance, I'd be happy to work with the committee on that.

REP. D'AGOSTINO (91ST): Representative Cheeseman might have a question for you or a comment.

REP. CHEESEMAN (37TH): Thank you, Mr. Chairman. First of all, on the testimony with regard to gift cards and I'm sorry I was in and out, whether someone raised this point before. Very often, restaurants, local businesses, will donate gift cards to fundraisers, galas. People who purchase them, you know, bid on them, whatever, win them in a raffle. I find it hard to accept that they could then take them in, spend $20 dollars at the local gift shop, and then ask for $5 dollars back.

It would make -- wearing my other hat as executive director of the Children's Museum in Niantic, I must get ten requests for donations every week; a $25 dollar gift card to be used at my establishment. I'm not looking for the person to come in and spend,
you know, -- buy four admissions and then ask for the balance in cash back. So, I think that's something we have to take into account when we look at how we handle those balances on gift cards.

With regard to my bill, in fact, the intent is the opposite. I fully understand that -- and I was just reading an article, I think, in the Wall Street Journal yesterday that the credit card companies are going to increase the amount they charge merchants. My bill is to ensure that you can't refuse to accept cash. There are businesses that are increasingly refusing to accept cash and I feel it's a discriminatory practice. So, I'm your side. I want to make sure that what you have in your -- folding green in your pocket will be accepted everywhere. So, thank you. Thank you, Mr. Chairman.

REP. D'AGOSTINO (91ST): Thank Representative Cheeseman. Other questions? Thank you, Tim.

MR. PHELAN: You're welcome. Thank you.

REP. D'AGOSTINO (91ST): Any other public testimony with respect to the bills before us? Going once, going twice. We will adjourn the public hearing. Thank you very much.