



General Assembly

February Session, 2024

Raised Bill No. 5472

LCO No. 665



Referred to Committee on PLANNING AND DEVELOPMENT

Introduced by:
(PD)

AN ACT CONCERNING MUNICIPAL FINANCE AND AUDITS.

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

1 Section 1. Section 7-576a of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective July 1, 2024*):

3 [(a) Any] The Municipal Finance Advisory Commission may
4 designate any municipality referred to said commission pursuant to
5 subsection (d) of section 7-395 [to the Municipal Finance Advisory
6 Commission shall be designated] as a tier I municipality. The chief
7 elected official of any municipality that does not meet the conditions
8 identified under subsection (d) of section 7-395 may apply to the
9 Municipal Finance Advisory Commission for designation as a tier I
10 municipality, provided such official (1) expects that such municipality
11 will meet one or more such conditions in the following twenty-four
12 month period, and (2) submits a report to the Municipal Finance
13 Advisory Commission, in a form and manner prescribed by the
14 commission, that confirms that such condition or conditions will be met
15 in such period. Each decision to designate a municipality as a tier I
16 municipality pursuant to this section shall be based on an evaluation of

17 such municipality's financial condition and financial practices. In
18 addition to the requirements of section 7-394b, each municipality
19 designated as a tier I municipality shall prepare and present a five-year
20 financial plan to the Municipal Finance Advisory Commission for its
21 review and approval.

22 [(b) The secretary shall refer any municipality designated as a tier I
23 municipality to the Municipal Finance Advisory Commission, pursuant
24 to the provisions of section 7-395. In addition to the requirements of
25 section 7-394b, such municipality shall prepare and present a five-year
26 financial plan to the Municipal Finance Advisory Commission for its
27 review and approval.]

28 Sec. 2. Section 7-576f of the general statutes is repealed and the
29 following is substituted in lieu thereof (*Effective July 1, 2024*):

30 (a) (1) A municipality designated as a tier I municipality in
31 accordance with section 7-576a, as amended by this act, shall retain such
32 designation, notwithstanding any positive changes in the factors
33 leading to its current designation, until the Municipal Finance Advisory
34 Commission, by unanimous vote, terminates such designation based on
35 an evaluation of such municipality's financial condition and financial
36 practices.

37 (2) A municipality designated as a [tier I municipality in accordance
38 with section 7-576a,] tier II municipality in accordance with section 7-
39 576b, tier III municipality in accordance with section 7-576c, or tier IV
40 municipality in accordance with section 7-576e, as amended by this act,
41 shall retain such designation, notwithstanding any positive changes in
42 the factors leading to its current designation, until, in the fiscal years
43 following such designation, [(1)] the Municipal Accountability Review
44 Board determines that (A) there have been no audited operating deficits
45 in the general fund of the municipality for two consecutive fiscal years,
46 [(2)] (B) the [municipality's] municipality has a long-term bond rating
47 from one or more bond rating agencies that is investment grade or
48 higher and such bond rating has either improved or remained

49 unchanged since its most current designation, [(3)] (C) the municipality
50 has presented and the [commission or] board has approved a financial
51 plan that projects a positive fund balance for the three succeeding
52 consecutive fiscal years covered by such financial plan, [where]
53 provided (i) each fiscal year of such plan is based upon recurring
54 revenue and expenses, (ii) a positive fund balance of at least five per cent
55 is projected in the third such fiscal year, [(4)] and (iii) such plan does not
56 include funding received pursuant to sections 7-576i, as amended by
57 this act, or 5-576j, (D) the municipality's audits for such consecutive
58 fiscal years have been completed and [contain no general fund deficit]
59 the general fund reports an audited fund balance of at least five per cent,
60 and (E) there is no evidence that the municipality has engaged in
61 unsound or irregular financial practices in relation to commonly
62 accepted standards in municipal finance. The board may undertake the
63 determination described in this subdivision at its discretion or upon the
64 request of a municipality.

65 (b) [Notwithstanding subsection (a) of this section, the Municipal
66 Finance Advisory Commission may, by unanimous vote, end the
67 designation of a municipality designated as a tier I municipality, based
68 on an evaluation of such municipality's financial condition.] (1) If the
69 Municipal Accountability Review Board determines that a municipality
70 has satisfied the criteria listed in subdivision (2) of subsection (a) of this
71 section, the secretary shall, at the secretary's discretion and in
72 consideration of the fiscal condition of the municipality and best
73 interests of the state, terminate such municipality's tier designation or
74 redesignate such municipality to a lower tier, provided no such
75 municipality shall be redesignated as a tier I municipality. Not later than
76 sixty days after the board makes such determination, the secretary shall
77 notify the municipality of the secretary's decision to terminate such
78 municipality's tier designation or redesignate such municipality to a
79 lower tier. A municipality shall retain its existing tier designation until
80 such notice is received. If the secretary fails to provide such notice prior
81 to the expiration of said sixty-day period, the municipality's tier
82 designation shall be deemed terminated on the sixty-first day following

83 such determination.

84 (2) A municipality redesignated to a lower tier pursuant to
85 subdivision (1) of this subsection shall (A) meet the requirements of this
86 chapter pertaining to such lower tier, and (B) not request a
87 determination from the Municipal Accountability Review Board
88 pursuant to subdivision (2) of subsection (a) of this section during the
89 one-year period following such redesignation.

90 Sec. 3. Section 7-576i of the general statutes is repealed and the
91 following is substituted in lieu thereof (*Effective July 1, 2024*):

92 (a) Any designated tier II, III, or IV municipality shall be eligible to
93 receive funding from the Municipal Restructuring Fund, which fund
94 shall be nonlapsing. A designated tier II, III or IV municipality seeking
95 such funds shall submit, for approval by the Secretary of the Office of
96 Policy and Management, a plan detailing its overall restructuring plan,
97 including local actions to be taken and its proposed use of such funds.
98 Notwithstanding section 10-262j, a municipality may, as part of such
99 plan and in consultation with its local board of education, submit a
100 proposed reduction in the minimum budget requirement related to its
101 education budget. The secretary shall consult with the Commissioner of
102 Education in approving or rejecting such proposed reduction. The
103 secretary shall consult with the [municipal accountability review board]
104 Municipal Accountability Review Board in making distribution
105 decisions and attaching appropriate conditions thereto, including the
106 timing of any such distributions and whether such funds shall be
107 distributed in the form of a municipal restructuring fund loan subject to
108 repayment by the municipality. The distribution of such assistance
109 funds shall be based on the relative fiscal needs of the requesting
110 municipalities. The secretary may approve all, none or a portion of the
111 funds requested by a municipality. In attaching conditions to such
112 funding, the secretary shall consider the impact of such conditions on
113 the ability of a municipality to meet legal and other obligations. The
114 board shall monitor and report to the secretary on the use of such funds
115 and adherence to the conditions attached thereto. The secretary shall

116 develop and issue guidance on the (1) administration of the [municipal
117 restructuring fund] Municipal Restructuring Fund, (2) criteria for
118 participation by municipalities and requirements for plan submission,
119 and (3) prioritization for the awarding of assistance funds pursuant to
120 this section. Any municipality that receives funding from the [municipal
121 restructuring fund] Municipal Restructuring Fund, in addition to the
122 other responsibilities and authority given to the board with respect to
123 designated tiers II, III and IV municipalities, shall be required to receive
124 board approval of its annual budgets.

125 (b) The secretary may distribute funds from the Municipal
126 Restructuring Fund to a third party on behalf of a designated tier II, tier
127 III or tier IV municipality. Funds received by a municipality pursuant to
128 this section may be used to pay an arbitrator selected pursuant to
129 subclause (v) of subdivision (3) of subsection (a) of section 7-576e, as
130 amended by this act.

131 ~~[(b)]~~ (c) Notwithstanding the provisions of subsection (a) of this
132 section, in making distributions from the Municipal Restructuring
133 Fund, the board shall give immediate consideration to any municipality
134 that shall default on debt obligations by January 1, 2018, without an
135 immediate distribution of such funds.

136 Sec. 4. Subdivision (2) of subsection (a) of section 7-576e of the general
137 statutes is repealed and the following is substituted in lieu thereof
138 (*Effective July 1, 2024*):

139 (2) The Municipal Accountability Review Board may designate a tier
140 III municipality as a tier IV municipality based on a finding by the board
141 that the fiscal condition of such municipality warrants such a
142 designation based upon an evaluation of the following criteria: (A) The
143 balance in the municipal reserve fund; (B) the short and long-term
144 liabilities of the municipality, including, but not limited to, the
145 municipality's ability to meet minimum funding levels required by law,
146 contract or court order; (C) the initial budgeted revenue for the
147 municipality for the past five fiscal years as compared to the actual

148 revenue received by the municipality for such fiscal years; (D) budget
149 projections for the following five fiscal years; (E) the economic outlook
150 for the municipality; [and] (F) the municipality's access to capital
151 markets; and (G) evidence of unsound or irregular financial practices in
152 relation to commonly accepted standards in municipal finance that the
153 board believes may materially affect the municipality's financial
154 condition. For the purpose of determining whether to make a finding
155 pursuant to this subdivision, the membership of the board shall
156 additionally include the chief elected official of such municipality, the
157 treasurer of such municipality and a member of the legislative body of
158 such municipality, as selected by such body. In conducting a vote on
159 any such determination, the treasurer of such municipality shall be a
160 non-voting member of the board. The board shall submit such finding
161 and recommended designation to the secretary, who shall provide for a
162 thirty-day notice and public comment period related to such finding
163 and recommendation. Following the public notice and comment period,
164 the secretary shall forward the board's finding and recommended
165 designation and a report regarding the comments received in this regard
166 to the Governor. Following the receipt of such documentation from the
167 secretary, the Governor may approve or disapprove the board's
168 recommended designation.

169 Sec. 5. Subdivision (3) of subsection (a) of section 7-576e of the general
170 statutes is repealed and the following is substituted in lieu thereof
171 (*Effective July 1, 2024*):

172 (3) If any municipality is designated as a tier IV municipality, the
173 following individuals shall serve as ex-officio, nonvoting members of
174 the Municipal Accountability Review Board, provided such additional
175 members shall only serve for purposes of the tier IV municipality that
176 they represent: (A) The chief elected official of such municipality, or the
177 chief elected official's designee, (B) an elected member of the local
178 legislative body of such municipality, or such member's designee, as
179 selected by a majority vote of the local legislative body of such
180 municipality, (C) in the case where the municipality has an elected
181 treasurer, the municipal treasurer or other municipal official responsible

182 for the issuance of bonds, and (D) a member of the minority party of the
183 municipality's legislative body as elected by such minority party
184 members. Notwithstanding the provisions of sections 7-568 to 7-575,
185 inclusive, and sections 7-576a, as amended by this act, and 7-576b, a
186 municipality designated as a tier IV municipality pursuant to this
187 section shall retain such designation following the issuance of a deficit
188 obligation subsequent to such municipality's designation as a tier IV
189 municipality. With respect to a designated tier IV municipality, the
190 Municipal Accountability Review Board shall have the same powers
191 and responsibilities as it has with respect to designated tier III
192 municipalities in addition to which it shall have the following additional
193 or superseding authority and responsibilities:

194 (i) To review and approve or disapprove the municipality's annual
195 budget, including, but not limited to, the general fund, other
196 governmental funds, enterprise funds and internal service funds. No
197 annual budget, annual tax levy or user fee for the municipality shall
198 become operative until it has been approved by the board. If the board
199 disapproves any annual budget, not later than the May twenty-first
200 prior to the beginning of the new fiscal year, the board shall specify the
201 reasons for such disapproval and shall provide the legislative body until
202 the June fifteenth prior to the beginning of the new fiscal year to
203 resubmit the annual budget in accordance with this section. If the
204 legislative body has not adopted a budget by such June fifteenth date or
205 its resubmitted annual budget is not approved by the board, the board
206 shall adopt an interim budget and establish a tax rate and user fees. Such
207 interim budget shall take effect at the commencement of the fiscal year
208 and shall remain in effect until the municipality submits and the board
209 approves a modified budget. Notwithstanding any provision of the
210 general statutes, or any public or special act, local law, charter or
211 ordinance or resolution, a municipality may approve a modified budget
212 pursuant to this section after any applicable deadline for such adoption
213 has passed.

214 (ii) To review and approve all bond ordinances and bond resolutions
215 of the municipality.

216 (iii) To monitor compliance with the municipality's five-year financial
217 plan and annual budget and require that the municipality make such
218 changes as are necessary to ensure budgetary balance in such plan and
219 budget.

220 (iv) To approve or reject all collective bargaining agreements for a
221 new term, other than modifications, amendments or reopening of an
222 agreement, to be entered into by the municipality or any of its agencies
223 or administrative units, including the board of education. If it rejects an
224 agreement, the board shall indicate the specific provisions of the
225 proposed agreement present or missing which caused the rejection, as
226 well as its rationale for the rejection. The board may indicate the total
227 cost impact or savings that are acceptable in a new agreement. At any
228 time during negotiations and prior to reaching any agreement, or a
229 modified agreement, the parties, by mutual agreement, may request
230 guidance from the board as to the level and areas of savings that may be
231 acceptable to the board in a new agreement. Following any rejection of
232 a proposed collective bargaining agreement, the parties to the
233 agreement shall have ten days from the date of the board's rejection to
234 consider the board's concerns and propose a modified agreement. After
235 the expiration of such ten-day period, the board shall approve or reject
236 any such modified agreement. If the parties have been unable to reach a
237 modified agreement or the board rejects such modified agreement, the
238 board shall impose binding arbitration on the parties, in accordance
239 with clause (v) of this subdivision, to arbitrate issues identified by the
240 board as the cause for such inability or rejection. In establishing the
241 issues to be arbitrated, as well as in making a determination to reject a
242 proposed agreement, the board shall not be limited to matters raised or
243 negotiated by the parties. Also, to approve or reject all modifications,
244 amendments or reopeners to collective bargaining agreements entered
245 into by the municipality or any of its agencies or administrative units,
246 including the board of education. If it rejects a modification, amendment
247 or reopener to an agreement, the board shall indicate the specific
248 provisions of the proposed modification, amendment or reopener which
249 caused the rejection, as well as its rationale for the rejection. The board

250 may indicate the total cost impact or savings acceptable in a new
251 modification, amendment or reopener. If the board rejects a proposed
252 amendment or reopener to a collective bargaining agreement, the
253 parties to the agreement shall have ten days from the date of the board's
254 rejection to consider the board's concerns and put forth a revised
255 modification, amendment or reopener. After the expiration of such ten-
256 day period, the board shall approve or reject any revised modification,
257 amendment or reopener amendment. If the parties are unable to reach
258 a revised modification, amendment or reopener or the board rejects
259 such revised modification, amendment or reopener, the board shall
260 impose binding arbitration upon the parties in accordance with clause
261 (v) of this subdivision. The issues to be arbitrated shall be those
262 identified by the board as causing such inability or rejection. Prior to the
263 board taking action on any such modification, amendment or reopener,
264 the parties shall have an opportunity to make a presentation to the
265 board.

266 (v) Except as otherwise provided in this subdivision, with respect to
267 collective bargaining agreements of the municipality or any of its
268 agencies or administrative units, including, but not limited to, the board
269 of education, that are in or are subject to binding arbitration, the board
270 shall have the power to impose binding arbitration upon the parties any
271 time after the seventy-fifth day following the commencement of
272 negotiations or to reject any arbitration award pending municipal or
273 board of education action pursuant to section 7-473c or 10-153f on the
274 date the board is established. If, upon the date of a municipality's
275 designation as a tier IV municipality, the parties are in binding
276 arbitration, or if the board rejects a pending arbitration award, the board
277 shall immediately replace any established binding arbitration panel
278 with an arbitrator selected in accordance with this section. If the board
279 imposes binding arbitration or replaces an existing binding arbitration
280 panel, it shall do so with an arbitrator selected by the Governor from a
281 list of three potential arbitrators approved by and submitted to the
282 Governor by the board. Such list of potential arbitrators shall include
283 former judges of the state or federal judicial systems or other persons

284 who have experience with arbitration or similar proceedings. Prior to
285 the Governor's selection of an arbitrator, the parties may provide
286 recommendations for such selection to the board. The board shall not be
287 limited to selecting arbitrators from those recommended by the parties.
288 The board may reduce the time limits in the applicable provisions of the
289 general statutes or any public or special acts governing binding
290 arbitration by one-half. In imposing such arbitration or in replacing an
291 arbitration panel, the board shall not be limited to consideration and
292 inclusion in the collective bargaining agreement of the last best offers or
293 the matters raised by or negotiated by the parties provided the board
294 shall indicate reasons for raising any matters not negotiated by the
295 parties. The board shall be given the opportunity to make a presentation
296 before the arbitrator. In addition to any statutory factors that shall be
297 considered by the arbitrator with respect to proposed municipal or
298 board of education collective bargaining agreements, the arbitrator shall
299 give highest priority to the short and long-term fiscal exigencies that
300 resulted in the municipality's designation as a tier IV municipality. Not
301 later than ten days after the issuance of any of the arbitrator's decisions
302 on the matters subject to such binding arbitration, the board may
303 request reconsideration of one or more of such decisions and state its
304 position as to the impact of such decisions on the short and long-term
305 fiscal sustainability of the municipality. Not later than five days after the
306 board's request for such reconsideration, the parties may submit
307 comments to the arbitrator in response to the board's stated position.
308 Not later than thirty days following the board's request for such
309 reconsideration, the arbitrator, based on the record of the arbitration,
310 may either modify or maintain the original arbitration decisions. The
311 arbitrator's decisions shall be binding upon the parties. With respect to
312 collective bargaining agreements negotiated pursuant to section 10-
313 153d and arbitration awards issued pursuant to section 10-153f, the
314 provisions of this subdivision shall not apply until the board has
315 rejected such agreement or award pursuant to subdivision (7) of
316 subsection (b) of section 7-576d on two occasions. No collective
317 bargaining agreement that requires the approval of the board shall be
318 deemed approved solely due to the board's failure to act within a

319 specified period of time.

320 Sec. 6. Section 7-393 of the general statutes is repealed and the
321 following is substituted in lieu thereof (*Effective July 1, 2024*):

322 Upon the completion of an audit, the independent auditor shall file
323 certified copies of the audit report with (1) the appointing authority, (2)
324 in the case of a town, city or borough, with the clerk of such town, city
325 or borough, (3) in the case of a regional school district, with the clerks of
326 the towns, cities or boroughs in which such regional school district is
327 located and with the board of education, (4) in the case of an audited
328 agency, with the clerks of the towns, cities or boroughs in which such
329 audited agency is located, and (5) in each case, with the Secretary of the
330 Office of Policy and Management. Such copies shall be filed within six
331 months from the end of the fiscal year of the municipality, regional
332 school district or audited agency, but the secretary may grant an
333 extension of not more than thirty days, provided the auditor making the
334 audit and the chief executive officer of the municipality, regional school
335 district or audited agency shall jointly submit a request in writing to the
336 secretary stating the reasons for such extension at least thirty days prior
337 to the end of such six-month period. If the reason for the extension
338 relates to deficiencies in the accounting system of the municipality,
339 regional school district or audited agency the request must be
340 accompanied by a corrective action plan. The secretary may, after a
341 hearing with the auditor and officials of the municipality, regional
342 school district or audited agency, grant an additional extension if
343 conditions warrant, provided such extension shall not exceed six
344 months from the date the auditor was required to file such copies. Said
345 auditor shall preserve all of his or her working papers employed in the
346 preparation of any such audit until the expiration of [three] five years
347 from the date of filing a certified copy of the audit with the secretary
348 and such working papers shall be available, upon written request and
349 upon reasonable notice from the secretary, during such time for
350 inspection by the secretary or his authorized representative, at the office
351 or place of business of the auditor, during usual business hours. Any
352 municipality, regional school district, audited agency or auditor who

353 fails to have the audit report filed on its behalf within six months from
 354 the end of the fiscal year or within the time granted by the secretary shall
 355 be referred by the secretary to the Municipal Finance Advisory
 356 Commission established pursuant to section 7-394b, assessed a civil
 357 penalty of not less than one thousand dollars but not more than [ten]
 358 fifty thousand dollars or both, except that the secretary may waive such
 359 penalties if, in the secretary's opinion, there appears to be reasonable
 360 cause for not having completed or provided the required audit report,
 361 provided an official of the municipality, regional school district or
 362 audited agency or the auditor submits a written request for such waiver.
 363 The secretary may impose any civil penalty assessed pursuant to this
 364 section against a municipality, regional school district or audited agency
 365 in the form of a reduction in the amount of one or more grants awarded
 366 by the secretary, including, but not limited to, any grant payable
 367 pursuant to section 12-18b.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2024</i>	7-576a
Sec. 2	<i>July 1, 2024</i>	7-576f
Sec. 3	<i>July 1, 2024</i>	7-576i
Sec. 4	<i>July 1, 2024</i>	7-576e(a)(2)
Sec. 5	<i>July 1, 2024</i>	7-576e(a)(3)
Sec. 6	<i>July 1, 2024</i>	7-393

Statement of Purpose:

To amend certain conditions and procedures for changing the tier designation of municipalities referred to the Municipal Finance Advisory Commission and Municipal Accountability Review Board, specify that the Municipal Accountability Review Board's failure to approve certain collective bargaining agreements will not cause such agreements to be deemed approved, and authorize the Secretary of the Office of Policy and Management to impose certain penalties as reductions to grant awards.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]