Bill No.: SB-876
Title: AN ACT AUTHORIZING AND ADJUSTING BONDS OF THE STATE FOR CAPITAL IMPROVEMENTS, TRANSPORTATION AND OTHER PURPOSES.
Vote Date: 5/1/2019
Vote Action: Joint Favorable Substitute
PH Date: 3/15/2019
File No.: 912

Disclaimer: The following JOINT FAVORABLE Report is prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and does not represent the intent of the General Assembly or either chamber thereof for any purpose.

SPONSORS OF BILL:
Sen. Martin M. Looney, 11th Dist.

REASONS FOR BILL:
To implement the Governor's budget recommendations.

RESPONSE FROM ADMINISTRATION/AGENCY:
Melissa McCaw- Secretary, Office of Policy and Management (OPM)
Secretary McCaw testified that this bill contains proposed general obligation (GO) bond authorizations of $944.1 million in FY 2020 and $976.5 million in FY 2021. It also adjusts previously enacted annual amounts for UConn 2000 with no increase in total authorizations, adjusts previously enacted annual amounts for CSCU 2020 and extends the program by one year to FY 2021 with no increase in total authorizations. Additional Clean Water Revenue Bonds of $84 million are proposed in FY 2021. Finally, the bill proposes $776.6 million of Special Tax Obligation (STO) bonds in FY 2020 and $782.4 million in FY 2021, matching levels seen in the prior eight years. She went onto to explain that to help bring the long-term growth in debt service in line with the long-term growth in revenues, this bill seeks to reduce GO bond issuances annually. To achieve this goal, new bond authorizations and bond commission allocations must be reduced to live within a lower issuance level. We know a reduction in borrowing will be difficult, but it is essential we reduce our long term debt service costs. Our growing debt liabilities harms the state’s ability to improve our credit ratings which will lead to increases in the interest rates of our future debt issuances. Additional debt costs will levy growing debt burdens to future generations and poses a serious roadblock to
structural budget sustainability. If we are able to reduce our borrowing now to lower our fixed costs, we will have more budget flexibility and this will contribute to future structural balance. Our borrowing decisions now do not simply affect the biennium, but the next few decades of our state’s financial future.

NATURE AND SOURCES OF SUPPORT:

Jeff Shaw, Senior Director of Public Policy & Advocacy, The Alliance  
Barry Simon and Stan Soby- Oak Hill  
Edward Tessman- Catholic Charities  
Anne Ruwat- CCARC  
Chris Martinelli- Residential Manager MidState Arc  
Vincent Santilli- Applied Behavioral Rehabilitation Institute Inc.  
Luis Perez-President and CEO of Mental Health Connecticut (MHC)  
Katie Banzhaf, Executive Director- STAR Inc.  
Allison Blake, CEO- Child and Family Agency of Southeastern Connecticut  
Eliot Brenner, Child Guidance Center of Southern Connecticut  
Child Guidance Center  
Jill Cretella- Marrakech Inc.  
Chris McNaboe-CEO of Horizons  
Andrea Grant, Chief Financial Officer for Keystone House  
Mary Pat DeCarlo, Vice President at The Kennedy Center, Inc  
Robert Dzurenda- Hall Neighborhood House, Inc.  
Dr. Suzanne Lagarde, CEO, Fair Haven Community Health Care  
Carol Fitzgerald- New Horizons  
Steven Girelli- Klingberg Family Centers  
Andrea Grant, The Chief Financial Officer-Keystone House  
CT Council of Family Service Agencies (CCFSA)  
Denise Henry-Executive Director of SARAH Inc.  
Deb Polun-Senior Director for Policy & Outreach Community Health Center Association of Connecticut  
Daniel Osborne-CEO of Gilead Community Services  
Tracey Walker, the CEO of Journey Found  
Damion Williams- Futures Inc.

The above individuals expressed appreciation that Section 24 (a) would authorize $25 million for grants-in-aid in FY21 for nonprofit health and human service providers through the Nonprofit Grant Program. They respectfully ask the Committee to add $25 million for grants-in-aid for FY20 to fully fund the Nonprofit Grant Program. They also note that while expanding the Nonprofit Grant Program does not restore funds for recent state budget cuts experienced by many community nonprofits, it is an important revenue source in an era of scarce resources.

Jamie Mills- CT Voices for Children  
Kayla Goldfarb-Policy Analyst-Connecticut Association for Human Services

The organizations above voiced their support for Section 50 of the proposal that expands available funding for the Office of Early Childhood (OEC) to improve the facilities of state-funded early care and education programs beyond Smart Start. With this funding, programs that may make capital improvements include school readiness programs, state-funded day
care centers, Even Start programs, and programs administered by local and regional boards of education. They point out that many early care and education providers do not have enough funds to make even minor repairs to their classrooms as revenues through tuition barely cover program expenses. They also note that these additional funds are desperately needed to ensure that children who attend state-funded programs, often those with the greatest economic needs, have the facilities that they need to learn and grow.

Merrill Gay, Executive Director of the Connecticut Early Childhood Alliance
The Early Childhood Alliance strongly appreciates that Sec. 50 of this bill would expand subsection (b) of Sec. 10-508 of the General Statute to enable the Office of Early Childhood to use the proceeds of the sale of bonds to provide for facility improvements to school readiness programs, state-funded day-care centers (CDCs), Even Start programs, programs administered by local and regional boards of education, and to expand the delivery of child care services to infants and toddlers where a demonstrated need exists. Ms. Gay points out that licensed child care is critical to the wellbeing of Connecticut’s children and families, and for infants and toddlers in particular, for whom a safe, nurturing environment is particularly important during their early years of rapid growth and development. Despite the importance of high-quality early learning environments, the first months of a child’s life are when working parents may struggle most to access and afford to place their infants and toddlers in licensed, high-quality child care. Without access to quality child care, parents may not be able to participate fully in the workforce, or may be forced to choose unregulated, unlicensed and sometimes unsafe child care alternatives.

Christopher Stone, Metropolitan District
Mr. Stone explained that the overall Clean Water Project cost is projected to be approximately $2.5 billion. The funding for these improvements comes from a variety of different sources. One source is capital borrowings of the MDC; however, given the projected cost of the Clean Water Project, it would not be sustainable or affordable to fund the cost of the project solely from that source. Working in cooperation and partnership with the DEEP, the MDC has received grants and loans from the Clean Water Fund that allow the MDC to fund these important projects at a rate that is “affordable” for the MDC and its ratepayers. Absent this source of funding, it is fair to state that these improvements could not be completed; the costs associated with the project simply cannot be borne in its entirety by the MDC and, in turn, its ratepayers. In S.B. 876, Governor Lamont has endorsed the DEEP’s request to authorize general obligation bond funding in each of the next two fiscal years at an amount of $75 million per fiscal year for Clean Water Fund grant funding and to provide $84 million in revenue bonds in the second fiscal year to fund Clean Water Fund loans. As noted, given the costs associated with the Clean Water Project, the continuation of adequate funding to and from the Clean Water Fund administered by DEEP is vital to the success of the Clean Water Project which, although it may be occurring in the greater Hartford area, benefits the entire State of Connecticut.

David Sutherland- The Nature Conservancy
Mr. Sutherland expressed appreciation to the committee for the support given over the past decade to the Clean Water Fund and urged the committee to continue backing such a worthy cause. He notes that while we are making important progress on reducing nitrogen pollution from sewage treatment plants; research and monitoring indicates that nitrogen pollution from fertilizers and septic systems entering the Sound’s harbors, bays and rivers must also be
addressed. Continued funding from the State will go a long way to continuing to provide clean water for all of Connecticut citizens.

**NATURE AND SOURCES OF OPPOSITION:**


Carla Weil-Lending of Capital for Change, Inc
Norton Wheeler- Southeastern CT Housing Alliance
Joanna Grab- Steven Winters Associates Inc.
Giulia Luci- Steven Winters Associates Inc.
Neil Griffin- Glastonbury Housing Authority
Richard Hartenstein- Stafford Selectman
Patricia Mavluganes- Magna Steel Sales Inc.
Emily Wolfe- Sheldon Oak Central
Carol Martin- Fairfield and Westport Housing Authority
Paul Haynes
Michael Passero- Mayor, City of New London
Beth Hogan- The Connection
Maq Morelli- Leading Age Connecticut
Sara Holmes
Jeffrey King
Sam Kirby
Sabina Mazare
Stafford Housing Authority
Susan Odell
Anna Kumm
Ralph Spinelli
Carey Ramino
Linda Wray
James Wray

The above individuals all testified in opposition to the Governor’s proposal to eliminate bond funding for affordable housing- the Governor is proposing to reduce the value of tax credits used for affordable housing development from $1.00 to $0.501. These actions will virtually eliminate the Department of Housing’s ability to build or renovate any multifamily affordable housing. Borrowing to build housing will increase supply, reduce prices and help keep and attract people to Connecticut.

Keith R. Brothers, Business Manager/Secretary Treasurer CT Laborers’
Nate Brown, Operating Engineers Local 478
The Lower Connecticut River Valley Council of Governments (RiverCOG)
Donald Shubert- CT Construction Industries Association Inc.
Mary Tomolonius- CT Association for Community Transportation
Roy Merritt- American Society of Civil Engineers
The above note that a vast majority of legislators recognize work on the State’s deteriorating and dangerous public highway infrastructure must continue. It was agreed that a combination of bonding and the direction of the sales tax on new motor vehicles be made available to enable such work. They point out that SB 876 seeks, in sections 31 and 37, to reverse that bonding commitment. For those reasons they oppose the highlighted sections of the bill. Even if, as we in the Building and Construction Trades hope, tolls are enacted, there is an inevitable lapse in time before that revenue becomes available. The infrastructure of the state must not simply be allowed to crumble while waiting funding for the STF from tolls.

**Louis Burch, Connecticut Program Director for Citizens Campaign for the Environment (CCE)**

Mr. Burch testified specifically on Sec. 54 of the proposal. CCE supports full funding of Connecticut’s Clean Water Fund, and urges the committee to increase the value of General Obligation bonds requested by DEEP ($75 million in FY20 and FY21) to match HB 7348 ($100 million each in FY20 and FY21), which increases the budget for GO bonding within Clean Water SRF by $5 million and provides an additional $100 million for the Long Island Sound Clean-up Account within the Clean Water Fund.

**Raphael Podolsky- Connecticut Legal Services**

Mr. Podolsky’s testimony notes that this proposal reduces bonding authority for the Department of Housing to zero – no new authorizations for two years. The $4.5 million included in the Department’s budget is for CHFA programs and not for DOH at all. We are told that the Department still has a large amount in “unallocated” funds to cover the two-year gap. We think that is misleading for two reasons. First, unallocated funds are not necessarily uncommitted funds. They are part of the pipeline and may already be marked for particular projects. The Committee should carefully examine the existing pipeline and analyze how much is actually still truly available for projects being newly developed. Second, housing construction requires a long lead time – at least two years. The failure to include any authorization during this biennium will produce a gap two years from now (or possibly sooner) when the existing pipeline is exhausted. It is one thing to reduce the new authority for housing bonding. It is quite another to zero it out, as this bill does.

**Louis Kaufman-Ponemah Riverbank, LLC**

Ms. Kaufman expressed her concerns with the intent of the proposal to reduce the value of the historic tax credits and investment into the restoration of many valuable and irreplaceable buildings. She strongly objects to the proposed reduction in the value of these tax credit programs. She notes that her company would not have even considered the historic renovation of the mill but for the availability of the Connecticut Historic Tax Credits. The significant financial undertaking to restore these mills is only possible with the use of the Historic tax credits. This financial inducement provided much needed equity, without which these projects would never be feasible. The reduction of the tax credit program will greatly diminish or eliminate the ability of moving forward with such projects in the future.

**Patrick McMahon- CT Main Street Center, Inc.**

Mr. McMahon testified on behalf of Connecticut Main Street Center, Inc. (CMSC) to urge the reinstatement of funding for the Small Town Economic Assistance Program (STEAP) which funds economic development, community conservation and quality-of-life capital projects for localities that are ineligible to receive Urban Action bonds. Much of our great state is made up of historic, small towns. Preserving the historical integrity and beauty of our small towns is
vital to our economy and quality of life. This competitive grant program is managed by the Office of Policy and Management, and the grants are administered by various state agencies. A significant number of the grants awarded over the years were directed to projects in our downtowns, on our Main Streets, and in our village centers for streetscape and community facility enhancements, amongst others. Mr. McMahon notes that reinstatement of STEAP grant funding will help connect downtowns that will drive economic development efforts and improve the quality-of-life of our citizens.

Reported by: Jean Holloway

Date: May 15th, 2019