



# CONNECTICUT GENERAL ASSEMBLY

Office of Fiscal Analysis

Office of Legislative Research

TO: Members of the Finance, Revenue and Bonding Committee

FROM: OFA & OLR Staff

RE: Items for April 3, 2024, Agenda

## BILLS FOR REVIEW

1. [S.B. No. 10](#) (COMM) AN ACT AUTHORIZING AND ADJUSTING BONDS OF THE STATE. (FIN) **Proposed Action: JFS to the Floor**
  - Changes bond authorizations; see associated attached materials
2. [S.B. No. 443](#) (RAISED) AN ACT CONCERNING CERTAIN TAX APPEALS, ACCRUAL OF INTEREST ON CERTAIN TAX UNDERPAYMENTS AND THE BUSINESS OPERATING LOSS CARRY-OVER PERIOD. (FIN) **Proposed Action: JFS to the Floor**

### **Summary of Substitute Bill:**

- Exempts taxpayers from paying interest on underpayments of corporation business, pass-through entity, and personal income taxes if the underpayment was due to an amended return filing required under IRS guidance on the federal employee retention credit; also requires DRS to refund any interest already paid on these underpayments
- Extends, from 20 to 30 years, the period when corporations may carry forward a net operating loss (NOL) deduction for corporation business tax purposes; applies to NOLs incurred in the 2025 income year or later.
- EFFECTIVE DATE: July 1, 2025, for the provision on underpayments and upon passage for the NOL provision

### **Fiscal Impact:**

- Section 1 results in a minimal General Fund revenue loss as early as FY 26.
  - Section 2 results in a General Fund revenue loss estimated at \$2.8 million in FY 46 and \$4.7 million annually from FY 47 through FY 55.
3. [S.B. No. 450](#) (RAISED) AN ACT PHASING IN THE EXEMPTION OF MOTOR VEHICLES FROM PROPERTY TAX AND INCREASES IN THE UNIFORM PROPERTY ASSESSMENT RATE. (FIN) **Proposed Action: JF to the Floor**

### **Summary:**

- From the 2024 to 2028 assessment years, (1) phases-in a 100% property tax exemption for motor vehicles and (2) increases the statewide uniform assessment ratio that applies to real and personal property from 70% to 90%, as follows:

Assessment Year	Motor Vehicle Exemption	Assessment Ratio
2024	\$5,000	75%
2025	\$9,000	80%
2026	\$14,000	83%
2027	\$21,000	87%
2028 and after	100%	90%

- Makes corresponding increases to the residential assessment ratio for any municipality operating under the law that generally sets a lower assessment ratio for qualifying residential property compared with other real and personal property (i.e., Hartford)
- EFFECTIVE DATE: October 1, 2024

**Fiscal Impact:**

- There is a grand list reduction for motor vehicles of approximately \$11.8 billion in FY 26 due to the exemption and a corresponding increase in the grand list for all other property due to the increase in assessment ratio. It is expected that the increase in assessment ratio will offset any fiscal impact to municipalities from the motor vehicle tax exemption.

4. [S.B. No. 451](#) (RAISED) AN ACT CONCERNING A WORKING GROUP TO EXAMINE THE PROPERTY TAX EXEMPTION FOR SOLAR PHOTOVOLTAIC SYSTEMS. (FIN) **Proposed Action: JF to the Floor**

**Summary:**

- Establishes a working group to examine the property tax exemption for Class I renewable energy sources that are solar photovoltaic systems and analyze how the systems are sited, the end users of electricity generated by the system, and any other matters the working group deems relevant
- Requires the group to submit a report by January 1, 2025
- EFFECTIVE DATE: Upon passage

**Fiscal Impact:**

- No fiscal impact

5. [S.B. No. 452](#) (RAISED) AN ACT CONCERNING THE PROPERTY TAX APPEALS PROCESS AND THE PENALTY RELATED TO THE SUBMISSION OF INCOME AND EXPENSES INFORMATION FOR RENTAL PROPERTIES. (FIN) **Proposed Action: JF to the Floor**

**Summary:**

- Eliminates a board of assessment appeals' option to refuse to hear appeals regarding commercial, industrial, utility, or apartment property assessed at over \$1 million; correspondingly eliminates a provision allowing these owners to appeal directly to the Superior Court if the board refuses to hear their appeal
- Requires a board of assessment appeals to (1) notify appellants of its hearing date at least 10, rather than seven, days before and (2) include in its written notice informing the taxpayer of its final determination of an appeal the reasons supporting its determination

- Requires assessors to give appellants specific documents and information at least seven days before a hearing concerning the valuation of real property and allows appellants to request a 14-day extension if the assessor does not do so
- For property tax assessment appeals brought to Superior Court on or after July 1, 2024, by any taxpayer aggrieved by a board of assessment appeals decision, (1) requires applicants and assessors to use a mutually agreed-upon mediator unless the court waives this requirement and (2) limits the requirement that applicants file a property appraisal to appeals concerning the valuation of real property assessed at \$7 million or more, rather than \$1 million or more
- Replaces the current penalty for failing to file annual income and operating expense statements with an assessor (i.e., a 10% increase in the property's assessed value) with a flat \$500 penalty
- EFFECTIVE DATE: July 1, 2024

***Fiscal Impact:***

- There is a potential cost to municipalities to the extent this results in additional appeals and a potential grand list impact that is dependent on if there is a change to the valuation of property resulting from the appeal.
- There is also a potential cost to municipalities for mediation before a court.

6. [S.B. No. 453](#) (RAISED) AN ACT CONCERNING INDEPENDENT REVIEW OF THE INVESTMENT PERFORMANCE OF THE STATE'S PENSION FUNDS. (FIN) **Proposed Action: JF to the Floor**

***Summary:***

- By January 1, 2025, requires the Office of Legislative Management (OLM) to issue a request for proposals for a private advisory firm to do an annual independent review of the state's pension funds' investment performance
  - Bars any advisory firm with a conflict of interest from submitting a proposal and specifies what constitutes a conflict of interest for these purposes
  - Prohibits any advisory firm that contracts with OLM, or any of its employees in a decision-making capacity related to asset management, to contract with, receive payments from, or perform any work with the state treasurer's office or state pension funds for two years after ending the contract with OLM
- Requires the advisory firm to annually report to the Finance, Revenue and Bonding Committee; at a minimum, the report must include (1) an analysis of the state's investment performance benchmarked against at least 50 peer state public pension funds across specified measures and periods; (2) a comparison of the state's investment performance for each asset class against commonly accepted financial benchmark indices used by most other states; and (3) the advisory firm's recommendations for improving the state's investment management practices and processes
- EFFECTIVE DATE: Upon passage

***Fiscal Impact:***

- There is a cost to the Office of Legislative Management to contract with an advisory firm to perform the annual review of the state's pension fund performance.
- The final cost is dependent on the responses to the RFP but is anticipated to be \$200,000 to \$500,000 per year beginning in FY 26.

7. [S.B. No. 454](#) (RAISED) AN ACT CONCERNING PHOTO NOISE VIOLATION MONITORING DEVICES. (FIN)  
**Proposed Action: JFS to the Floor**

**Summary of Substitute Bill:**

- Allows municipalities to adopt an ordinance authorizing the use of “photo noise violation monitoring devices (i.e., noise cameras) to enforce vehicle noise limits
  - Requires the ordinance to include specified components and establish the following penalties: (1) a warning for a first violation (2) \$100 for a second violation, (3) \$250 for a third or subsequent violations
- Requires a law enforcement member or municipal employee to review camera images and allows the officer or employee to issue a citation if there are reasonable grounds to believe a violation occurred
- Includes provisions on camera operation, vendors, ticket issuance and processing, hearings, and data privacy that are generally similar to those that apply to municipal speed and red light cameras under PA 23-116
- Makes specific defenses available to vehicle owners ticketed under the bill, including that (1) the violation happened because the muffler was not working and the owner shows proof at the hearing that the muffler was repaired and (2) the vehicle was found in compliance with the state’s noise limits after being tested at a Department of Motor Vehicles-designated facility and the owner shows proof of the test at the hearing
- Requires participating municipalities to annually report specified information on noise cameras and the violations they detect
- EFFECTIVE DATE: July 1, 2024

**Fiscal Impact:**

- There is a potential cost for investing in monitoring devices or entering into a contract with a vendor.
- There is also a potential revenue gain from fines.

8. [S.B. No. 456](#) (RAISED) AN ACT REQUIRING THE DEVELOPMENT AND IMPLEMENTATION OF TEN-YEAR PLANS TO ERADICATE CONCENTRATED POVERTY IN THE STATE. (FIN) **Proposed Action: JFS to the Floor**

**Summary of Substitute Bill:**

- Declares that a concentrated poverty crisis exists in Connecticut and that developing and implementing 10-year plans to eliminate this concentrated poverty are necessary and benefit the public
- Creates a new Office of Neighborhood Investment and Community Engagement in the Department of Economic and Community Development (DECD) to oversee the implementation of these 10-year plans, monitor the state’s progress in reducing concentrated poverty, and facilitate communication between the people and entities involved
- Establishes a pilot program to implement 10-year plans for participating concentrated poverty census tracts (i.e., census tracts in which at least 30% of the residents have incomes below the federal poverty level) or groups of these tracts
  - A concentrated poverty census tract (or a group of these tracts) is eligible to participate in the pilot program if (1) it is in any of the four municipalities with the greatest number of

concentrated poverty census tracts and (2) its community members have established a certified community development corporation (CDC) to help implement the 10-year plan and help the municipality carry out its responsibilities under the bill; the bill also allows other municipalities with a concentrated poverty census tract (or group of tracts) and an established CDC, or the CDC itself, to ask to participate in the program

- Requires the office to develop (1) a 10-year plan for each participating concentrated poverty census tract or group of tracts, as applicable, to reduce its concentration of poverty to 20% or less and (2) together with each applicable municipality's chief elected official and CDC, a list of possible projects that meet the bill's criteria to include in the 10-year plan for each participating concentrated poverty census tract or group of tracts
  - By June 1, 2025, DECD must report on its progress in developing these plans to the Finance, Revenue and Bonding Committee; it must submit the plans to the legislature by January 1, 2026, and annually report on their progress, beginning by February 1, 2027
  - Beginning by March 1, 2027, and annually for the next two years, requires the Finance, Revenue and Bonding Committee to hold an informational forum for the DECD commissioner to present its progress report and other state and municipal officials, CDC representatives, and others to give written and oral comments on the report and pilot program; requires committee to hold this forum biennially beginning in 2030
  - By January 1, 2029, requires the DECD commissioner to submit recommendations to the committee on whether the pilot program should be expanded to all concentrated poverty census tracts or groups of tracts for which a CDC has been established; if he recommends this expansion, he and the Office of Neighborhood Investment and Community Engagement must immediately implement it
- Allows CDCs established for a participating concentrated poverty census tract or group of tracts to bring a mandamus action in Superior Court against any state or municipal official responsible for carrying out a requirement or responsibility under the bill or a 10-year plan if the official fails to do so in a timely manner
  - Gives the projects identified in these 10-year plans priority for grants from (1) DECD's Office of Community Economic Development Assistance to certified CDCs, (2) the "high poverty-low opportunity census tracts" grant program (which the bill renames as concentrated poverty census tracts), and (3) the Community Investment Fund 2030 program
  - EFFECTIVE DATE: Upon passage

***Fiscal Impact:***

- Cost to DECD of at least \$270,000 annually beginning in FY 25 for two FTEs to establish the Office of Neighborhood Investment and Community Engagement
- Potential cost to municipalities for establishing the community development corporation and to the extent they are brought to court for failure to carry out a requirement.

9. [H.B. No. 5002](#) (RAISED) AN ACT CONCERNING EARLY CHILDHOOD CARE AND EDUCATION. (FIN)  
**Proposed Action: JFS to the Floor**

***Summary of Substitute Bill:***

- Renames the Early Childhood Education Fund created in the FY 24-25 budget act as the Early Childhood Care and Education Fund and transfers \$50 million to the fund from the General Fund for

FY 25; establishes the fund's requirements and state treasurer's authority and powers on behalf of the fund (§§ 1 & 4)

- Establishes a 17-member advisory commission to (1) review and report on the fund's financial health and status, (2) submit and update a 10-year plan to the legislature on fund expenditures that would best support the state's early childhood education and child care needs, and (3) recommend legislative changes to further its purposes (§ 2)
- Authorizes \$50 million in state general obligation bonds for the Office of Early Childhood (OEC) to implement programs and initiatives to support the state's early childhood education and child care needs (§ 3)
- Requires OEC, within available appropriations, to establish a Tri-Share Child Care Matching Program serving New London County in which child care costs are shared equally between participating employers, employees, and the state (§ 5)
- Requires OEC, for FY 26, to set up and administer a wage supplement and child care program enhancement grant program for eligible early childhood education program operators and child care services providers (§ 6)
- Eliminates the requirement that the OEC commissioner annually report to the legislature on the current Early Childhood Education Fund and the Blue-Ribbon Panel on Child Care's recommendations (§ 7)
- EFFECTIVE DATE: July 1, 2024, except that the (1) fund, advisory commission, and repealer provisions are effective upon passage and (2) wage supplement and grant program provision is effective July 1, 2025

***Fiscal Impact:***

- Section 2 establishes the Early Childhood Care and Education Fund Advisory Commission with the Office of Legislative Management (OLM) resulting in a potential cost to OLM. This section allows Commission members to seek travel expense reimbursements or stipends resulting in a potential minimal cost to OLM to the extent these are approved and issued by the agency.
- Section 3 authorizes \$50 million in new General Obligation bonds to implement programs.
- Section 4 transfers \$50 million from the General Fund to the Early Childhood Care and Education Fund.
- Section 5 results in a cost to the Office of Early Childhood (OEC) to establish the Tri-Share Pilot Matching Program serving New London County. The bill requires OEC to enter into an agreement with an administrator, which would receive up to ten percent of the funds allocated for the program to support administrative costs. The extent of the costs to establish and operate the program is dependent on the amount of funds allocated by the state.
- Section 6 of the bill results in a cost to OEC beginning in FY 26 associated with establishing and administering a wage supplement and childcare program enhancement grant. The extent of these costs is dependent on the scope of the grant program to be developed by OEC, pursuant to the bill. OEC will incur additional staffing costs of approximately \$165,000 annually to support administration of the program.

10. [H.B. No. 5301](#) (RAISED) AN ACT CONCERNING THE SECRETARY OF THE STATE'S RECOMMENDATIONS FOR THE REDUCTION OR ELIMINATION OF CERTAIN FEES. (FIN) **Proposed Action: JFS to the Floor**

**Summary of Substitute Bill:**

- Beginning July 1, 2025:
  - decreases the fees for apostille certifications, from \$40 (or \$15 if the document is adoption related) to \$5, and decreases the expedited fee for this service from \$50 to \$10
  - eliminates the \$120 fee for filing a withdrawal certificate for registered foreign limited liability corporations
  - eliminates the \$15 fee for reissuing a notary commission certificate for a notary who changes his or her name
- EFFECTIVE DATE: October 1, 2024

**Fiscal Impact:**

- The bill makes a variety of adjustments to fees from the Secretary of the State's Office resulting in a revenue loss of approximately \$300,000 beginning in FY 26.
- The bill adjusts existing apostille or document authentication fees beginning in FY 26. This is anticipated to reduce fees on around 25,000 annual requests reducing revenue by approximately \$250,000.
- The bill additionally eliminates fees for name changes to notaries and eliminates business registration withdrawal fees. While both are likely to reduce revenue, the exact impact is unclear due to noncompliance with existing business registration withdraw requirements.

11. [H.B. No. 5490](#) (RAISED) AN ACT CONCERNING THE THRESHOLD FOR THE DUES TAX, THE SALES AND USE TAXES TREATMENT OF CERTAIN MOTOR VEHICLES AND THE DEDICATION OF A PORTION OF THE REVENUE GENERATED FROM MEALS SOLD BY AN EATING ESTABLISHMENT, CATERER OR GROCERY STORE. (FIN) **Proposed Action: JFS to the Floor**

**Summary of Substitute Bill:**

- Beginning July 1, 2025, exempts from sales and use tax (1) ambulance-type vehicles used exclusively to transport medically incapacitated individuals, except those used to transport these individuals for payment, and (2) ambulances operating under a Department of Public Health-issued license or certificate.
- EFFECTIVE DATE: October 1, 2024

**Fiscal Impact:**

- \$500,000 revenue loss annually beginning in FY 26.

12. [H.B. No. 5493](#) (RAISED) AN ACT ESTABLISHING A YOUTH SPORTS GRANT PROGRAM. (FIN) **Proposed Action: JFS to the Floor**

**Summary of Substitute Bill:**

- Establishes a youth sports grant program to give grants to distressed municipalities to support qualifying nonprofit youth sports organizations (i.e., those providing program and activities primarily for children under age 18 residing in the municipality)

- Beginning in FY 26, directs 2% of the state's revenue from sports wagering to the youth sports grant account to fund the program
- Starting with FY 27, requires OPM to annually notify the chief elected official in each distressed municipality of the grant's application period for the applicable fiscal year
  - Municipalities awarded grants must disburse them to eligible organizations, which must use the funds for program operating expenses (e.g., personnel, equipment, insurance, facility fees, facilities renovations, and reduction of participant fees)
- Establishes reporting requirements for municipalities (which must report on how the grants were used) and for OPM (which must report on account funding and on the information municipalities report)
- EFFECTIVE DATE: July 1, 2025, except the revenue diversion provision is effective October 1, 2024

***Fiscal Impact:***

- General Fund revenue loss of approximately \$400,000 annually, and a commensurate revenue gain to the "youth sports grant account," beginning in FY 26.

13. [H.B. No. 5514](#) (RAISED) AN ACT CONCERNING AN ADDITIONAL TAX REDUCTION FOR ELIGIBLE HOMEOWNERS UNDER THE CIRCUIT BREAKER PROPERTY TAX RELIEF PROGRAM. (FIN) **Proposed**  
**Action: JFS to the Floor**

***Summary of Substitute Bill:***

- For FY 26, authorizes an additional tax property tax reduction under the circuit breaker program
  - Reduction ranges from \$100 to \$300, depending on the eligible homeowner's qualifying income
  - Applies in addition to the existing circuit breaker credit, which is up to \$1,250 for married couples and \$1,000 for single people; currently, the maximum qualifying income for the program is \$53,400 for married couples and \$43,800 for single people
- Allows OPM, within available appropriations, to reimburse municipalities for the revenue loss from this additional tax reduction
- EFFECTIVE DATE: July 1, 2025

***Fiscal Impact:***

- The bill provides an additional tax credit for homeowners eligible for the Circuit Breaker property tax relief program.
- Approximately 30,000 homeowners participated in the program in FY 23 across five income brackets. The bill would lead to a \$6.5 million revenue loss for municipalities in FY 26.
- There is a potential cost to the Office of Policy and Management (OPM) to the extent they reimburse municipalities for the revenue loss. This program has historically not been reimbursed by the OPM. This impact would continue into the future subject to inflation.



14. [H.B. No. 5515](#) (RAISED) AN ACT ESTABLISHING THE MUNICIPAL EMPLOYEES RETIREMENT COMMISSION AND CONCERNING THE MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM. (FIN) **Proposed Action: JF to the Floor**

**Summary:**

- Creates the Connecticut Municipal Employees Retirement Commission (CMERC) as a successor commission to the Connecticut State Employee Retirement Commission with respect to the municipal employees retirement system (CMERS) and the Policemen and Firemen Survivors' Benefit Fund
- Allows a CMERS retiree who accepts employment from a municipality that does not participate in CMERS to receive credit in that municipality's retirement system
- Requires the state comptroller, beginning July 1, 2025, to create a municipal defined contribution retirement plan and prescribe how the plan may be adopted by municipalities
- EFFECTIVE DATE: July 1, 2024, for the CMERC provision; January 1, 2025, for related conforming changes; upon passage for the provisions allowing credit for retirees

**Fiscal Impact:**

- Section 1 creates the Connecticut Municipal Retirement Commission which does not result in a fiscal impact.
- Section 2 allows the retired municipal worker to collect their retirement benefit from a nonparticipating municipality and earn credit towards the municipal retirement system, which results in a potential cost to the municipality for the actuarial value of the credit being earned.
- Section 3 creates a municipal defined contribution retirement plan which results in a cost to establish the plan, and potentially significant costs for matching contributions from the employing municipality.
- Sections 4-8 serve to clarify the administration of the Retirement Commission and make various technical changes which do not result in a fiscal impact.

15. [H.B. No. 5516](#) (RAISED) AN ACT CONCERNING A HOMESTEAD PROPERTY TAX EXEMPTION. (FIN) **Proposed Action: JFS to the Floor**

**Summary of Substitute Bill:**

- Allows municipalities, by vote of their legislative bodies (or board of selectmen if the legislative body is a town meeting), to provide a property tax exemption of between 5% and 35% of the assessed value of owner-occupied single-family homes and duplexes (including condos) that are the owner's primary residence
- EFFECTIVE DATE: Upon passage

**Fiscal Impact:**

- There is a potential grand list reduction beginning in FY 26 to the extent municipalities vote to offer this exemption.