



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 21, 2011 Agenda

**FINANCE COMMITTEE BILLS FOR JF CONSIDERATION**

**1. S.B. No. 1007 AN ACT CONCERNING THE GOVERNOR'S RECOMMENDATIONS ON REVENUE. (JFS)**

Fiscal Impact: See Attached Schedule

**Summary of Substitute Bill:**

**INCOME TAX**

***Rate Increases***

The bill increases income tax rates for those with taxable incomes over \$100,000 for joint filers, \$50,000 for single filers and married people filing separately, and \$80,000 for heads of household. It does so by (1) increasing the number of tax brackets from three to six, and (2) increasing the flat tax rate for trusts and estates from 6.5% to 6.7%.

Table 1 shows tax rates and brackets for single and joint filers under current law and the bill.

**TABLE 1: CURRENT AND PROPOSED TAX RATES AND BRACKETS**

TAX RATES		CT TAXABLE INCOME			
		<i>Married Filing Jointly</i>		<i>Single</i>	
<i>Current</i>	<i>Bill</i>	<i>Over</i>	<i>But Not Over</i>	<i>Over</i>	<i>But Not Over</i>
3.0%	3.0%	\$0	\$20,000	\$0	\$10,000
5.0%	5.0%	20,000	100,000	10,000	50,000
	5.5%	100,000	200,000	50,000	100,000
	6.0%	200,000	400,000	100,000	200,000
	6.5%	400,000	500,000	200,000	250,000
6.5%	6.7%	500,000	1,000,000	250,000	500,000
		Over \$1,000,000		Over \$500,000	

### ***Earned Income Tax Credit***

The bill establishes a refundable state earned income tax credit equal to 30% of the federal credit and, to the extent allowed under federal law, specifies that the refund is not counted in determining eligibility for or the amount of aid under any need-based state or federal program.

### ***3% Tax Bracket Phase-Out***

The bill phases out the lowest (3%) income tax bracket starting with taxpayers with Connecticut adjusted gross incomes (CT AGI) over \$100,500 for joint filers, \$56,500 for singles, \$78,500 for heads of household, and \$50,250 for married couples filing separately. It does so by subjecting increasingly less taxable income to the 3% income tax rate as CT AGI increases and moving the phased-out taxable income to the 5% bracket.

### ***Property Tax Credit Reduced***

The bill reduces, from \$500 to \$300, the maximum property tax credit against the personal income tax and phases out the credit at a steeper rate than under current law. For example, for joint filers, the credit phases out completely once CT AGI reaches \$160,500 compared to \$190,500 under current law.

### ***Recapture of Benefits***

For taxpayers whose annual CT AGI exceeds specified thresholds, the bill imposes a "recapture" provision to eliminate the benefit a taxpayer receives from having a portion of his or her taxable income taxed at lower marginal rates. The bill phases in the effect of the recapture until, once a taxpayer's CT AGI reaches the threshold, 100% of his or her taxable income is taxed at the highest rate (6.7% under the bill). For example, under the bill, for joint filers, the recapture starts to phase-in at CT AGI over \$400,000 and is fully phased in when CT AGI exceeds \$700,000.

EFFECTIVE DATE: The income tax provisions are effective on passage, and applicable to tax years beginning January 1, 2011.

## **SALES AND USE TAX**

### ***Tax Rate Increases***

The bill increases the sales and use tax rate from 6% to 6.25% and the hotel tax rate from 12% to 14%.

### ***Luxury Goods Tax***

The bill imposes a 7% sales and use tax on the full sales price of motor vehicles, boats, jewelry, clothing, and footwear costing more than:

1. \$50,000 for motor vehicles,
2. \$100,000 for boats,
3. \$5,000 for jewelry, and
4. \$1,000 for clothing or footwear (including handbags, luggage, wallets, and watches).

**Rental Car Surcharge**

The bill imposes an additional 2% sales and use tax on short-term car rentals (30 days or less).

**Sales Tax Exemptions Eliminated**

The bill eliminates specified sales tax exemptions and extends the tax to additional services shown below.

<i>Exemptions Eliminated</i>	<i>New Services Taxed</i>
Containment or removal of hazardous waste or other contaminants	Motor vehicle storage
Valet parking at any airport	Packing and crating
Yoga instruction at a yoga studio	Car towing and road services
Clothing and footwear costing less than \$50	Limousine with a driver
Non-prescription drugs and medicine	Pet grooming, boarding, and obedience classes
Cloth or fabric for non-commercial sewing	Cosmetic medical procedures
Property or services used in operating solid waste-to-energy facilities	Manicures and pedicures
	Spa services
	Light aircraft (under 6,000 lbs) repair

EFFECTIVE DATE: July 1, 2011, and applicable to sales on or after that date.

**CORPORATION TAX**

***Credit Limit***

By law, companies are barred from using tax credits to reduce their annual corporation tax liability by more than 70%. For 2011 and 2012, this bill allows a company that adds employees to reduce its tax liability by an additional amount equal to \$6,000 times its average increase in employees, up to 100% of its total tax liability.

***Corporation Tax Surcharge***

The bill increases the existing corporation tax surcharge, from 10% to 20%, and extends it for two years to January 1, 2014.

As under current law, the surcharge applies to companies that have (1) at least \$100 million in annual gross income in those years and (2) a tax liability that exceeds \$250.

EFFECTIVE DATE: Corporation tax changes are effective upon passage, and applicable to income years beginning January 1, 2011.

### **FILM PRODUCTION TAX CREDIT**

The bill limits the transfer of film production tax credits allowed (1) in 2011 to 50% of the credit in any one income year and (2) in 2012 and beyond to 25% of the credit in any one income year. The transfer restrictions apply to any entity that is not subject to the corporation or insurance premium tax. It exempts from these restrictions credits issued for any production occurring in a “qualified production facility.”

Under the bill, a “qualified production facility” is a facility in the state that (1) is intended for film, television, or digital media production and (2) has a minimum investment of \$3 million, or less if the DECD commissioner determines it otherwise qualifies.

The bill also increases, from 25% to 50%, the minimum share of principal photography days a production company must spend in the state in order to qualify for a film production tax credit.

EFFECTIVE DATE: Upon passage, and applicable to income years beginning January 1, 2011.

### **PUBLIC SERVICE COMPANY TAX (NATURAL GAS CONSERVATION PROGRAM)**

The bill eliminates automatic funding for natural gas conservation plans by repealing a provision that dedicates to such plans any utility company tax revenue that exceeds the legislatively adopted annual revenue estimate, up to a maximum of \$10 million per year. Under current law, the comptroller must transfer the dedicated revenue to the Energy Conservation Management Board account to be used to reimburse gas companies for their conservation expenditures.

EFFECTIVE DATE: Upon passage

### **ESTATE AND GIFT TAX**

The bill lowers the estate and gift tax threshold from \$3.5 million to \$2 million and extends the existing 7.2% rate to estates and gifts valued at between \$2 million and \$3.5 million.

EFFECTIVE DATE: Upon passage, and applicable to deaths or gifts on or after January 1, 2011.

### **INSURANCE PREMIUM TAX**

The bill (1) lowers, from 70% to 30%, the amount of by which an insurer can reduce its insurance premium tax liability through tax credits and (2) allows a company to offset additional tax liability if it adds employees, by an amount equal to \$6,000 times its average increase in employees, up to 100% of its total tax liability.

EFFECTIVE DATE: Upon passage, and applicable to calendar years beginning January 1, 2011.

### **CIGARETTE AND TOBACCO PRODUCTS TAXES**

The bill increases:

1. the cigarette tax from \$3 to \$3.40 per pack,
2. the tax on snuff tobacco from 55 cents to \$1 per ounce, and
3. the tax on all other tobacco products from 27.5% to 50% of the wholesale price.

It requires sellers to pay the additional taxes on cigarettes and tobacco products in their inventories as of the close of business on June 30, 2011.

EFFECTIVE DATE: July 1, 2011, and applicable to sales on or after that date. The inventory tax is effective on passage.

### **PETROLEUM PRODUCTS TAX**

#### ***Special Transportation Fund Transfers***

The bill requires the DRS commissioner, by January 1, 2013 and biennially thereafter, to calculate the percentage of petroleum products gross earnings tax revenue from gasoline sold for the prior fiscal year and use this ratio as the basis for determining the required transfers from the General Fund to the Special Transportation Fund (STF). The commissioner must notify the Finance Committee chairpersons and ranking members and the OPM secretary of the calculated ratio.

The bill also increases the required transfers from the General Fund to the STF as follows:

FY	TRANSFERS TO STF	
	Current Law (million)	The Bill (millions)
2012	\$165.3	\$200.7
2013	165.3	203.4
2014	179.2	222.7
2015	179.2	226.8
2016 and thereafter	179.2	231.4

EFFECTIVE DATE: July 1, 2011

**Fuel Oil Conservation Account Eliminated**

The bill eliminates the nonlapsing fuel oil conservation account, the conservation programs the account pays for, and the 13-member board that oversees the program. Under current law, the account is funded by annual revenue from the petroleum products gross receipts tax that exceeds the 2006 revenue, subject to a \$5 million annual cap.

EFFECTIVE DATE: July 1, 2011

**ELECTRIC GENERATOR TAX**

The bill imposes a temporary tax on electric generation facilities of 0.0025 cents (1/4 of a cent) per net kilowatt hour of electricity generated and uploaded into the regional bulk power grid at Connecticut facilities. The tax applies to electricity generated from natural gas, coal, oil and nuclear power, but not through use of a fuel cell or alternative energy system. Under the bill, the tax expires on June 30, 2013.

EFFECTIVE DATE: July 1, 2011

**ADMISSIONS TAX EXEMPTIONS ELIMINATED**

The bill eliminates exemptions from the 10% admissions tax for the following facilities and events:

Hartford Civic Center	Lyme Rock Park	Dodd Stadium
New Haven Coliseum	Thompson Speedway	Arena at Harbor Yard
New Britain Beehive Stadium	Waterford Speedbowl	New Britain Rock Cats games
New Britain Stadium	Tennis Foundation of Connecticut facilities	New Haven Ravens games
New Britain Veterans Memorial Stadium	William A. O'Neill Convocation Center	Waterbury Spirit games
Bridgeport Harbor Yard Stadium	Nature's Art	

Stafford Motor Speedway	Connecticut Convention Center	
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EFFECTIVE DATE: January 1, 2012, and applicable to charges imposed on or after that date.

### **ALCOHOLIC BEVERAGES TAX**

The bill increases the excise tax on alcoholic beverages by 20%. It requires sellers to pay the additional taxes on alcoholic beverages (e.g., beer, wine, liquor) in their inventories as of the close of business on June 30, 2011.

EFFECTIVE DATE: Upon passage, and applicable to sales occurring on or after July 1, 2011. The inventory tax is effective on passage.

### **MOTOR AND DIESEL FUEL TAXES**

The bill increases the (1) motor fuels tax from 25 cents to 28 cents per gallon and (2) base tax on diesel fuel from 26 cents to 29 cents per gallon. It requires sellers to pay the additional taxes on fuel in their inventories as of the close of business on June 30, 2011.

EFFECTIVE DATE: July 1, 2011, except the inventory tax is effective upon passage.

### **NEW MUNICIPAL TAXES**

The bill imposes the following additional taxes and requires the state to distribute the revenue to municipalities:

1. 0.1% on all taxable goods and services;
2. 1% on hotel occupancy for up to 30 days;
3. 1% on car rentals for 30 days or less; and
4. 3% on charges for admissions, food, drink, service, or merchandise at any place offering live music, dancing, or any other entertainment in addition to serving alcoholic drinks (“cabarets”).

EFFECTIVE DATE: July 1, 2011, and applicable to sales occurring on or after that date.

### **REAL ESTATE CONVEYANCE TAX**

The bill (1) makes permanent the 0.25% base municipal real estate conveyance tax, currently scheduled to expire on July 1, 2011, and (2) increases state real estate conveyance tax rates by 0.25%. It requires the state to redistribute the revenue

from the state tax increase to municipalities.

EFFECTIVE DATE: July 1, 2011, and applicable to conveyances occurring on or after that date.

### **ABANDONED PROPERTY**

The bill requires the revenue estimates included in the budget act to be reduced by the estimated claims for abandoned property.

EFFECTIVE DATE: July 1, 2011

### **CITIZENS' ELECTION FUND TRANSFERS**

The bill reduces, from \$18 million to \$10.6 million, the required FY 12 transfer to the Citizens' Election Fund.

EFFECTIVE DATE: July 1, 2011

### **TRANSPORTATION STRATEGY BOARD UNSPENT BALANCE**

On July 1, 2011, the bill transfers the unspent balance in the Department of Transportation's nonlapsing Transportation Strategy Board project account to general state resources.

EFFECTIVE DATE: July 1, 2011

### **PENALTY FOR FAILING TO REGISTER A MOTOR VEHICLE**

The bill increases, from between \$150 and \$300 to \$1,000, the penalty for a Connecticut resident who operates a motor vehicle he or she owns with an out-of-state registration in violation of the Connecticut's registration requirements. It requires the fine to be remitted to the town where the car is garaged, rather than the Special Transportation Fund.

By law, someone has 60 days from the time he or she takes up residence in the state to change his out-of-state registration to a Connecticut registration.

This provision would result in a revenue loss to the Special Transportation Fund of approximately \$150,000 annually by remitting revenue from these violations to the municipalities in which they occur. The provision effectively increases, from approximately \$100 to \$1,000, the fine that would be imposed on any such violation. The total revenue gain to municipalities is estimated to be \$1.5 million annually.

EFFECTIVE DATE: January 1, 2012



**2. S.B. No. 1004 AN ACT CONCERNING THE AUTHORIZATION OF SPECIAL TAX OBLIGATION BONDS OF THE STATE FOR CERTAIN TRANSPORTATION PURPOSES. (JFS)**

See attached.

**3. S.B. No. 1006 AN ACT INCREASING CERTAIN BOND AUTHORIZATIONS FOR CAPITAL IMPROVEMENTS. (JFS)**

See attached.

**4. S.B. No. 1008 AN ACT AUTHORIZING BONDS OF THE STATE FOR CAPITAL IMPROVEMENTS AND OTHER PURPOSES. (JFS)**

See attached.

**5. H.B. No. 6626 (RAISED) AN ACT CONCERNING THE IMPOSITION OF THE SALES TAX ON ROOM REMARKETERS (JFS)(NEW TITLE AND CONTENT)**

**Fiscal Impact:**

Agency Affected	Fund	Effect	FY 12 \$	FY 13 \$
Department of Revenue Services	General Fund	Revenue Gain	\$2.7 million	\$3.6 million

The bill results in an estimated total revenue gain of \$3.6 million annually by allowing the sale of alcohol on Sundays.

It is estimated that the allowance of sales on Sundays would increase the annual volume of alcohol sales by 2.8%. This increase would result in a \$2.4 million increase in sales and use tax revenue and a \$1.2 million increase in excise tax revenue, for a total revenue gain of \$3.6 million. Note that the FY 12 revenue gain would be equal to  $\frac{3}{4}$  of the annual revenue gain due to the October 1<sup>st</sup> effective date.

**Summary of Substitute Bill:**

The substitute bill allows, but does not require, permittees of package stores, drug stores, manufacturer for beer, and grocery stores to sell or dispense alcohol on Sunday. It also eliminates the requirement that these permittees close on the Monday following any Independence Day, Christmas, or New Year's Day that occur on a Sunday.

EFFECTIVE DATE: October 1, 2011

**6. H.B. No. 6387 AN ACT CONCERNING PERSONAL PROPERTY TAX EXEMPTIONS.(JFS)**

**Fiscal Impact:**

Agency Affected	Fund	Effect	FY 12 \$	FY 13 \$
Department of Environmental Protection / Department of Motor Vehicles	General Fund	Revenue Gain	5.6 million	5.6 million

A revenue gain to the General Fund, in the amount of \$5.6 million in FY 12 and \$5.6 million FY 13, would result from the transfer of revenues attributable to watercraft registration and numbering fees, effective July 1, 2011.

**Summary of Substitute Bill:**

Starting October 1, 2011, the substitute bill eliminates the Boating Account and requires that all watercraft registration and numbering fees go into the General Fund. Under current law, fee revenue goes into a separate boating account, which is used (1) by the Environmental Protection (DEP) and Motor Vehicle (DMV) departments for expenses incurred in administering the boating laws, (2) to reimburse towns for lost property tax revenue on watercraft, and (3) to pay for state and local enforcement of “boating safety” and pollution laws and certain other local watercraft-related expenses.

EFFECTIVE DATE: July 1, 2011

**7. H.B. No. 6388 AN ACT IMPLEMENTING THE GOVERNOR'S BUDGET RECOMMENDATIONS CONCERNING THE OFFICE OF POLICY AND MANAGEMENT.(JFS)**

**Fiscal Impact:**

Agency Affected	Fund	Effect	FY 12 \$	FY 13 \$
Various	General Fund	See Below	See Below	See Below
MUNICIPAL IMPACT				
Various		See Below	See Below	See Below

**Sections 1 and 2** transfer the Neighborhood Youth Centers grant program and the Leadership, Education and Athletic Partnership (LEAP) from the Office of Policy and Management to the State Department of Education (SDE). The FY 11 appropriated amounts for these two programs totaled \$2,337,000 (\$850,000 for LEAP and \$1,487,000 for Neighborhood Youth Centers).

**Sections 3-8 and 17** eliminate the payment in lieu of taxes to municipalities for: 1) manufacturing machinery and equipment; and 2) commercial motor vehicles. The Governor's budget HB 6380, eliminated \$47.89 million for these payments in FY 12 and FY 13 to implement these provisions.

**Sections 9 - 10** implement the Governor's budget recommendation by combining the Governor's 1<sup>st</sup> and 2<sup>nd</sup> Horse Guards into one Horse Guard. The associated savings are \$78,632 in FY 12 and \$141,501 in FY 13.

**Section 11** requires the Comptroller to pay all wages to state employees as of FY 12 by direct deposit. Use of direct deposit is currently voluntary. Requiring direct deposit is considered a change in an employee's working conditions and would require collective bargaining agreement. Approximately 83 percent of current state employees voluntarily participate in direct deposit. Annual savings estimated at \$18,575 could be achieved to the extent that overall direct deposit participation increased to 100 percent.

**Sections 12-13** transfers the Executive Director of the Capital City Economic Development Authority (CCEDA), with an annual salary of \$143,550, from the Office of Policy and Management's payroll, to CCEDA. The Governor's budget HB 6380, contains \$6.3 million in FY 12 and FY 13 for CCEDA, it is anticipated that these resources will be sufficient to handle this transfer.

**Section 14** makes OPM responsible for the planning functions for the state's information and telecommunications systems. The Governor's budget HB 6380 transfers three positions and associated funding of \$300,412 in FY 12 and \$289,437 in FY 13 from the Department of Information Technology to OPM to implement these provisions.

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

##### **§§ 1, 2 – Neighborhood Youth Center Grant**

The bill requires the State Department of Education rather than OPM to administer the neighborhood youth center grant program and convene a working group to help review grant applications.

##### **§§ 3-8, 17- PILOTs for Truck & MME Property Tax Exemptions**

The bill eliminates state payments in lieu of taxes (PILOTs) to municipalities for lost revenue from property tax exemptions for commercial trucks and eligible manufacturing, biotechnology, and recycling machinery and equipment (MME). The bill maintains the existing property tax exemptions for such vehicles and equipment.

### **§§ 9, 10 – Governor’s Horse Guards**

The bill reduces, from two to one, the number of companies of the governor’s horse guards.

### **§ 11 – Payment of State Employee Wages by Direct Deposit**

The bill requires the comptroller to pay all state employee wages by direct deposit to participating banks.

### **§§ 12, 13 – Staff Support for CCEDA**

The bill eliminates the requirement that the executive director of the CCEDA be an OPM staff member and that he or she act as the comptroller of the authority’s projects. It requires the CCEDA board to hire an executive director and exempts the person from the state’s classified service.

By law, CCEDA and OPM can enter into a memorandum of understanding under which OPM provides staff support for the authority. The bill eliminates a requirement that the agreement provide for continuity of credited service of CCEDA employee hired by OPM.

### **§ 14 – State Agency Telecommunications Systems**

The bill requires OPM to (1) develop and implement an integrated set of policies governing the use of information and telecommunications systems for state agencies, and (2) develop comprehensive standards and planning guidelines on the development, acquisition, implementation, oversight and management of these systems for state agencies.

### **§ 15 – Definition of Managerial Employee – Section Deleted**

### **§ 16 – State Police Major Position – Section Deleted**

### **§ 18 –Provisions Repealed**

The bill repeals laws that require:

1. that boat registration and numbering fees go to separate boating account to pay for (1) DEP and DMV expenses incurred in administering the boating laws, (2) reimbursing towns for lost property tax revenue on watercraft, and (3) state and local enforcement of “boating safety” and pollution laws and certain other local watercraft-related expenses;
2. DEP to report annually to the comptroller on the boating account;
3. the distribution of the boating account revenues to municipalities be based

4. revenue from aircraft registration fees to be distributed to towns to reimburse them for lost revenue from the property tax exemption for aircraft (this grant was phased out after 2000 and is therefore obsolete); and
5. the Workers' Compensation Commission to provide rehabilitation services to eligible employees whose injuries prevent them from working and allows the commissioner to enter into contracts and provide matching grants for this purpose.

EFFECTIVE DATE: July 1, 2011

**8. S.B. No. 1156 AN ACT LIMITING THE TERM OF TEMPORARY BORROWING BY THE STATE TREASURER AND REQUIRING NOTICE OF SUCH BORROWING. (JFS) (NEW TITLE AND CONTENT)**

**Fiscal Impact:**

Allowing Hartford to impose a 7.5% property surcharge on nonresidential property will result in a substantial shift in the property tax burden from residential to commercial/industrial property.

The bill creates a spending cap for general budget expenditures. To the extent that this restricts the growth in expenditures, the City will experience a lesser mill rate than otherwise would have been established in any fiscal year.

**Summary of Substitute Bill:**

***Property Tax Surcharge***

This bill allows Hartford to impose a 7.5% property tax surcharge on nonresidential property beginning with the October 1, 2011 assessment year. The surcharge applies to all property except residential and apartment property. The bill defines residential property as any building, land, and accessory buildings and improvements having one to four dwelling units and apartment property as having five or more dwelling units.

***Spending Limit***

As a condition of imposing the surcharge, the bill imposes a spending limit on the city of Hartford. It bars the city from authorizing an increase in general

budget expenditures for any fiscal year that exceeds (1) 2% over expenditures in the previous fiscal year or (2) the rate of inflation, whichever is less.

It exempts from the spending limit any expenditure for debt service and court orders. Any expenditure increase due to an increase in a statutory grant does not count towards the spending limit in the year in which it is authorized, but must be considered an expenditure for purposes of calculating the spending limit in the following fiscal year.

The bill allows the city to exceed the spending limit if its voters approve the higher budget in a referendum. If the voters do so, the amount of property tax required to fund the increase must be charged only to residential and apartment property owners.

EFFECTIVE DATE: Upon passage, and applicable to assessment years starting on or after October 1, 2011; the spending limit is applicable to fiscal years starting on or after July 1, 2011.

## **CHANGE OF REFERENCE BILLS FOR JF CONSIDERATION**

### **1. Substitute for S.B. 1102 (RAISED) AN ACT CONCERNING AUTHORIZATIONS OF STATE GRANT COMMITMENTS FOR SCHOOL BUILDING PROJECTS AND CONCERNING CHANGES TO THE STATUTES CONCERNING SCHOOL BUILDING PROJECTS. (ED)**

**Fiscal Impact:** See Below

The bill approves state grant commitments for school construction projects on the education commissioner's project priority list. This authorizes \$284.9 million in state grant commitments for 22 new school construction projects of various types. It also reauthorizes a total of five previously authorized projects. These projects have changed substantially (more than 10%) in cost or scope. The reauthorizations increase state grant commitments by a net \$1.85 million from the amounts previously authorized for these projects. The total cost of the state's share of the priority list is anticipated to be approximately \$437.25 million; this includes \$286.75 million in principal payments, and \$150.5 million in interest payments. The state cost of \$286.75 million represents a revenue gain to various municipalities whose projects are included on the priority list.

**Summary:**

This bill authorizes \$284.9 million in grant commitments for 22 local school construction, vocational agriculture (vo-ag), and interdistrict magnet school projects. It also reauthorizes and changes grant commitments for five previously authorized projects with significant changes in cost and scope. Three are being reauthorized for the first time and two for the second. (By law, districts are limited to two reauthorizations.) Of the five reauthorizations, two are reauthorized at reduced, and three at increased, cost. The total net increase in grant commitments for the reauthorizations is \$1.85 million. (A project list is attached.)

The bill also creates a seven-member School Building Projects Advisory Council. It requires the council to (1) develop model blueprints for new school building projects, (2) carry out studies and analyses, and (3) recommend improvements in school construction processes to the State Board of Education.

EFFECTIVE DATE: Upon passage for the school project authorizations and reauthorizations; July 1, 2011 for the School Building Advisory Council.

**2. H.B. No. 6383 (File No. 407) AN ACT CREATING AN ECONOMIC DEVELOPMENT GRANTS PROGRAM. (CE)**

See File 407

**3. Substitute for H.B. No. 6394 (File No. 396) AN ACT CONCERNING FARE INCREASES ON THE NEW HAVEN LINE, FEE INCREASES FOR THE REGISTRATION OF MOTOR VEHICLES AND THE ELIMINATION OF THE TRANSPORTATION STRATEGY BOARD. (TRA) (JFS)**

**Fiscal Impact:** Reduces revenue gain identified in the fiscal note in the file copy

The substitute bill reduces the bill's revenue gain by \$3 million in FY 12 and \$4 million in FY 14 by eliminating the fee increase described below.

**Summary of Substitute:**

The substitute bill amends File 396 to eliminate a proposed increase in permit fees for oversize and overweight ("nonconforming") vehicles from the current \$23, plus an additional \$3 transmittal fee, to \$150.30 plus a \$5 transmittal fee.

**4. Substitute for S.B. No. 28 (COMM) (File No. 41) AN ACT CONCERNING SURETY BAIL BOND AGENTS AND PROFESSIONAL BONDSMEN. (INS,PS)**

See File 41.

**5. H.B. No. 6200 (COMM) (File No. 384) AN ACT CONCERNING THE ESTABLISHMENT OF TOLLS ON NEW HIGHWAYS OR HIGHWAY EXTENSIONS. (TRA) (JFS)**

**Fiscal Impact:**

The fiscal impact imposing tolls on newly constructed highways or highway extensions cannot be determined at this time because specific information regarding where tolls would be levied has not been determined. The cost and revenue impact of imposing tolls will primarily depend on: (1) their location, (2) fee structure, (3) technology implemented, (4) associated administrative and capital costs, and (5) the federal laws governing circumstances under which tolling is allowed.

**Summary of Substitute:**

The substitute bill amends File 384 to (1) require DOT to discontinue tolls on new highways or highway extensions once the cost of the bonds issued to construct it have been recouped and (2) eliminate its authority to keep tolls to collect the estimated amount needed to maintain and repair the highway or highway extension.

**6. H.B. No. 6221 (RAISED) AN ACT CONCERNING THE ELIMINATION OF CERTAIN SUNSET DATES. (CE)**

**Fiscal Impact:**

Agency Affected	Fund	Effect	FY 12 \$	FY 13 \$
Dept of Revenue Services	General Fund	Potential Revenue Impact	See below	See below

Municipalities	Effect	FY 12 \$	FY 13 \$
Various municipalities	Potential Revenue Impact	See below	See below

The bill eliminates the sunset date for the municipal tax incremental financing (TIF) program. To the extent that the elimination of the sunset enhances the ability of IT and industrial site development projects to be financed, there is a potential for grand list expansion in those municipalities. This could result in an increase in state revenue collections if it produces economic development that leads to an increase in the state's tax base.

The bill also eliminates the sunset date for the TIF program that uses the incremental revenues from state taxes to pay the debt service on the bonds issued to build a project. This may result in an increase in state revenue from a variety



of state taxes to the degree that projects using the TIF financing mechanism generate more revenue than the amount required to pay the cost of the bonds issued to finance the project.

Eliminating the sunset date for the TIF program may result in costs to the Connecticut Development Authority (CDA), a quasi-public agency, if towns submit applications for TIF projects that do not subsequently receive funding. Under the program, towns are required to reimburse the agency for expenses associated with the statutory evaluation process, including a financial assessment, a revenue impact assessment and legal fees. However if for any reason the project does not receive TIF funding, the agency's costs are not reimbursed.

**Summary:**

This bill eliminates the July 1, 2010 sunset date for two Connecticut Development Authority (CDA) programs providing bond financing for large-scale development projects.

Both programs use incremental tax revenue to repay the bonds. One program uses incremental property tax revenues to repay the bonds CDA issues on a municipality's behalf to finance information technology projects and redevelop contaminated property. The other uses incremental hotel and, if the legislature approves, sales, admission, dues, cabaret, and admission tax revenue to repay the bonds CDA issues for projects that create jobs and stimulate other business activity.

EFFECTIVE DATE: July 1, 2011

**7. H.B. No. 6336 (RAISED) (File 388) AN ACT CONCERNING KINSHIP CARE. (KID, HS) (JFS)**

**Fiscal Impact:**

The substitute language eliminates the fiscal impact identified in the file copy.

**Summary of the Substitute Bill:**

File 388 removes, by statute, an existing regulation that allows DCF to place child in foster care with a relative only if the child has a separate bedroom. The substitute gives the DCF commissioner authority to waive any standard

requiring separate bedrooms and room-sharing arrangements when placing a child in foster care with an unlicensed relative.

## ATTACHMENT

### SB 1102: New School Construction Projects Authorized

<i>District</i>	<i>School</i>	<i>Project</i>	<i>Estimated Cost</i>	<i>Estimated Grant</i>	<i>State Reimbursement</i>
Bridgeport	Black Rock School	Extension & alteration/site purchase	\$12,000,000	\$9,385,200	78.21%
Bridgeport	Harding High School	New school	78,254,163	61,202,581	78.21%
Bridgeport	Central High School	Extension & alteration	73,418,940	57,420,953	78.21%
Bridgeport	Dunbar School	Alteration/energy conservation	8,807,099	6,888,032	78.21%
Capitol Region Education Council (CREC)	CREC Academy of Aerospace	New magnet school/ site purchase	67,393,000	64,023,350	95.0%
CREC	CREC Discovery Academy	New magnet school/ site purchase	31,975,000	30,376,250	95.0%
CREC	CREC Museum Academy	New magnet school/ site purchase	31,961,000	30,362,950	95.0%
Cheshire	Cheshire High School	Energy conservation	209,101	90,353	43.21%
Cheshire	Norton School	Energy conservation	500,000	205,350	41.07%
Connecticut Science Center	Connecticut Science Center	Alteration/energy conservation/ interdistrict magnet school	1,500,000	1,425,500	95.0%
Fairfield	Fairfield Woods Middle School	Extension & alteration	24,453,000	6,374,897	26.07%
Milford	Pumpkin Delight School	Code violation	500,000	194,650	38.93%
Milford	Jonathan Law High School	Extension & alteration/energy conservation	5,500,000	2,141,150	38.93%
Milford	Joseph A. Foran High School	Extension & alteration/energy conservation	10,400,000	4,048,720	38.93%
New Britain	Diloreto Magnet School	Extension & alteration	10,000,000	7,929,000	79.29%
Oxford	Great Oak Middle School	Alteration/energy conservation	910,791	465,141	51.07%
Region 4	John Winthrop Middle School	Energy conservation	994,000	426,028	42.86%
Region 14	Nonnewaug High School	Vo-ag center alteration	192,500	182,875	95.0%
Region 19	E.O. Smith High School	Vo-ag center equipment	590,062	560,559	95.0%
Stratford	Bunnell High School	Alteration/code violation	1,357,000	654,210	48.21%
Weston	Weston High School	Energy conservation	1,175,460	251,901	21.43%
Weston	Weston Middle School	Energy conservation/code violation	1,395,150	298,981	21.43%

**SB 1102: Reauthorization of Previously Authorized Projects**

<i>District</i>	<i>School</i>	<i>Project</i>	<i>Current Grant Authorization</i>	<i>Proposed Grant Authorization</i>	<i>Change</i>
<b>FIRST REAUTHORIZATION</b>					
Cromwell	Cromwell Middle School	Alteration/ energy conservation	\$1,248,987	\$622,212	(\$626,775)
Cromwell	Edna Stevens School	Alteration/ energy conservation	1,873,734	507,607	(1,366,127)
Waterbury	Waterbury Career Academy	New school	50,163,802	53,576,883	3,413,081
<b>SECOND REAUTHORIZATION</b>					
Montville	Leonard J. Tyl School	Energy conservation/code violation	\$676,947	\$887,461	\$210,514
West Hartford	King Philip Middle School	Alteration	589,960	808,072	218,112

**Bill # Policy Changes (\$- millions)****GENERAL FUND**

	FY 12	FY 13
Personal Income Tax		
sSB 1007 - Marginal rate changes	564.8	399.1
sSB 1007 - Creation of an Earned Income Tax Credit at 30% of Fed	-110.2	-116.5
sSB 1007 - Phase out of the 3% rate on initial earnings.	159.4	112.5
sSB 1007 - Reduce Property Tax Credit Max to \$300	150.5	150.9
sHB 6380 - DRS - Risk Based Scoring Decision System	1.3	2.6
sSB 1007 - Tax Table Benefit Recapture	96.4	68.1
	862.2	616.7

Sales and Use Tax

sSB 1007 Tax pet grooming services	3.0	3.1
sSB 1007 Tax automotive storage	0.2	0.2
sSB 1007 Tax packing and crating	1.0	1.1
sSB 1007 Tax automobile road and towing services	2.6	2.7
sSB 1007 Tax limousine services (with driver)	2.6	2.7
sSB 1007 Tax labor charges - repair of small aircraft	0.1	0.1
sSB 1007 Tax clothing and footwear under \$50	128.1	133.9
sSB 1007 Tax non-prescription drugs	15.8	16.5
sSB 1007 Tax manicure and pedicure services	2.2	2.3
sSB 1007 Tax airport valet parking services	0.5	0.5
sSB 1007 Tax cosmetic surgery services	4.1	4.3
sSB 1007 Tax yoga studios	0.1	0.1
sSB 1007 Tax cloth and fabric purchase for non-comm sewing	0.9	0.9
sSB 1007 Tax luxury goods at 7%	3.6	4.0
sSB 1007 Tax hazardous waste removal	1.2	1.2
sSB 1007 Eliminate exemption for solid waste to energy facilities	0.2	0.2
sSB 1007 Rental car surcharge increase by 2%	3.8	4.0
sSB 1007 Increase the hotel tax from 12% to 14%	11.1	11.6
sSB 1007 Sales tax rate to 6.25%	138.4	144.7
sHB 6380 DRS - Risk Based Scoring Decision System	1.3	2.6
sSB 1007 Sales Tax related to Cigarette Tax Increase	2.6	2.5
sSB 1007 Sales Tax related to Alcoholic Beverage Tax Increase	0.6	0.6
HB 6624 Tax on Remote Sellers	9.4	9.4
sSB 1007 Eliminate exemption on spa services	7.9	8.2
	341.3	357.4

Corporation Tax

sSB 1007 - 20% corporate tax surcharge (increase from 10% current)n for IY 12 & 13	46.0	116.0
sSB 1007 - Film Tax Credit transferability revision -50% IY 2011, 25% IY 2012 & beyond	3.1	1.5
sSB 1007 - Lift 70% credit cap for job creation.	-6.9	-8.1
SB 1001 - Increase new job creation tax credit cap to \$20 million.	-0.5	-1.8
sHB 6380 - DRS Risk Based Scoring Decision System	<u>1.3</u>	<u>2.6</u>
	43.0	110.2

<b>Bill #</b>	<b>Policy Changes (\$- millions)</b>	<b><u>FY 12</u></b>	<b><u>FY 13</u></b>
<b>GENERAL FUND</b>			
Public Service Tax			
sHB 6380	Repeal transfer for Natural Gas Conservation Programs	0.0	0.0
Inheritance and Estate			
sSB 1007	Lower exemption level from \$3.5M to \$2.0M	22.4	22.4
<u>Insurance Companies Tax</u>			
sSB 1007	- Film Tax Credit transferability revision -50% IY 2011, 25% IY 2012 & beyond	4.7	2.4
sSB 1007	- Lift credit cap for job creation	-0.5	-0.5
sSB 1007	- Lower the 70% cap to 30% in lieu of rate increase	<u>27.5</u>	<u>27.5</u>
		31.7	29.4
<u>Cigarette Tax</u>			
sSB 1007	- Increase tax rate from \$3/pack to \$3.40/pack.	42.0	39.9
sSB 1007	- Increase tax on snuff from 55 cents to \$1.00 per ounce	1.4	1.4
sSB 1007	- Increase tax on other tobacco products from 27.5% to 50% of wholesale price	3.7	3.7
sSB 1007	- Floor tax - \$0.40	<u>3.6</u>	<u>0.0</u>
		50.7	45.0
<u>Oil Companies Tax</u>			
sHB 6380	- Increase transfer to Transportation Fund	-35.4	-38.1
sHB 6380	- Eliminate transfer to Fuel Oil Conservation Board	<u>5.0</u>	<u>5.0</u>
		-30.4	-33.1
<u>Electric Generation Tax</u>			
sSB 1007	-Tax Natural Gas, Coal, Nuke, Oil @ .0025/kwh	72.0	72.0
<u>Alcoholic Beverages Tax</u>			
sSB 1007	- Increase all rates 20%	9.3	9.3
sSB 1007	- Floor tax	<u>0.5</u>	<u>0.0</u>
		9.8	9.3

<b>Bill #</b>	<b>Policy Changes (\$- millions)</b>	<b>FY 12</b>	<b>FY 13</b>
<b>GENERAL FUND</b>			
<b>Admissions &amp; Dues Tax</b>			
sSB 1007	- Repeal Exemptions (effective 1/1/12)	4.0	8.0
<u>Miscellaneous Taxes</u>			
SB 1013	-Implement Hospital Provider Tax	345.6	348.8
SB 1013	- Increase existing Nursing Home Provider Tax	31.1	34.3
SB 1013	- Implement ICF/MR Provider Tax	16.9	17.2
		393.6	400.3
<u>Licenses, Permits, and Fees</u>			
HB 6382	- Divert Banking Fund fines to General Fund	1.5	1.5
HB 6393	- Increase cremation certificate fee from \$100 to \$150	0.6	0.6
sHB 6387	- Transfer of Boating Account revenue	5.6	5.6
		7.7	7.7
<u>Rents, Fines, and Escheats</u>			
sHB 6380	- Reduce transfer to Citizens' Election Fund	8.0	0.0
<u>Transfers- Other</u>			
sHB 6380	- Transfer balance in Transportation Strategy Board	0.3	0.3
sHB 6380	- Mash Pequot/Mohegan Fund	<u>73.2</u>	<u>73.2</u>
		73.5	73.5
sHB 6380	<u>Federal revenue impact of Expenditure Changes</u>	-144.0	-170.4
<u>Federal revenue impact of Hospital Provider Initiatives</u>			
SB 1013	- Hospital Provider Tax Reimbursement	198.1	199.4
SB 1013	- Nursing Home User Fee Reimbursement	21.3	25.7
SB 1013	- ICF/MR Provider Tax Reimbursement	<u>8.0</u>	<u>9.6</u>
		227.4	234.7

**Bill # Policy Changes (\$- millions)**  
**SPECIAL TRANSPORTATION FUND**

	FY 12	FY 13
Motor Fuels Tax		
sSB 1007 - Increase Gasoline tax by 3 cents to 28 cents/ gallon	46.2	46.5
sSB 1007 - Increase base Diesel Tax by 3 cents to 29 cents/gallon	8.5	8.7
sSB 1007 - Floor tax from tax changes - gasoline and diesel	1.0	-
	<hr/>	<hr/>
	55.7	55.2
Oil Companies Tax		
sSB 1007 - Increased transfer from General Fund	35.4	38.1
Motor Vehicle Receipts		
sHB 6581 - Raise various biennial registration fees	10.0	10.0
sHB 6581 - Raise driver's license fees by \$6 and \$10 respectively	3.1	3.1
	<hr/>	<hr/>
	13.1	13.1
License, Permits and Fees		
sHB 6394 - Implement a license renewal fee of \$25	2.2	2.2
sHB 6394 - Electronic Vehicle VIN inspections fee of \$10 per inspection	5.5	5.5
	<hr/>	<hr/>
	7.7	7.7
Transfers-Other		
sHB 6380 - Eliminate transfer to Transportation Strategy Board	0.3	0.3



**Municipal Revenue Proposal in Aggregate (\$ - millions)**

	FY 12	FY 13
Sales Tax		
- Add 0.1% on all sales	56.6	59
Real Estate Conveyance Tax		
- Add 0.25%	36.7	40
- Eliminate sunset on municipal tax *	22	23.98
Hotel Tax		
- Add 1.0%	5.6	5.8
Rental Car Surcharge		
- Add 1%	1.6	1.6
Cabaret Tax		
- Establish at 3.0%	0.9	0.9
Fines for Failure to Renew Motor Vehicles		
- Increase from \$100 effective to \$1,000 payable to towns	0.75	1.5
Revenue	<u>124.15</u>	<u>132.78</u>

\* The rate is currently set at 0.25% except some municipalities have the option to levy at a 0.5% rate

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