TO: Members of the Finance, Revenue, and Bonding Committee

FROM: OFA & OLR Staff

RE: Items for April 12, 2013 Agenda

**BILL FOR JF CONSIDERATION**

1. **H.B. No. 6565 (RAISED) AN ACT ELIMINATING A TOWN'S ABILITY TO PHASE IN A REAL PROPERTY ASSESSMENT DECREASE. (FIN) (JF)**

**Fiscal Impact:**

<table>
<thead>
<tr>
<th>Municipality Affected</th>
<th>Fund</th>
<th>Effect</th>
<th>FY 14 $</th>
<th>FY 15 $</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
</tbody>
</table>

The bill has no fiscal impact, as it shifts the tax burden more quickly away from properties that have had the greatest decreases in value, to properties that have had smaller decreases in value.

**Summary:**

This bill eliminates a municipality’s authority to phase in all or part of the decreases in real property assessments after a property revaluation. PA 12-2, JSS, gave municipalities the option to do so, using methods that are comparable to those the law allows for phasing in increases in property values.

EFFECTIVE DATE: July 1, 2013 and applicable to assessment years starting on or after October 1, 2013.

2. **H.B. No. 6566 (RAISED) AN ACT CONCERNING TRANSPARENCY IN ECONOMIC ASSISTANCE PROGRAMS. (FIN) (JFS)**

**Fiscal Impact:**

<table>
<thead>
<tr>
<th>Agency Affected</th>
<th>Fund</th>
<th>Effect</th>
<th>FY 14 $</th>
<th>FY 15 $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Economic and Community Development</td>
<td>General Fund</td>
<td>Cost</td>
<td>Potential Minimal</td>
<td>None</td>
</tr>
</tbody>
</table>
The bill results in a potential minimal cost in FY 14 to DECD in establishing the searchable database online. DECD tracks the information listed in the bill, but does not report such information through searchable databases online.

Section 3 results in a significant cost to the Department of Revenue Services (DRS), anticipated to be up to $300,000 biennially, associated with the production of a comprehensive report on various taxes, including the property tax. The bill specifies the report be produced within available appropriations in cooperation with in-state institutions of higher education. Assuming an institution of higher education would assist DRS, the cost could be lower; however, the bill requires a report by DRS regardless of cooperation by outside entities.

Sections 4 and 5 do not result in any cost as it is anticipated the provisions could be accommodated within the normal course of affected agency’s duties.

Summary of Substitute Bill:

§ 1—Economic Assistance Database

The bill requires the economic and community development and revenue services commissioners to establish and maintain an online searchable database on economic development tax credits, tax abatements, and other forms of assistance enacted to recruit or retain businesses.

The bill specifies the types of data the database must contain and the period. Among other things, the database must (1) include the names and locations of entities receiving Urban and Industrial Sites Reinvestment tax credits and certain other forms of financial assistance, (2) aggregate data regarding the recipients of the other credits, and (3) include DECD’s latest three-year report on the credits’ economic impact.

EFFECTIVE DATE: July 1, 2013

§ 2—Reporting Requirement for Businesses Claiming Tax Credits – Deleted

§ 3—Biennial Tax Incidence Report

The bill requires the revenue services commissioner, within available appropriations and in cooperation with the state’s institutions of higher education, to submit a biennial report on the incidence of the income, sales,
excise, corporation business, and property taxes for people and businesses. The commissioner must submit the first report by December 31, 2014 to the Finance Committee and post the report on the DRS website.

EFFECTIVE DATE: July 1, 2013

§ 4—Appropriations Database

The bill requires the Office of Policy and Management (OPM) to list on its website all line item appropriations contained in the governor’s budget when he transmits it to the legislature. OPM must do this in a database users can download.

The bill similarly requires the Office of Fiscal Analysis (OFA) to list on its website all line item appropriations in a database that users can download. OFA must do this within 30 days after the governor signs the budget act.

EFFECTIVE DATE: Upon passage

§ 5—Comptroller’s Financial Tables

The bill requires the comptroller to post the financial tables in his annual report on his website in a database format users can download. Among other things, the report must include a statement of all appropriations and expenditures for the previous fiscal year. The report is due September 30 annually.

EFFECTIVE DATE: July 1, 2013

3. S.B. No. 1052 (RAISED) AN ACT CONCERNING IMPROVED TAX COLLECTION. (FIN)(JFS)

Fiscal Impact:

<table>
<thead>
<tr>
<th>Agency Affected</th>
<th>Fund</th>
<th>Effect</th>
<th>FY 14 $</th>
<th>FY 15 $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Revenue Services</td>
<td>General Fund</td>
<td>Net Revenue Gain</td>
<td>Between 1.0 and 3.1 million</td>
<td>Between 2.1 and 4.4 million</td>
</tr>
<tr>
<td>Department of Revenue Services</td>
<td>General Fund</td>
<td>Cost</td>
<td>Up to 20,000</td>
<td>None</td>
</tr>
<tr>
<td>Department of Revenue Services</td>
<td>General Fund</td>
<td>Savings</td>
<td>Minimal</td>
<td>Minimal</td>
</tr>
</tbody>
</table>

Section 1 results in a potential revenue gain between $1 million and $2.2 million in FY 14 and $2.1 and $4.4 million annually thereafter, assuming sales tax non-
compliance rates on cigarettes follow the same pattern as all taxable goods and services.

Section 1 also results in a one-time cost to the Department of Revenue Services (DRS) of $15,000 in FY 14 associated with form alteration and technical/programming changes to the Integrated Tax Administration System (ITAS) and the online Taxpayer Service Center (TSC). Additionally, there would be a minimal savings to the agency associated with a reduction in compliance costs for the Sales & Use Tax.

Sections 2, 3, 6, and 7 result in a revenue gain between $300,000 and $900,000 annually, as a result of lower refunds paid to certain tax filers due to reduced periods of interest payments.

As an illustration, in FY 12 DRS paid out $6.4 million in total refunds for the affected tax types, of which $3.7 million was calculated for a period beginning with the filing due date; it is estimated that $900,000 of this would not have been paid if the interest calculation period was altered according to the bill.

Section 4 results in a revenue loss of less than $300,000 annually beginning in FY 14, due to the exemption of cosmetic grade mineral oil from the Petroleum Products Gross Earnings Tax (PGET). There is also a one-time cost to DRS in FY 14 of less than $5,000 associated with form alteration and technical/programming changes to the ITAS and the TSC.

Section 5 is deleted.

Summary of Substitute Bill:

§ 1—Sale of Stamped Cigarette Package Subject to Sales Taxes

This bill changes the point at which the sales tax on cigarettes is collected and remitted to the state.

Under current law, licensed cigarette dealers collect sales tax on cigarettes from customers at the point of purchase and remit the tax to the state. Under the bill, cigarette distributors and stampers must (1) collect sales tax on sales they make to licensed dealers and (2) remit the tax the same as retailers. The licensed dealer similarly must collect the tax when it sells a package to a customer, but when calculating the sales price the dealer cannot include the tax it paid to stamper. The bill allows the dealer to claim a credit against the sales tax equal to the amount of taxes it paid to the distributor or stamper.
EFFECTIVE DATE: January 1, 2014, and applicable to sales occurring on or after that date.

§§ 2, 3, 6, & 7—Period for Paying Interest on Tax Overpayments

The bill reduces the period during which the state must pay interest on overpayments of the gift and estate tax and gross earnings taxes on railroad companies, cable and satellite television and video service providers, utility companies, and petroleum products distributors. By law, the state pays 0.66% per month or part of a month to taxpayers when they overpay these taxes.

Under current law, the period for paying interest on:

1. gift tax overpayments begins on the tax return’s due date or the date the tax was paid, whichever is later.
2. estate tax overpayments depends on the day a decedent died. For those that died before July 1, 2009, the state pays interest starting nine months after the transferor’s death or the payment date, whichever is later. For those dying after that date, the period begins six months after the transferor’s death or the payment date, whichever is later.
3. gross earnings taxes overpayments begins on the later of the taxes’ due date or the date they were overpaid and the date of the revenue services commissioner’s notice that refunds are due.

The bill shortens the period for paying interest on overpayments on tax returns and amended tax returns filed for these various taxes. For tax returns, the period for paying interest begins 91 days after the last day for filing the return or 91 days after the return was filed, whichever is later. For amended tax returns, the period begins 91 days after the amended tax returned was filed.

EFFECTIVE DATE: July 1, 2013 and applicable to refunds issued on or after that date.

§4—Petroleum Products Gross Earnings Tax Exemption for Cosmetic Grade Mineral Oil

The bill exempts from the petroleum products gross earnings tax the first sale of cosmetic grade mineral oil sold on or after July 1, 2013.

EFFECTIVE DATE: July 1, 2013

§5—Petroleum Products Gross Earnings Tax Credit for Certain Exported Products – Section Deleted
4. **S.B. No. 1115 (RAISED) AN ACT CONCERNING A MUNICIPAL OPTION OF A PROPERTY TAX FOR COMMERCIAL PROPERTIES BASED ON BUSINESS PROFITS. (FIN)(JFS)**

**Fiscal Impact:**

<table>
<thead>
<tr>
<th>Municipality Affected</th>
<th>Effect</th>
<th>FY 14 $</th>
<th>FY 15 $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Various</td>
<td>See Below</td>
<td>None</td>
<td>See Below</td>
</tr>
</tbody>
</table>

The revenue impact to a municipality would depend on the change in the levy that results in a particular property going from a traditional property tax structure to one based on net profits. It is anticipated that a municipality would only choose such an option when there is a net tax levy benefit.

**Summary of Substitute Bill:**

This bill allows towns to assess a commercial property for property tax purposes based on the net profits businesses occupying the property generated in the previous calendar year, rather than its fair market value. The town may offer this assessment method if the property owner, business owner, and town all agree to it.

In order to offer this assessment method, towns must adopt an ordinance that is designed to promote the town’s business sector by providing this assessment method for properties that are totally or partially vacant or to enable commercial property owners to lease space to new or expanding businesses.

**EFFECTIVE DATE:** July 1, 2013, and applicable to assessment years starting on or after October 1, 2013.

5. **S.B. No. 1116 (RAISED) AN ACT CONCERNING THE USE OF CERTAIN REVENUES TO PROVIDE FUNDS FOR THE BUDGET RESERVE FUND. (FIN)(JFS)**

**Fiscal Impact:**

<table>
<thead>
<tr>
<th>Agency Affected</th>
<th>Fund</th>
<th>Effect</th>
<th>FY 13 $</th>
<th>FY 14 $</th>
<th>FY 15 $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resources of the General Fund</td>
<td>General Fund; Budget Reserve Fund; State Employees Retirement Fund</td>
<td>Uncertain revenue shift pending revenue projections and actuals</td>
<td>Revenue shift pending revenue projections and actuals</td>
<td>Revenue shift pending revenue projections and actuals</td>
<td></td>
</tr>
</tbody>
</table>
The bill diverts excess General Fund revenues to the Budget Reserve Fund prior to the end of the fiscal year. The amount of the diversions would be determined by consensus revenue projections in January and April, as reported by the State Comptroller on February 1st and May 1st, respectively.\(^1\) To the extent that the mid-year diversion of excess revenues under the bill reduces surplus appropriations, the bill would increase the Budget Reserve Fund.

The bill also increases, from 10% to 15% of General Fund appropriations for the fiscal year in progress, the maximum amount of the Budget Reserve Fund. To the extent that the maximum deposit of 10% is exceeded under the bill, it could result in a revenue loss from interest income as funds are diverted from the State Employees Retirement Fund, which receives higher interest rates, to the Budget Reserve Fund, which receives lower, short-term interest rates.

The bill also requires amounts received from the sale of surplus state property to be deposited in the Budget Reserve Fund, which results in the shifting of revenue from the General Fund to the Budget Reserve Fund. For illustrative purposes, in FY 12 a total of $271,092 was deposited in the General Fund from the sale of property.

**Summary of Substitute Bill:**

This bill expands the funding sources for the Budget Reserve (“Rainy Day”) Fund and increases its maximum balance from 10% to 15% of the net General Fund appropriations for the fiscal year in progress.

It requires the state treasurer to transfer to the Budget Reserve Fund:

1. any amount in the January consensus revenue estimate exceeding the estimated revenues adopted in the budget,

2. any amount received from the sale of surplus state property, and

3. any amount in the April consensus revenue estimate exceeding the estimated revenues in the January consensus revenue estimate.

Although the bill also directs the state treasurer to transfer any unappropriated surplus exceeding required transfers at the end of each fiscal year to the fund, another law overrides this requirement. By law, starting with FY 14, if the

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\(^1\) By law, the Office of Policy and Management and Office of Fiscal Analysis develop consensus revenue projections on November 15th, January 15th and April 30th of each year. If these agencies do not reach consensus, the Office of the State Comptroller must determine it.
The comptroller determines there is an unappropriated General Fund surplus at the end of any fiscal year, he must reserve the annual GAAP increment from that surplus before allocating it to other uses required by law.

By law, once the Budget Reserve Fund reaches the maximum, the treasurer may not transfer additional unappropriated General Fund surpluses to it. Any remaining funds must go towards (1) the State Employees Retirement Fund's unfunded liability and (2) paying off outstanding state debt.

The bill also gives the Office of Policy and Management secretary the discretion to deposit any payment the state receives from a court settlement into the (1) state's trust fund for post-employment benefits, (2) State Employees Retirement Fund, or (3) Teacher's Retirement Fund.

EFFECTIVE DATE: Upon passage

6. S.B. No. 1110 (RAISED) AN ACT CONCERNING THE COLLECTION AND REMITTAL OF SALES AND USE TAXES (FIN)(JFS)

Fiscal Impact:

<table>
<thead>
<tr>
<th>Agency Affected</th>
<th>Fund</th>
<th>Effect</th>
<th>FY 14 $</th>
<th>FY 15 $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Revenue Services</td>
<td>General Fund</td>
<td>Cost Uncertain</td>
<td>Less than 150,000</td>
<td>Less than 150,000</td>
</tr>
<tr>
<td>Department of Revenue Services</td>
<td>General Fund</td>
<td>Revenue Impact Uncertain</td>
<td>35,000 - 14 million</td>
<td>140,000 - 60 million</td>
</tr>
</tbody>
</table>

Effective upon passage, the bill requires the Commissioner of the Department of Revenue Services (DRS) to study various methods to enforce and enhance the collection of sales and use taxes by retailers and the subsequent remittal of said taxes to the commissioner. Furthermore, the Commissioner must take reasonable steps to implement said methods provided the Finance, Revenue and Bonding Committee approves.

Sales Tax Collections Revenue Gain
Presuming a new collection system as intended by the bill is implemented on April 1, 2014, the revenue gain ranges from minimal up to $14 million in FY 14. The estimated revenue gain in FY 15 ranges from minimal up to $60 million. The actual impact will depend upon the method or system which DRS may implement.

If DRS implements a method which would allow, but not require, a retailer to systematically set aside money for the purpose of sales tax remittance, then the total estimated revenue gain would be minimal. It is anticipated under this
scenario that most businesses would not change their current behavior in regards to accounting and remitting sales tax due to the state.

If DRS implements a system that effectively collects all sales and use tax due in a timely manner on April 1, 2014, then the total estimated revenue gain would be up to $14 million in FY 14 and up to $60 million in FY 15. This estimate assumes that all tax due which is either deemed uncollectable by DRS or goes undetected by DRS would be collected. This estimate discounts the revenue loss from penalties and interest on tax payments that would be non-compliant without such an automated collections system.

**Interest Income for the State**

Reducing the time it takes to remit Sales Tax due would yield an annual state revenue gain from interest income of between $140,000 to $5,200,000, depending upon the interest rate being earned by the state’s Short Term Investment Fund (STIF). The current annualized interest rate earned by the STIF is approximately 0.15%, which would yield revenue of $140,000 annually; however, the rate varies and was as high as 5.50% in 2007. Using an interest rate of 5.50% yields annual interest income of approximately $5,200,000. It is anticipated that interest rates for the STIF will remain relatively low over the 2014-2015 Biennium but may increase in future years.

**DRS Administration**

While no costs are anticipated from DRS studying various methods to enforce and enhance sales tax collections, to the extent that any such sales tax collection method is implemented the bill results in a cost of less than $150,000. The actual cost would be dependent upon the collection method implemented. For example, it is anticipated that implementation of a sales tax escrow program would require a dedicated Revenue Examiner I at an annual cost of approximately $81,522 (consisting of $60,593 for salary and $20,929 for fringe benefits) to establish compliance guidelines and non-compliance penalties, as well as for enforcement. Other methods may result in one-time costs of $30,000 or less associated with form alteration and technical/programming changes to the online Taxpayer Service Center (TSC) and the Integrated Taxpayer Administration System (ITAS), in addition to personnel costs.

**Summary of Substitute Bill:**

This bill requires the revenue services commissioner to analyze various methods to enforce and enhance sales and use tax collection and remittal by retailers; (2) recommend to the Finance Committee, by October 1, 2013, which method or methods should be implemented; and (3) upon the Finance Committee’s
acceptance of his recommendations, implement, by January 1, 2014, a method or system that will enhance the state’s sales and use tax revenues.

The commissioner’s analysis must consider the:

1. the amount of sales and use taxes that are uncollected or consistently delinquent;
2. the effectiveness of methods other states use to collect sales and use taxes and the software available to assist in collecting and remitting these taxes;
3. the advisability of requiring more frequent due dates for remitting the taxes, particularly for retailers with a higher tax liability; and
4. the benefits and drawbacks to requiring retailers to electronically remit sales taxes no later than two business days after a taxable transaction in which a customer pays by credit, debit, or electronic funds transfer;

He must also consider whether these methods should be required for (1) all retailers, (2) those that are consistently delinquent, (3) those with a monthly tax liability of more than $500,000, or (4) some combination of these groups.

EFFECTIVE DATE: Upon passage

**REFERRED BILLS FOR JF CONSIDERATION**

7. **Substitute for S.B. No. 876 (RAISED) AN ACT CONCERNING AUTHORIZATION OF STATE GRANT COMMITMENTS FOR SCHOOL BUILDING PROJECTS AND ROOF PITCH REQUIREMENTS FOR SCHOOL BUILDINGS. (ED,FIN)**

**Fiscal Impact:**

**State Impact:**

<table>
<thead>
<tr>
<th>Agency Affected</th>
<th>Fund - Effect</th>
<th>FY 14 $ and beyond</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dept. of Construction Services - Principal</td>
<td>GO Bonds - Cost</td>
<td>529.5 million</td>
</tr>
<tr>
<td>Treasurer – Interest</td>
<td>GF – Cost</td>
<td>278 million</td>
</tr>
<tr>
<td>Treasurer – Total Debt Service</td>
<td>GF - Cost</td>
<td>807.5 million</td>
</tr>
<tr>
<td>Department of Construction Services; Treasurer – Debt Service</td>
<td>GF – Future Savings</td>
<td>See Below</td>
</tr>
</tbody>
</table>

**Municipal Impact:**

<table>
<thead>
<tr>
<th>Municipalities</th>
<th>Effect</th>
<th>FY 14 $ and beyond</th>
</tr>
</thead>
<tbody>
<tr>
<td>Various Municipalities</td>
<td>Revenue Gain</td>
<td>529.5 million</td>
</tr>
<tr>
<td>Various Municipalities</td>
<td>Future Savings</td>
<td>See Below</td>
</tr>
</tbody>
</table>
Section 1 of the bill approves state grant commitments for school construction projects on the education commissioner's project priority list. This authorizes $510.1 million in state grant commitments for 27 new school construction projects of various types. It also reauthorizes a total of seven previously authorized projects. These projects have changed substantially (more than 10%) in cost or scope. The reauthorizations increase state grant commitments by a net $19.5 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 $807.5 million; this includes $529.5 million in principal payments, and $278 million in interest payments. The state cost of $529.5 million in GO bonds represents a revenue gain to various municipalities whose projects are included on the priority list.

Section 2 of the bill results in a significant future savings to the state and local and regional school districts by reducing the roof pitch requirement from the current ½ inch per foot to ¼ inch per foot for new roof construction or total replacement of an existing roof for projects submitted after July 1, 2013. A large scale roof project may realize a cost savings in excess of $5 million.

Summary:
This bill authorizes $510.1 million in state general obligation bonds for grant commitments to 27 local school construction projects. It also reauthorizes and changes bond grant commitments for (1) six previously authorized local projects with changes in cost and scope and (2) a previously authorized state technical high school system project. The reauthorizations result in a $19.5 million increase in the state grant commitment.

EFFECTIVE DATE: Upon passage

8. H.B. No. 6033 (COMM) (File No. 323) AN ACT CONCERNING MOTOR VEHICLE INSURANCE PROVIDERS AND DISTRACTED DRIVING. (TRA)

See File 323.

9. Substitute for H.B. No. 6359 AN ACT CONCERNING AN EARLY CHILDHOOD SYSTEM. (ED,FIN)

Fiscal Impact:
Agencies Affected: Various
Fund-Effect – See Below

The bill establishes an Office of Early Childhood (OEC) and transfers various functions into the new office. The bill results in a total transfer of $216 million in
FY 14 and $279.3 million in FY 15 across all funds. Although the Governor’s recommended FY 14 & FY 15 budget includes various transfers and new funding in OEC, not all of the programs transferred into OEC are in statute and require language changes outside of the budget. Therefore, not all are included in the bill. Also sections 68 and 69 are not included in the Governor’s budget. The table below is provided for illustrative purposes to reflect the complete budgetary transfers from various agencies and the new funding included in OEC as reflected in the Governor’s Recommended FY 14 & FY 15 Budget.

Transfers and Funding for OEC as reflected in the Governor’s Recommended FY 14 & FY 15 Budget

<table>
<thead>
<tr>
<th>Fund/Agency</th>
<th>FY 14 $</th>
<th>FY 15 $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General Fund (GF)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Department of Public Health</td>
<td>-</td>
<td>2,276,721</td>
</tr>
<tr>
<td>Department of Social Services</td>
<td>102,398,434</td>
<td>116,179,435</td>
</tr>
<tr>
<td>Department of Education</td>
<td>111,803,073</td>
<td>111,384,715</td>
</tr>
<tr>
<td>Board of Regents</td>
<td>473,657</td>
<td>486,499</td>
</tr>
<tr>
<td>Department of Developmental Services</td>
<td>-</td>
<td>37,991,718</td>
</tr>
<tr>
<td>Office of Early Childhood(^1)</td>
<td>12,670,551</td>
<td>3,920,605</td>
</tr>
<tr>
<td><strong>GF Subtotal</strong></td>
<td><strong>227,345,715</strong></td>
<td><strong>272,239,693</strong></td>
</tr>
<tr>
<td>Federal Funds</td>
<td>15,807,928</td>
<td>34,261,381</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>243,153,643</strong></td>
<td><strong>306,501,074</strong></td>
</tr>
</tbody>
</table>

\(^1\)New funding includes $11.9 million in FY 14 and $2.9 million in FY 15 for GAAP adjustments.

The following bulleted list summarizes the programs included in the Governor’s recommended FY 14 & FY 15 budget transferred into OEC:

- **Department of Public Health** – Child day care regulation and enforcement as well as administration of the federal Home Visitation program.

- **Department of Social Services** – Care 4 Kids, Charts a Course funding for 211 Infoline, Children’s Trust Fund for Nurturing Families and Help Me Grow.

- **Department of Education** – School Readiness, and other early childhood programs.

- **Board of Regents** – CT Charts a Course.
- **Department of Developmental Services – Birth-to-Three.**

Below is a section-by-section explanation of the various transfers and the creation of OEC included in the bill.

**Sections 1-3 and 70** create the new Office of Early Childhood (OEC) and outline its responsibilities.

**Sections 4 and 10** are technical in nature and have no fiscal impact.

**Sections 5 and 7-9, 11, 12, 14** transfer responsibilities associated with the School Readiness account, from the SDE to OEC. Funding of $74.8 million is transferred in FY 14 and $74.3 million in FY 15. Additionally, funding and responsibility of the competitive school readiness slots are transferred from SDE to OEC, and corresponding funding totaling $6.8 million in both FY 14 and FY 15.

**Section 6** transfers responsibilities associated with Head Start, from the SDE to OEC. Funding of $5.3 million is transferred in both FY 14 and FY 15.

**Section 13** transfers responsibilities associated with the Early Childhood Cabinet, from SDE to OEC.

**Sections 15-20, 27, 30 - 32, and 36 - 38** transfer responsibilities associated with the child care subsidy program, commonly referred to as Care4Kids, from DSS to OEC. Funding of $99.2 million in FY 14 and $102.4 million in FY 15 and 2 positions are transferred from DSS to OEC under the Governor’s FY 14 and FY 15 budget to reflect this change.

**Sections 21-26** transfer responsibilities associated with bond-funded grants to municipalities and state agencies for child care facilities from DSS to OEC. This is not anticipated to result in a fiscal impact as the General Obligation (GO) bond authorization for such activities has been spent.

**Section 28, 33-35** transfers the responsibilities associated with the child day care services program from SDE to OEC. Funding of $18.4 million is transferred in the Governor’s budget in both FY 14 and FY 15.

**Section 29** transfers the responsibilities associated with the school readiness quality enhancement program, from SDE to OEC. Funding of $3.9 million is transferred in both FY 14 and FY 15 in the Governor’s budget.
Sections 39-42 transfer responsibilities associated with the Children’s Trust Fund from DSS to OEC. Funding of $10.6 million to support the Nurturing Families Network and Help Me Grow program is transferred from DSS to OEC in FY 15 in the Governor’s budget to reflect this change.

Sections 43-47 change the lead agency of the Birth-to-Three system from the Department of Developmental Services (DDS) to OEC in FY 15. A transfer of $38 million and 7 positions in FY 15 is included in the Governor’s budget associated with transferring the Birth-to-Three program from DDS to OEC in FY 15.

Section 48 transfers the administration of the Maternal, Infant, and Early Childhood Home Visiting Program authorized under the Patient Protection and Affordable Care Act of 2010, P.L. 111-148, from the Department of Public Health (DPH) to OEC in FY 15. The federal funds transfer of $9.7 million for this program from DPH to OEC is reflected in the Governor’s budget.

Sections 49 - 61 transfer responsibilities under various statutes associated with the licensure and regulation of child day care centers, group day care homes, and family day care homes from DPH to OEC in FY 15. These responsibilities include license application processing, the provision of technical assistance, facility monitoring, complaint investigation and enforcement activities. Funding of $2.3 million and 40 positions are transferred from DPH to OEC in FY 15 under the Governor’s budget to reflect this change.

Section 62-67 makes conforming changes to reflect the transfers and do not result in a fiscal impact.

Section 68 transfers the responsibility of family resource centers from SDE to OEC. The family resource centers are funded in SDE at $7.6 million in both FY 14 and FY 15. The Governor’s budget did not provide for this transfer into OEC.

Section 69 requires OEC to conduct a regression discontinuity study to be conducted. It is estimated that this study will cost between $400,000 and $600,000. This funding was not provided in the Governor’s budget.

Section 71 eliminates the Child Day Care Council, which has no fiscal impact.

Summary:
This bill creates the Office of Early Childhood (OEC) to administer a coordinated early child care education and child development system, and it consolidates in OEC programs, cabinets, and funds administered by four agencies.
In doing so, the bill makes a conforming change to the existing 60% tax credit for businesses investing in child day care facilities for their employees' children.

EFFECTIVE DATE: July 1, 2014

10. Substitute for H.B. No. 6560 (RAISED) (File No. 374) AN ACT CONCERNING OWNER-OPERATORS OF CERTAIN VEHICLES. (TRA)

See File 374.

11. H.B. No. 6052 (COMM) (File No. 326) AN ACT CONCERNING THE ESTABLISHMENT OF TOLLS FOR THE EXTENSION OF ROUTE 11. (TRA)

See File 326.

12. Substitute for H.B. No. 6614 (RAISED) (File No. 236) AN ACT CONCERNING EMPLOYERS AND HEALTH CARE. (LAB,FIN)

See File 236.


Fiscal Impact:
State Impact:

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The Department of Energy and Environmental Protection may incur costs to distribute the labels required under the bill. The method of distributing these labels is uncertain, and therefore the potential costs cannot be determined at this time.

There is a minimal revenue gain anticipated from violations under the bill.

Summary of Substitute Bill:
The bill amends File 321 to add provisions that (1) require certain motorcycles operated in the state to bear a U.S. Environmental Protection Agency noise
emission control label and (2) impose fines of between $50 and $100 for first time offenders and $100 and $250 for subsequent offenses.

14. **H.B. No. 6039 (COMM) (File No. 324) AN ACT LIMITING EXPENDITURES FROM THE SPECIAL TRANSPORTATION FUND. (TRA)(JFS)**

**Fiscal Impact:**
The bill limits the fiscal impact identified in File 324 to FY 16 and beyond.

**Summary of Substitute Bill:**
The bill amends File 324 by changing its effective date to July 1, 2015.