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 1, 2014 Agenda

BILLS FOR JF CONSIDERATION

1. S.B. No. 28 AN ACT CONCERNING REVENUE ITEMS TO IMPLEMENT THE GOVERNOR'S BUDGET. (FIN)(JFS)

Fiscal Impact:

Agency Affected	Effect	FY 14 $	FY 15 $	FY 16 $
Department of Revenue Services	General Fund – Revenue Loss	None	55.6 Million	57.9 Million
Office of the State Comptroller	General Fund – Depletion of Surplus	157.2 Million	None	None

Municipality Affected	Effect	FY 14 $	FY 15 $	FY 16 $
All	Savings	None	11 Million	11 Million

Sections 1-2 implement a one-time tax rebate program that would be funded by up to $155 million from the projected FY 14 General Fund surplus of approximately $500 million; in addition, the one-time cost estimated to administer these rebates is $1.7 million (including $1.0 million in printing and mailing costs, $450,000 for software alterations and $250,000 for additional staffing and overtime) and is included as a carry forward authorization in the Department of Revenue Services per Section 19 of sHB 5030. The total cost of the policy is therefore estimated to be $156.7 million.

Sections 3-4 exempt municipal employee health care coverage programs from the Insurance Companies (Premiums) Tax; this ongoing exemption would begin in FY 15 and reduce revenue to the General Fund by approximately $11 million annually. Municipalities would save the same amount.

Section 5 restores (it was repealed in 2011) the Sales Tax exemption for nonprescription drugs at an annual revenue loss to the General Fund of approximately $16.5 million beginning in FY 15.

Section 6 establishes an Income Tax exemption for teachers' pension income which is phased-in at 25% for Income Year 2014 and increased to 50% for Income Year 2015 and annually thereafter; the FY 15 General Fund revenue loss associated with this new Income Tax exemption is approximately $25.1 million (representing 18 months back to January 2014) with the annualized revenue loss estimated to be $26.3 million (representing 12 months) beginning in FY 16.

Section 7 extends the Angel Investor Tax credit as it currently exists through FY 16 (it had been scheduled to sunset June 30, 2014); the associated General Fund revenue loss is $3 million annually.

Section 8 provides $500,000 to fund the comprehensive study of the state's tax structure (required under sHB 5545) from the projected FY 14 General Fund surplus of approximately $500 million. The funds shall be available in FY 15 and FY 16.

Background

The fiscal impact of the bill is described above. The information in this Background section is provided to add budgetary context to the provisions in the bill. The approximate total of the various policies which would impact the budget are illustrated in the tables below.

The net effects of policy decisions among several bills are as follows: 2) to reduce the available FY 14 surplus by $68.6 million relative to the Governor's proposal; and 2) to produce an estimated operating deficit of $44.1 million in FY 15. It is important to note that consensus revenue estimates will be updated on April 30th and that this update could significantly alter the total revenues available and hence the General Fund balances in FY 14 and FY 15.

Disposition of FY 14 General Fund Surplus ($ - millions)				
	Gov	Comm	Dif	Comm Source
Estimated Year-End Balance	506.1	510.1	4.0	OFA Monthly Statement, March 25
Provide Tax Rebates	(156.7)	(156.7)	-	sSB 28, sHB 5030
Conduct a Comprehensive Tax Study	-	(0.5)	(0.5)	sSB 28
Make (FY 13) Final Payments Due to Municipalities per the Municipal Revenue Sharing Account	-	(12.7)	(12.7)	HB 5464
Increase Support for CT-N	-	(3.5)	(3.5)	sSB 469
Various Purposes	(6.8)	(62.7)	(55.9)	sHB 5030
Balance	**342.6**	**274.0**	**(68.6)**	

FY 15 General Fund Operating Budget ($ - millions)				
Summary	**Gov**	**Comm**	**Dif**	**Comm Source**
Appropriations	17,496.2	17,513.6	17.4	sHB 5030
Revenue	17,518.5	17,469.5	(49.0)	See Below
Balance	**22.3**	**(44.1)**	**(66.4)**	
Revenue Details	**Gov**	**Comm**	**Dif**	**Comm Source**
Total Estimate, Excluding New Policies	17,685.4	17,685.4	-	January 15 Consensus
Various, Details are Provided in the Preceding Section of the Preliminary Note	(51.3)	(55.6)	(4.3)	sSB 28 *
Transfer Immunization Program to the Insurance Fund	(31.5)	(31.4)	0.1	SB 21 *
Divert Revenue to a New Account in the Board of Regents	(60.0)	(65.0)	(5.0)	sHB 5030
Restore a Portion of FY 13 Surplus to the Rainy Day Fund	(30.0)	(30.0)	-	sHB 5030
Divert Additional Newborn Screening Fees	(0.6)	(0.6)	-	sHB 5030
Reflect Reimbursements for Certain Spending Adjustments	6.7	9.3	2.6	sHB 5030
Provide a Two-Day State Park Free Holiday	(0.2)	(0.2)	-	CGS 23-26
Distribute Keno Revenue to Municipalities	-	(18.9)	(18.9)	sSB 469
Increase Support for CT-N	-	(3.5)	(3.5)	sSB 469
Permit the Exchange of Research and Development Credits	-	(20.0)	(20.0)	sHB 5465
Policy Subtotal	**(166.9)**	**(215.9)**	**(49.0)**	
Revenue Total	**17,518.5**	**17,469.5**	**(49.0)**	

* Differences are due to OFA estimates of the Governor's recommended policies; there is no difference in the policies themselves.

Bill References:

- sHB 5030, An Act Making Adjustments to State Expenditures for the Fiscal Year Ending June 30, 2015
- HB 5032, An Act Concerning the Expenditure Cap and Reducing Long-Term Liabilities
- sSB 28, An Act Concerning Revenue Items to Implement the Governor's Budget
- HB 5464, An Act Concerning Payments Distributed by the Municipal Revenue Sharing Account
- SB 21, An Act Implementing the Budget Recommendations of the Governor Concerning General Government
- sSB 469, An Act Concerning Television Coverage of State Government Deliberations and Distribution of Proceeds from New Lottery Games
- sHB 5465, An Act Concerning the Connecticut Aerospace Reinvestment Act

Summary of Substitute Bill:

§§ 1-2 —Sales and Gas Tax Refunds

The bill authorizes a sales and gas tax refund of $55 for single filers and $110 for joint filers. It allows the comptroller to designate up to $155 million in FY 14 General Fund revenue to pay for the refunds.

To be eligible for a refund, individuals must be state residents with a federal adjusted gross income of up to $200,000 ($400,000 for joint filers) who (1) were required to file a state income tax return for the 2013 tax year or (2) have been living in the state as of December 31, 2013 and (a) were required to file a federal income tax return, (b) received the federal earned income tax credit, or (c) received federal social security benefits.

The revenue services commissioner can determine if the person is a Connecticut resident and withhold the refund and apply it to any tax or other debt the person owes the state. The refund does not count as income for a variety of state programs, such as ConnPACE and the Connecticut Medicare Assignment Program, Rental Assistance Program, circuit breaker program, and elderly congregate housing.

EFFECTIVE DATE: Upon passage

§§ 3-4 —Insurance Premium Tax Exemption for Municipalities

The bill exempts all new and renewed health insurance plans sold to municipalities on or after July 1, 2014 from the 1.75% insurance premium tax paid by domestic insurance companies and HMOs. Current law exempts such plans covering municipal employees and their dependents from the tax only if sold by an HMO and through the Municipal Employee Health Insurance Plan (MEHIP).

EFFECTIVE DATE: Upon passage

§ 5 —Sales Tax Exemption for Nonprescription Drugs and Medicines

The bill exempts nonprescription drugs and medicines from the sales and use tax.

EFFECTIVE DATE: July 1, 2014, and applicable to sales occurring on or after that date.

§ 6 —Income Tax Exemption for Teacher Pensions

The bill exempts a portion of state teachers' retirement system (TRS) income from the state income tax. It does so by allowing taxpayers to deduct 25% of TRS income for the 2014 tax year and 50% of TRS income for 2015 and subsequent tax years when calculating Connecticut adjusted gross income for state income tax purposes.

EFFECTIVE DATE: Upon passage, and applicable to tax years starting on or after January 1, 2014.

§ 7 —Angel Investor Tax Credit

Sunset Date. The bill extends the sunset date for the angel investor tax credit program from July 1, 2014 to July 1, 2016. By law, the program provides personal income tax credits for people investing at least $25,000 in start up, technology-based Connecticut businesses approved for such credit-eligible investments.

Credit Evaluation. Current law requires Connecticut Innovations, Inc. (CII) to review the credit's effectiveness by July 1, 2014. The bill (1) specifies that CII must review the credit's cumulative effectiveness; (2) requires it to report its findings to the Office of Policy and Management, in addition to the Commerce Committee; and (3) adds a new annual reporting requirement. Under the bill, CII must report each year, beginning by July 1, 2015, on the:

1. number and type of Connecticut businesses that received angel investments,

2. number and type of angel investors,

3. aggregate amount of cash investments,

4. current status of each Connecticut business that received angel investments,

5. number of employees the business employed in each year following the year in which it received the angel investment, and

6. business' economic impact in the state.

EFFECTIVE DATE: Upon passage and applicable to tax years starting on or after January 1, 2014.

§ 8 —Comprehensive Tax Study in sHB 5545

After the accounts for FY 14 are closed, if the comptroller determines there exists an unappropriated surplus in the General Fund, the bill appropriates $500,000 of the surplus to the Office of Legislative Management for the tax study in HB 5455. The appropriated funds do not lapse at the end of the fiscal year, but carry over and are available for spending in the following year.

EFFECTIVE DATE: Upon passage

2. S.B. No. 29 AN ACT AUTHORIZING AND ADJUSTING BONDS OF THE STATE FOR CAPITAL IMPROVEMENTS, TRANSPORTATION AND OTHER PURPOSES. (FIN)(JFS)

Summary of Substitute Bill and Fiscal Impact:

Bond Authorizations

The bill authorizes a net total of $455.5 million in additional General Obligation (GO) bonds, which consists of $475.5 million in new bonds and $20.0 million in cancellations. The fiscal impact is summarized in the table below. Assuming that $475.5 million is allocated through the State Bond Commission during FY 15 and the Office of the State Treasurer issues the bonds before the end of FY 15, the debt service cost in FY 16 would be $47.6 million. Please see Appendix A for a listing of the GO bond amounts and changes.

New General Obligation Bond Authorization and Estimated Debt Service Cost $ millions

Fiscal Year	Authorization Amount	Total Debt Service Cost*	Interest	Principal
FY 15	475.5	725.1	249.6	475.5
*Figures assume that bonds are issued at 5.0% over 20 year term				

The bill also cancels a net total of $7.3 million in Special Tax Obligation (STO) bonds, which consists of $52.8 million in new bonds and $60.0 million in cancellations. The fiscal impact is summarized in the table below. Assuming that $52.8 million is allocated through the State Bond Commission during FY 15 and the Office of the State Treasurer issues the bonds before the end of FY 15, the debt service cost in FY 16 would be $4.4 million. Please see Appendix A for a listing of the STO bond amounts and changes.

New Special Tax Obligation Bond Authorization and Estimated Debt Service Cost $ millions

Fiscal Year	Authorization Amount	Total Debt Service Cost*	Interest	Principal
FY 15	52.8	88.3	35.5	52.8
*Figures assume that bonds are issued at 5.5% over 20 year term				

The bill changes the funding source for FY 15 Town Aid Road (TAR) grants-in-aid to municipalities by cancelling $60 million in STO bonds and authorizing $60 million in GO bonds under the Department of Transportation. The change is necessary because the IRS limits the amount of tax-exempt bonds that may be issued for working capital1 to five percent of the amount issued. The $60 million in TAR funding exceeds five percent of the $600 million anticipated total STO bond issuance for FY 15 so the bonds would have to be issued at a higher taxable interest rate. Using GO bonds to fund TAR remedies the problem because total annual GO issuance is much larger and could absorb the $60 million TAR authorization and still maintain the tax-exempt status of the GO bonds.

Pre-Kindergarten Grant Program

Included in the GO bond authorizations listed in Appendix A is a new authorization of $100 million over the next ten fiscal years to provide competitive grants to build new capacity for preschool programs in traditional public school settings.

In addition to these new capital funds, the bill: 1) reallocates $10 million of the anticipated FY 14 balance of the Tobacco Health Trust Fund (THTF) into a new, non-lapsing account separate from the General Fund; and 2) beginning in FY 16 through FY 24, diverts $10 million annually from the Tobacco Settlement Fund (TSF) into the new non-lapsing account. The reallocation of anticipated FY 14 surplus from the THTF and revenue diversion from the TSF during the subsequent nine fiscal years (for a total of $100 million) will support competitive grants to expand operating capacity for preschool programs.

Under the bill, the Office of Early Childhood would administer this new competitive grant program. It is anticipated that the Office of Early Childhood would require additional staff to administer the new program. The $10 million revenue diversion from the Tobacco Settlement Fund for nine years beginning in FY 16 will result in a revenue loss to the General Fund of an equal amount.

3. H.B. No. 5048 AN ACT ESTABLISHING THE CHET BABY SCHOLARS PROGRAM. (FIN)(JFS)

Fiscal Impact:

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[1] All TAR grants-in-aid are considered potential working capital because municipalities are permitted to use them for maintenance and current operating expenses.

Agency Affected	Effect	FY 15 $	FY 16 $
Department of Revenue Services	General Fund – Cost	$75,000-$80,000	None

There is a one-time cost to the Department of Revenue Services (DRS) of $75,000-$80,000 in FY 15 for updates to the online Taxpayer Service Center related to the provision allowing for Connecticut Higher Education Trust (CHET) contributions to be made through income tax refunds. Section 17 of sHB 5030, the revised FY 15 budget bill, as favorably reported by the Appropriations Committee, allows for $90,000 in DRS' Personal Services account to be carried forward from FY 14 into FY 15 and transferred to the Other Expenses account for modifications to the tax systems and forms related this CHET contribution provision.

The bill does not result in a General Fund cost to the Office of the State Treasurer (OST) because the language stipulates that OST may pay the costs of establishing and administering the program from the CHET Baby Scholars Trust Account. Section 23 of sHB 5030, the revised FY 15 budget bill, as favorably reported by the Appropriations Committee, transfers $20 million from the assets of the defunct Connecticut Student Loan Foundation to capitalize the CHET Baby Scholars Program.

The estimated cost for fees and administrative expenses for the $20 million, which would be paid out of the assets of the trust account, is between $74,000 and $86,000. The estimate is based on the current range of annual asset-based fees[2] for the CHET 529 college savings program's direct-sold plan for the Conservative Managed Allocation Option and the Moderate Managed Allocation Option.

Summary of Substitute Bill:

This bill establishes the CHET Baby Scholars Program to promote college education savings for newborn and adopted children by providing incentive payments for CHET accounts established for children born or legally adopted on

[2] This range of total annual asset-based fees is between 0.37% and 0.43%. This includes: (1) a Direct Plan Manager Fee of 0.18%, (2) an administrative fee of 0.01% and (3) the estimated underlying mutual fund expenses ranging between 0.19% and 0.24%.

or after January 1, 2014 and reside in the state. It establishes the CHET Baby Scholars account, administered by the state treasurer, to fund the incentive payments. The payments are (1) $100 if a depositor enters into a participation agreement by the beneficiary's first birthday or within one year after the beneficiary's legal adoption and (2) $150 if the beneficiary's plan receives at least $150 in deposits before his or her fourth birthday or within four years after his or her legal adoption.

The bill allows state taxpayers to contribute any part of their income tax refund to an individual CHET account. It requires the Department of Revenue Services (DRS) commissioner to (1) include a description of the program's purposes in the tax return instructions and (2) revise the income tax return to include spaces for taxpayers to make a contribution, in the same manner as is already done for other accounts (e.g., the AIDS research and organ transplant accounts).

The bill excludes CHET funds in determining eligibility for (1) the Temporary Family Assistance program, (2) the Low Income Home Energy Assistance program, (3) the federally-funded weatherization assistance program, and (4) an individual's need-based institutional grants offered at the state's public colleges and universities.

Lastly, the bill reconstitutes the Connecticut Student Loan Foundation (CSLF) as a quasi-public subsidiary of the Connecticut Health and Educational Facilities Authority (CHEFA). CSLF, which had previously issued and guaranteed loans under the Federal Family Education Loan Program (FFELP), stopped issuing new loans and sold its guarantee portfolio in 2009. Its current functions are limited to administrative actions.

EFFECTIVE DATE: Upon passage, except the provisions concerning income tax refunds and the CSLF are effective July 1, 2014.

4. H.B. No. 5465 (RAISED) AN ACT CONCERNING THE CONNECTICUT AEROSPACE REINVESTMENT ACT. (FIN)(JFS)

Fiscal Impact:

Agency Affected	Effect	FY 14 $	FY 15 $	FY 16 $
Department of Revenue Services	General Fund – Revenue Loss	None	20.0 Million	20.0 Million

Municipality Affected	Effect	FY 14 $	FY 15 $	FY 16 $
E. Hartford, Windsor Locks	Grand List Expansion	None	None	Potential

The bill establishes a new tax credit exchange program available to certain manufacturers. In particular, the bill enables a tentative agreement between the state and United Technologies Corporation (UTC). That tentative agreement, as reported, involves the exchange of $400.0 million in accumulated Research and Development tax credits over 14 years beginning in FY 15. These exchanges would reduce state revenue accordingly.

The bill limits the aggregate amount of tax credits that can be exchanged under the program to $400.0 million. The bill also limits the annual amounts that may be exchanged to $20.0 million in each of the first five payment years of an agreement and $33.3 million in the sixth and each subsequent year of a contract. The amounts to be exchanged may be less in any given year based on the extent to which the eligible taxpayer hits the targets set forth in the contract with the state. The contractual targets must be set in accordance with the ranges that the bill establishes.

BACKGROUND

Program Summary

The bill establishes a program to allow the Commissioner of the Department of Economic and Community Development (DECD) to compensate eligible taxpayers for certain expenditures related to undertaking large-scale industrial reinvestment projects. Compensation would be made through an offset or refund of state Corporation and Sales and Use taxes otherwise payable by the eligible taxpayer. The bill establishes six factors that the Commissioner must use to determine the amounts (within the totals allowed by the bill) exchanged in any given year.

Eligible taxpayers must meet the following criteria: 1) be primarily engaged in the manufacturing sector; 2) employ at least 15,000 people in the state; 3) have incurred at least $200 million per year in research and development expenses in the state for the five full income years immediately preceding the date of application; and 4) have at least $400 million of accumulated research and development tax credits.

Eligible expenditures subject to state reimbursement include: 1) buildings, improvements, property, plants and equipment, and expenses directly related to such expenditures; 2) personal property; and 3) hiring and training of employees.

Compensation will be made pursuant to contracts entered into between the Commissioner of DECD and eligible taxpayers. Pursuant to the bill, any such contract shall include an exclusionary period during which the eligible taxpayer is not allowed to earn additional Research and Development tax credits.

Current Status

According to public reports, UTC would be eligible to participate in the bill's program and intends to apply to participate in it, subject to a tentative agreement reached between UTC and the Office of Policy and Management (OPM) / DECD. The tentative agreement would require a capital investment of approximately $500 million by UTC in this state over the next five years.

Pursuant to the tentative agreement, UTC would receive up to $400 million over 14 years in tax offsets or refunds drawn from its accumulated research and development tax credits, provided that: 1) DECD approves at least that amount as eligible expenditures pursuant to the bill; and 2) UTC meets or exceeds specified staffing, research and development and capital expenditure targets. The tentative agreement includes the construction of new facilities in East Hartford and a renovated facility in Windsor Locks.

Municipal Impact

Encouraging industrial development in East Hartford and Windsor Locks will expand the taxable grand lists of those two towns, which will result in an increased levy in each, given a constant mill rate.

The grand list increase in each town depends on the assessed value of each project, when each project begins, and when each is completed. As towns assess the value of properties under construction, it is anticipated that the grand list increase in each town would be phased in over the duration of construction.

It is not known what the assessed value of the new facilities will be, during or after construction. However, the assessed value of UTC land on the 2011 Grand List is approximately $319.1 million in East Hartford and $39.1 million in Windsor Locks. Below is a table that shows the additional levy to each town, given a range of assumptions concerning the percent increase in the assessed value of UTC land. Tax payments are calculated using FY 14 mill rates of 43.9 for East Hartford and 24.54 for Windsor Locks.

Changes to the Assessed Value of UTC land and its Impact on UTC Property Tax Payments in East Hartford and Windsor Locks		
% Increase in Assessed Value	**East Hartford Additional Tax Payment ($)**	**Windsor Locks Additional Tax Payment ($)**
0.05	700,387	47,930
0.10	1,400,774	95,860
0.15	2,101,162	143,789
0.20	2,801,549	191,719
0.25	3,501,936	239,649

To the extent that this bill encourages additional industrial development in East Hartford, Windsor Locks, or other towns, there would be an additional expansion to their grand lists. Any expansion would result in an increase in tax levy, given a constant mill rate.

Summary of Substitute Bill:

1. This bill creates a program that allows the state to pay large corporations for unused corporation business tax credits for research and experimental expenditures in exchange for undertaking large-scale industrial reinvestment projects (IRPs). The bill allows the Department of Economic and Community Development (DECD) commissioner to determine how the state will pay an eligible corporation for these credits, specifying that her options include tax refunds or offsets.

2. The bill specifies the process and requirements for approving and making

credit exchange payments. A corporation seeking payments must propose an IRP in which it will spend at least $100 million over five years on developing and equipping facilities, conducting research and development, and hiring and training new employees. The corporation must submit the proposal to the commissioner, who may approve it based on the bill's criteria.

3. After she approves the proposal, the corporation and the commissioner must enter into a contract that, among other things, specifies the (1) amounts the corporation will spend on the IRP, (2) value of the credit exchange payment, and (3) manner and terms for the payment amount. The latter must be based on the bill's formulae for determining annual payments.

4. The total payments for the exchanged credits are subject to the bill's program and project caps. The bill imposes a (1) a $400 million cap on all payments under the program, (2) $20 million per year cap on all payments during the program's first five years, and (3) $33.3 million per year cap on all payments for the subsequent years.

5. The bill's per project caps vary depending on the total value of the credit exchange payments. The bill imposes a $375 million credit exchange cap on projects approved for over $200 million in payments. The total annual payment depends on the extent to which the taxpayer implementing the IRP achieves four specific economic performance targets—total engineering jobs in Connecticut, total Connecticut jobs, total Connecticut payroll, and R&D and capital expenditures outside the IRP. The bill specifies a method for determining a range for each of these targets, which DECD uses to calculate the amount of credits eligible for the exchange in each IRP year.

6. The bill also imposes a $50 million cap on IRPs approved for $50 million or less in credit exchange payments and provides a formula for determining their annual payments. The formula bases the payments on R&D and capital expenditures.

7. The bill does not specify a cap or formula for IRPs that entitle the taxpayer to payments between $50 million and $200 million. Consequently, it appears to allow the commissioner to specify the method for determining credit exchange payments when the payments fall between these two thresholds.

8. The bill requires the commissioner to report annually on the IRPs she approved, including the amount of approved credit exchange payments and the performance levels that were achieved. It also requires her to analyze and propose, as appropriate, additional credit exchange programs aimed at retaining or creating jobs in Connecticut.

9. Lastly, the commissioner's authority to approve IRPs ends December 31, 2019.

10. EFFECTIVE DATE: Upon passage

5. H.B. No. 5466 (RAISED) AN ACT CONCERNING DEPARTMENT OF REVENUE SERVICES' PROCEDURES FOR BACKGROUND CHECKS FOR JOB APPLICANTS, APPLICABILITY OF THE ESTATE TAX AND TAXATION OF MOTOR FUEL IN GASEOUS FORM. (FIN)(JFS)(Held on 3/25)

Fiscal Impact:

Agency Affected	Effect	FY 14 $	FY 15 $	FY 16 $
Department of Revenue Services	Special Transportation Fund-Revenue loss	Approximately $12,500	Approximately $150,000	Approximately $150,000

The bill requires the Department of Revenue Services (DRS) in consultation with the Department of Energy and Environmental Protection to issue information concerning reconfiguring the tax on motor vehicle fuels concerning natural gas. This information will be used to calculate the liquid gallon conversion factor on natural gas, and will result in an annual revenue loss to the Special Transportation fund of approximately $150,000.

The bill also clarifies the procedure by which DRS may evaluate prospective employees. This does not result in any fiscal impact as it codifies current agency practice.

Summary of Substitute Bill:

This bill requires each prospective DRS employee to state in writing whether he or she has ever been convicted of a crime or whether criminal charges are pending at the time of the application. If so, the applicant must identify the charges and court in which they are pending. The bill also requires each applicant to be fingerprinted and submit to state and national criminal history records checks, in accordance with Connecticut's uniform criminal record check procedure. DRS must conduct these inquiries subject to state law governing employer inquiries regarding erased criminal records and prohibiting discrimination on the basis of these records or provisional pardons.

Beginning by June 15, 2014, and annually thereafter, the bill requires the DRS commissioner, in consultation with the Department of Energy and Environmental Protection commissioner, to issue information concerning the calculation of motor vehicle fuels tax on compressed natural gas. The conversion factor must (1) be consistent with applicable federal standards and (2) apply for the 12-month period beginning on the following July 1.

EFFECTIVE DATE: Upon passage

6. S.B. No. 390 (RAISED) AN ACT CONCERNING CHANGES TO CIGARETTE REGULATION TO IMPLEMENT THE NONPARTICIPATING MANUFACTURER ADJUSTMENT SETTLEMENT AGREEMENT. (FIN)(JFS)

Fiscal Impact:

Agency Affected	Effect	FY 15 $	FY 16 $
Department of Revenue Services	General Fund – Precludes Revenue Loss	Potential	Potential
Office of the Attorney General	General Fund-Precludes Revenue Loss	Potential	Potential

The bill makes conforming changes to statutory sections affecting the Office of the Attorney General and Department of Revenue Services related to recent federal cigarette Master Settlement Agreement (MSA) arbitration. This precludes a potential future revenue loss by ensuring the enforcement of MSA provisions relating to certain cigarette manufacturers which are required in order to continue receiving full MSA funding. The 2014-2015 Biennial Budget allocates

$13 million of the $63 million in proceeds from the MSA arbitration to enforcement by the Office of the Attorney General and Department of Revenue Services.

Summary of Substitute Bill:

By law, tobacco product manufacturers that sell cigarettes in Connecticut must either (1) enter into, and perform financial obligations under, the master settlement agreement between Connecticut and four leading tobacco companies or (2) pay into a qualified escrow account a specified amount for each cigarette they sell in the state. Tobacco companies that choose the former option are considered to be "participating manufacturers" and those that choose the latter are "nonparticipating manufacturers."

This bill makes numerous changes to the state's tobacco settlement law to implement the Nonparticipating Manufacturer (NPM) Adjustment Settlement Agreement (i.e., the settlement between the state and participating tobacco manufacturers on May 24, 2013), which modified the tobacco master settlement agreement.

Among other things, the bill:

1. requires nonparticipating manufacturers to make quarterly, rather than annual, escrow fund payments beginning January 1, 2015;

2. changes the basis for calculating the escrow payments;

3. requires nonparticipating manufacturers to file a surety bond with the commissioner as a condition of having their brand families listed in the DRS directory;

4. makes any "importer" for a nonparticipating manufacturer located outside the U.S. jointly and severally liable with the manufacturer for escrow fund deposits and any penalties imposed for violating the escrow requirements;

5. imposes additional reporting requirements on cigarette manufacturers; and

6. allows the (a) DRS commissioner to disclose certain tax information to the attorney general if it is relevant to the state's implementation of the master or adjustment settlement agreements and (b) attorney general to disclose

the information under specific circumstances.

EFFECTIVE DATE: January 1, 2015

CHANGE OF REFERENCE BILLS FOR JF CONSIDERATION

1. Substitute for S.B. No. 30 AN ACT CONCERNING THE BOARD OF REGENTS FOR HIGHER EDUCATION INFRASTRUCTURE ACT. (HED,FIN)(JFS)

Fiscal Impact:

The bill authorizes a total of $103.5 million in additional General Obligation bonds ($80 million in FY 15 and $23.5 million in FY 16) for the Connecticut State Colleges and Universities (CSCU) 2020 infrastructure improvement program. The fiscal impact is summarized in the table below. Assuming that the first $80 million is allocated through the State Bond Commission during FY 15 and the Office of the State Treasurer issues the bonds before the end of FY 15, the debt service cost in FY 16 will be $8.0 million.

New GO Bond Authorization and Estimated Debt Service Cost
$ millions

Fiscal Year	Authorization Amount	Total Debt Service Cost*	Interest	Principal
FY 15	80.00	122.00	42.00	80.00
FY 16	23.50	35.84	12.34	23.50
TOTAL	**103.50**	**157.84**	**54.34**	**103.50**
*Figures assume that bonds are issued at 5.0% over 20 year term				

It should be noted that sSB 29 cancels $20 million in previously authorized General Obligation bonds for projects at campuses of the Regional Community Technical College system, which would partially offset the $80 million increase for CSCU 2020 in FY 15.

Summary of Substitute Bill:
This bill, among other things:

1. authorizes $103.5 million in new bonding under the CSUS 2020 infrastructure program (renamed by the bill as the CSCU 2020 program),

2. expands the program to include the regional community-technical colleges

and Charter Oak State College,

3. extends the program by one year (to FY 19),

4. allows the Board of Regents to revise project amounts without legislative approval if the revision is due to reallocating unspent funds from a completed project, and

5. requires the Board of Regents to report biennially to the legislature concerning how it (a) allocated project funds among the state universities and community colleges and (b) reallocated unspent funds from completed projects.

EFFECTIVE DATE: July 1, 2014

2. S.B. No. 114 (RAISED) AN ACT ESTABLISHING A PROPERTY TAX PROGRAM TO ENCOURAGE THE PRESERVATION OF HISTORIC AGRICULTURAL STRUCTURES. (PD,FIN)(JF)

Fiscal Impact:

Municipality Affected	Effect	FY 15 $	FY 16 $
Various	Grand List Reduction	None	Potential

The bill allows municipalities to enter into agreements with the owners of historical agricultural structures in which an owner agrees to maintain the historical character of a structure in exchange for a property tax break.

Municipalities that choose to do this would experience a levy loss that would vary based on: 1) the number of agreements entered into; 2) the value of properties involved; and 3) the size of the tax break given.

Summary:

This bill authorizes municipalities to establish, by ordinance, a property tax incentive program to encourage the preservation of certain historic agricultural structures (e.g., barns and stonewalls). Under the program, a property owner agrees to convey to a municipality a preservation easement for up to 10 years in exchange for property tax abatement. The owner must maintain the structure in keeping with its historic integrity and character. The bill allows municipalities to penalize property owners who fail to do so.

EFFECTIVE DATE: Upon passage

3. S.B. No. 266 (RAISED) AN ACT CONCERNING PROPERTY TAX RELIEF FOR MEMBERS OF THE ARMED FORCES ON ACTIVE DUTY OUTSIDE OF THE UNITED STATES. (PD)(JFS)

Fiscal Impact:

Municipality Affected	Effect	FY 15 $	FY 16 $
Various	Revenue Loss	Potential	Potential

The bill: 1) requires municipalities not to charge interest on property taxes owed by active duty members of the Armed Forces for more than one year; and 2) expands this requirement to members of the Armed Forces for any military operation.

These changes result in a loss of revenue to municipalities, as they expand the number of people who are not charged interest on property taxes, and expand the amount of time for which they are not charged interest.

Summary of Substitute Bill:

This bill (1) expands the existing waiver of property tax interest for certain U.S. armed forces members to include those called to active service for specific military operations anywhere, not just in Iraq or Afghanistan, and (2) makes the waiver permanent, rather than for one year. As under current law, the waiver applies to any state resident who is (1) a member of the armed forces of the United States, a state, or the reserves; (2) called to active service for military operations that the President authorizes; and (3) serving outside the United States on the final day the property tax payment is due.

EFFECTIVE DATE: October 1, 2014, and applicable to assessment years starting on or after that date.

4. S.B. No. 370 (RAISED) AN ACT EXPANDING THE TAX CREDIT FOR APPRENTICESHIP TRAINING PROGRAMS. (HED,FIN)JF)

Fiscal Impact:

Agency Affected	Effect	FY 15 $	FY 16 $
Department of Labor	General Fund – Cost	Up to $500,000	Up to $500,000
Department of Revenue Services	General Fund – Revenue Loss	Out Year Impact Only	Out Year Impact Only

The bill expands the apprenticeship training tax credit against the Corporation Business Tax to include apprenticeships in biotechnology, computer coding, and the technology trades. This results in an estimated revenue loss of up to $2.1 million annually as early as FY 19. The revenue loss occurs in the out years because the bill specifies the apprenticeship program must be at least four years in duration. The actual timing of the revenue loss is dependent upon the timing of completion of the apprenticeship program by participants, as that is when the tax credit is awarded under the bill.

The bill also results in a cost of up to $500,000 annually beginning in FY 15 to the Department of Labor to certify and administer an apprenticeship program in the biotechnology, computer coding, and technology trades. This estimate is based on the actual cost of administering an apprenticeship program for the manufacturing and construction trades, which was approximately $497,000 in FY 13.

Summary:
This bill establishes a credit against the corporation business tax for apprenticeships in biotechnology, computer coding, and technology trades. The apprenticeship must last at least four years, be certified in accordance with regulations adopted by the labor commissioner, and registered with the Connecticut State Apprenticeship Council. The credit equals $2 per hour completed by the apprentice and is awarded upon the apprentice completing the program. The credit cannot exceed $4,000 or 50% of actual wages paid over the first four income years of the apprenticeship, whichever is less.

EFFECTIVE DATE: July 1, 2014, and applicable to income years commencing on or after January 1, 2014

5. S.B. No. 475 (RAISED) AN ACT CONCERNING AUTHORIZATION OF STATE GRANT COMMITMENTS FOR SCHOOL BUILDING PROJECTS

AND CONCERNING CHANGES TO THE STATUTES CONCERNING SCHOOL BUILDING PROJECTS. (ED)(JF)

Fiscal Impact:

Agency Affected	Fund-Effect	FY 14 $	FY 15 $
Treasurer, Debt Serv.	GF - Cost	None	575.4 million

Municipalities	Effect	FY 14 $	FY 15 $
Various Municipalities	Revenue Gain	None	220.6

Section 1 of the bill approves a total of $377.3 million in state grant commitments for school construction projects, including: (1) $180.7 million for 21 new projects on the education commissioner's project priority list and (2) $196.5 million for nine previously-authorized projects that have changed substantially (more than 10%) in cost or scope. The grants-in-aid will be financed through the issuance of $377.3 million in General Obligation (GO) bonds, which will result in a General Fund debt service cost of $575.4 million ($377.3 million in principal and $198.1 million in interest), assuming a 5% rate of interest and a 20 year term of issuance. Approximately $220.6 million of the $377.3 million in GO bond principal represents a revenue gain to various municipalities whose projects are included on the priority list.

Summary:

This bill authorizes the administrative services commissioner to enter into grant commitments on behalf of the state for 21 new school construction projects. It authorizes state bond funds for grants of $180,715,093 related to total project costs of $309,312,265. It also reauthorizes and changes bond grant commitments, due to cost and scope changes, for (1) six previously authorized local projects and (2) three previously authorized technical high school projects. The reauthorizations result in a $196,576,448 increase in the state grant commitment.

EFFECTIVE DATE: Upon passage for grant authorizations, July 1, 2014 for other provisions.

6. Substitute for H.B. No. 5057 (RAISED) AN ACT CONCERNING THE ASSESSMENT OF HORSES AND PONIES AND FARM MACHINERY AND

THE TRANSFER OF LAND CLASSIFIED AS FARM LAND, OPEN SPACE LAND, FOREST LAND AND MARINE HERITAGE LAND. (PD,FIN)(JF)

Fiscal Impact:

Municipality Affected	Effect	FY 15 $	FY 16 $
Various	Grand List Reduction	None	Potential

The bill allows municipalities to exempt horses and ponies valued at more than $1,000 from property taxes. It also expands the mandatory property tax exemption for farm machinery from an assessed value of $70,000 to an assessed value of $100,000.

Municipalities will incur a grand list reduction due to the expansion of the mandatory property tax exemption for farm machinery. Municipalities will incur an additional grand list reduction if they choose to exempt horses and ponies valued at $1,000 or more. These grand list reductions would result in a loss of tax levy, given a constant mill rate.

The 2011 statewide Grand List included 1,927 horses and 3,260 pieces of farm machinery. The estimated cumulative net assessed value (gross assessed value less current exemptions) of horses and farm machinery on the 2011 statewide grand list is $38.8 million.

Summary:

This bill makes changes to the "490 program," in which eligible farm, forest, open space, and maritime heritage land is assessed for property tax purposes based on its current use, rather than its full market value. Generally, it:

1. eliminates a conflicting provision concerning the application deadline for forest land classification;

2. modifies notice and filing requirements for transfers of 490 property that are exempt from a conveyance tax;

3. specifies, with one exception, that these exempt transfers do not affect the 10-year period for purposes of determining a landowner's obligation for the tax;

4. requires landowners to file a new, rather than revised, program application with the town assessor whenever land in the program is sold; and

5. extends the date by which an assessor must file certain information with the town clerk for 490 program property in a revaluation year.

The bill also (1) allows municipalities to exempt horses and ponies from local property taxes, regardless of their use; (2) expands the mandatory property tax exemption for farm machinery; and (3) extends the application deadline for property tax exemptions for farm machinery, horses, and buildings for farmers granted an extension to submit their personal property tax declarations.

EFFECTIVE DATE: October 1, 2014, and applicable to assessment years starting on or after that date.

7. H.B. No. 5081 (RAISED) AN ACT CONCERNING PHOSPHOROUS REDUCTION REIMBURSEMENTS TO MUNICIPALITIES. (ENV,FIN)(JF)

Fiscal Impact:

Estimated Future Debt Service Cost for Phosphorus Reduction Reimbursements $ millions

Future GO Bond Authorization	Total Debt Service Cost*	Interest	Principal
72.0	109.8	37.80	72.0
*Figures assume that bonds are issued at 5.0% over 20 year term			

Allowing certain municipalities to receive the 50% reimbursement rate for all phosphorus reduction projects is anticipated to increase future General Obligation bonding requirements for the Clean Water Fund Program by approximately $72 million. The timing of the General Fund debt service impact will depend upon the year in which the bonds are authorized.

Summary:

This bill expands the number of municipalities eligible to receive increased clean water fund grants for certain phosphorus removal projects. It does so by extending eligibility for the increased grants, which cover 50% of phosphorus removal costs, to all those with contracts entered into by July 1, 2018. By law, other phosphorus removal projects are eligible for clean water financing as nutrient removal projects and receive a grant of 30% of the costs associated with the nutrient removal.

Current law limits eligibility to the first construction contracts awarded by municipalities by that date, but if there are more than three eligible projects, DEEP must prioritize them based on permitted phosphorus discharge limits and the amount of phosphorus removed each year. The bill retains this prioritization for issuing the funds.

Clean water funds are financed through a combination of federal funds, state general obligation bonds, and state revenue bonds. The general obligation bonds fund the grants; the revenue bonds, the loans.

EFFECTIVE DATE: Upon passage

8. H.B. No. 5140 (RAISED) AN ACT CONCERNING PROPERTY TAX RELIEF ON CERTAIN REAL PROPERTY HELD IN TRUST. (PD,FIN)(JF)

Fiscal Impact:

Municipality Affected	Effect	FY 15 $	FY 16 $
Various	Grand List Reduction	None	Potential

The bill allows municipalities to exempt from property taxes land held in trust and used as a principal residence for certain elderly or disabled homeowners. Any municipality that chose to do this would experience a reduction in their grand list, which would result in a loss of tax revenue, given a constant mill rate.

Summary:

Existing law authorizes municipalities to provide property tax relief to homeowners who have been taxpayers in the town for at least a year and are (1) at least age 65 or (2) permanently and totally disabled. This bill allows municipalities to offer the tax relief to qualifying homeowners if they occupy as their principal residence a property held in trust for them. Current law authorizes such relief only when the eligible resident owns and occupies the property.

EFFECTIVE DATE: October 1, 2014, and applicable to assessment years starting on or after that date.

9. Substitute for H.B. No. 5307 (RAISED) AN ACT REVISING CERTAIN REQUIREMENTS FOR THE REGISTRATION OF RADIOACTIVE MATERIALS. (ENV)(JFS)

Fiscal Impact:

Agency Affected	Effect	FY 15 $	FY 16 $
Department of Energy and Environmental Protection	General Fund – Revenue Loss	None	157,370

Municipality Affected	Effect	FY 15 $	FY 16 $
Various	Revenue Gain	None	7,200

The bill changes the Department of Energy and Environmental Protection (DEEP) registration requirements for radioactive requirements, from annually to bi-annual odd numbered years, and adjusts the fee, from $200 to $400, effective July 1, 2015. This results in a revenue loss to DEEP in FY 16 of $150,170.

The bill also exempts the fee for fire departments registering chemical detectors containing radioactive material. This municipal exemption results in a municipal revenue gain of $7,200 annually and a revenue loss to DEEP of the same amount.

Summary of Substitute Bill:

This bill exempts fire departments that register chemical detectors with radioactive material from paying a DEEP registration fee. Under current law, the annual fee is $200. People, businesses, and municipalities that conduct or plan to conduct any operation involving ionizing radiation and radioactive materials must register with the DEEP commissioner.

The bill also makes the registration biennial, with the registration occurring in odd-numbered years, and adjusts the registration fee accordingly.

EFFECTIVE DATE: July 1, 2015

Appendix A

Proforma statutory bond cap calculation

FY 15 Bond Package Revisions			Governor's Proposed FY 15 Bonding Revisions		
	July 1, 2014			July 1, 2014	
	($ thousands)			($ thousands)	
Net Tax Revenues[1]	$15,011,500		Net Tax Revenues[1]	$15,011,500	
Multiplier	1.6		Multiplier	1.6	
Debt Limit	**$24,018,400**		**Debt Limit**	**$24,018,400**	
Calculation of Bonds Subject to Debt Limit			**Calculation of Bonds Subject to Debt Limit**		
Net Indebtedness	$20,467,373	85.2%	Net Indebtedness	$20,382,573	84.9%
Debt Incurring Margin	$3,551,027		Debt Incurring Margin	$3,635,827	
90% Limit	**$21,616,560**		**90% Limit**	**$21,616,560**	
Debt Incurring Margin to 90% Limit	**$1,149,187**		**Debt Incurring Margin to 90% Limit**	**$1,233,987**	
[1] The net tax revenue figures adopted by the Finance Committee during the 2013 Legislative Session.			[1] The net tax revenue figures adopted by the Finance Committee during the 2013 Legislative Session.		

Appendix A: Revisions to FY 15 Bond Authorizations							
		Current Law	Governor's Proposed		Committee		Difference
Act/Section	Agency/Description	FY 15 $	Adjustment $	TOTAL $	Adjustment $	TOTAL $	Com v. Gov $
GO Bond Authorizations							
Office of Legislative Management							
NEW	Information technology, facilities, SCPD, reseal LOB atrium glass, fix leak in concourse and repair LOB roof gutters and drainage piping	-	-	-	4,892,200	4,892,200	4,892,200
NEW	CT-N production and studio equipment	-	-	-	3,230,000	3,230,000	3,230,000
Connecticut Public Broadcasting Network (Comptroller's Office)							
NEW	Grant-in-aid for transmission, broadcast, production and information technology equipment	-	-	-	3,300,000	3,300,000	3,300,000
Office of Governmental Accountability							
SB 29, Sec. 2(a)	Information technology improvements	-	1,000,000	1,000,000	1,000,000	1,000,000	-
Office of Policy and Management							
PA 13-239 Sec. 21(a)(1)	Design and implementation of consolidation of higher education systems with the state's CORE system	5,000,000	-	5,000,000	-	5,000,000	-
PA 13-239 Sec. 21(a)(2)	Design and implementation of the Criminal Justice Information Sharing System	5,500,000	-	5,500,000	-	5,500,000	-
PA 13-239 Sec. 21(a)(3) SB 29, Sec. 31	Information technology capital investment program	25,000,000	25,000,000	50,000,000	25,000,000	50,000,000	-
PA 13-239 Sec. 32(a) SB 29, Sec. 35	Grants-in-aid to private, nonprofit health and human service organizations that <u>receive funds from the state to provide direct health or human services to state agency clients,</u> for alterations, renovations, improvements, additions and new construction, including health, safety, compliance with the Americans with Disabilities Act and energy conservation improvements, information technology systems, technology for independence and purchase of vehicles	20,000,000	30,000,000	50,000,000	30,000,000	50,000,000	-
PA 13-239, Sec. 52	Small Town Economic Assistance Act (STEAP)	20,000,000	-	20,000,000	-	20,000,000	-
PA 13-239, Sec. 54	Local Capital Improvement Program (LoCIP)	30,000,000	-	30,000,000	-	30,000,000	-
PA 13-239, Sec. 51 SB 29, Sec. 23	Urban Action Program; **ADD: $10 million for an intermodal transportation facility in northeastern Connecticut**	50,000,000	50,000,000	100,000,000	60,000,000	110,000,000	10,000,000

		Current Law	Governor's Proposed		Committee		Difference
Act/Section	Agency/Description	FY 15 $	Adjustment $	TOTAL $	Adjustment $	TOTAL $	Com v. Gov $
PA 13-239, Sec. 53	Capital Equipment Purchase Fund	35,000,000	-	35,000,000	-	35,000,000	-
SB 29, Sec.	Transit-oriented development predevelopment fund	-	7,000,000	7,000,000	7,000,000	7,000,000	-
PA 13-239, Sec. 55	Grants-in-aid to municipalities distributed for municipal purposes	56,429,907	-	56,429,907	-	56,429,907	-
Department of Veterans' Affairs							
PA 13-239 Sec. 21(b)	Alterations, renovations and improvements to buildings and grounds	750,000	-	750,000	-	750,000	-
SB 29, Sec. 2(c)(1)	State matching funds for federal grants-in-aid for renovations and code required improvements to existing facilities	-	1,409,450	1,409,450	1,409,450	1,409,450	-
SB 29, Sec. 2(c)(2)	Planning and feasibility study for additional veterans housing at the Rocky Hill campus, including demolition of vacant buildings	-	500,000	500,000	500,000	500,000	-
Department of Administrative Services							
PA 13-239 Sec. 21(c)(1)	Alterations and improvements in compliance with the Americans with Disabilities Act, or for improved accessibility to state facilities	2,000,000	-	2,000,000	-	2,000,000	-
PA 13-239 Sec. 21(c)(2)	Infrastructure repairs and improvements, including fire, safety and compliance with the Americans with Disabilities Act improvements, improvements to state-owned buildings and grounds, including energy conservation and off-site improvements, and preservation of unoccupied buildings and grounds, including office development, acquisition, renovations for additional parking and security improvements at state-occupied buildings	25,000,000	-	25,000,000	-	25,000,000	-
PA 13-239 Sec. 21(c)(3)	Removal or encapsulation of asbestos in state-owned buildings	10,000,000	-	10,000,000	-	10,000,000	-
NEW	Fire training schools	-	-	-	15,777,672	15,777,672	15,777,672
PA 13-239, Sec. 58	School construction grants-in-aid - progress payments. CGS Sec. 10-287d	469,900,000	-	469,900,000	-	469,900,000	-
PA 13-239, Sec. 59	School construction grants-in-aid - interest payments. CGS Sec. 10-292k	4,300,000	-	4,300,000	-	4,300,000	-
Department of Emergency Services and Public Protection							
PA 13-239 Sec. 21(d)(1)	Replacement and upgrade of radio communication systems	45,000,000	-	45,000,000	-	45,000,000	-
PA 13-239 Sec. 21(d)(2) SB 29, Sec. 32	Alterations and improvements to buildings and grounds, including utilities, mechanical systems and energy conservation projects	5,000,000	3,000,000	8,000,000	-	5,000,000	(3,000,000)

		Current Law	Governor's Proposed		Committee		Difference
Act/Section	**Agency/Description**	**FY 15 $**	**Adjustment $**	**TOTAL $**	**Adjustment $**	**TOTAL $**	**Com v. Gov $**
Department of Motor Vehicles							
PA 13-239 Sec. 21(e)	Alterations, renovations and improvements to buildings and grounds	1,697,000	-	1,697,000	-	1,697,000	-
Military Department							
PA 13-239 Sec. 21(f)(1)	Alterations and improvements to buildings and grounds, including utilities, mechanical systems and energy conservation	1,000,000	-	1,000,000	-	1,000,000	-
PA 13-239 Sec. 21(f)(2)	State matching funds for anticipated federal reimbursable projects	2,000,000	-	2,000,000	-	2,000,000	-
Office of the Healthcare Advocate							
SB 29, Sec. 2(d)	Development, acquisition and implementation of Health Information Technology systems and equipment in support of the State Innovation Model	-	1,900,000	1,900,000	1,900,000	1,900,000	-
Department of Labor							
SB 29, Sec. 9(a)	Subsidized Training and Employment program (STEP)	-	10,000,000	10,000,000	10,000,000	10,000,000	-
Department of Agriculture							
PA 13-239 Sec. 32(b)	Farm Reinvestment Program	500,000	-	500,000	-	500,000	-
PA 13-239, Sec. 63	Farmland Preservation Program. CGS Sec. 22-26hh	10,000,000	-	10,000,000	-	10,000,000	-
Agricultural Experiment Station							
SB 29, Sec. 2(e)	Planning and design for additions and renovations to the Valley Laboratory in Windsor	-	1,000,000	1,000,000	1,000,000	1,000,000	-
Department of Energy and Environmental Protection							
PA 13-239 Sec. 21(g)(1)	Dam repairs, including state-owned dams	5,000,000	-	5,000,000	-	5,000,000	-
PA 13-239 Sec. 21(g)(2)	Energy efficiency and renewable energy projects in state-owned buildings	25,000,000	-	25,000,000	-	25,000,000	-
PA 13-239 Sec. 21(g)(3)	Various flood control improvements, flood repair, erosion damage repairs and municipal dam repairs	6,900,000	-	6,900,000	-	6,900,000	-
PA 13-239 Sec. 21(g)(4)	Recreation and Natural Heritage Trust Program for recreation, open space, resource protection and resource	10,000,000	-	10,000,000	-	10,000,000	-
PA 13-239 Sec. 32(c)(1)	Grants-in-aid to municipalities for open space land acquisition and development for conservation or recreational	10,000,000	-	10,000,000	-	10,000,000	-
PA 13-239 Sec. 32(c)(2)	Grants-in-aid to municipalities for improvements to incinerators and landfills, including, but not limited to, bulky waste landfills	1,000,000	-	1,000,000	-	1,000,000	-

		Current Law	Governor's Proposed		Committee		Difference
Act/Section	**Agency/Description**	**FY 15 $**	**Adjustment $**	**TOTAL $**	**Adjustment $**	**TOTAL $**	**Com v. Gov $**
PA 13-239 Sec. 32(c)(3)	Grants-in-aid for identification, investigation, containment, removal or mitigation of contaminated industrial sites in urban areas	5,000,000	-	5,000,000	-	5,000,000	-
PA 13-239 Sec. 32(c)(4)	Grants-in-aid to municipalities for potable water	1,000,000	-	1,000,000	-	1,000,000	-
PA 13-239, Sec. 65	Clean Water Fund grants-in-aid - GO Bonds. CGS Sec. 22a-483(a)	218,000,000	-	218,000,000	-	218,000,000	-
PA 13-239, Sec. 66	Clean Water Fund loans - Revenue Bonds. CGS Sec. 22a-483(d)	331,970,000	-	331,970,000	-	331,970,000	-
PA 13-239 Sec. 32(c)(1)	Grants-in-aid to establish energy microgrids to support critical municipal infrastructure.	15,000,000	-	15,000,000	-	15,000,000	-
PA 12-189, Sec. 48	Underground Storage Tank (UST) Program	9,000,000	-	9,000,000	-	9,000,000	-
NEW	Grants-in-aid or reimbursements for up to $1,000 for the initial installation of a dropbox for prescription drugs	-	-	-	100,000	100,000	100,000
Department of Economic and Community Development							
SB 29, Sec. 24	Manufacturing Assistance Act	-	100,000,000	100,000,000	100,000,000	100,000,000	-
SB 29, Sec. 9(b)	Connecticut Advanced Manufacturing Fund; **ADD: advanced composite materials research and development**	-	25,000,000	25,000,000	30,000,000	30,000,000	5,000,000
NEW	Grant-in-aid to the Northeast Connecticut Economic Development Alliance	-	-	-	2,000,000	2,000,000	2,000,000
NEW	Grants-in-aid for cultural and historic projects	-	-	-	10,000,000	10,000,000	10,000,000
PA 13-239 Sec. 32(d)(1)	Grants-in-aid to nursing homes for alterations, renovations and improvements for conversion to other uses in support of right-sizing	10,000,000	-	10,000,000	-	10,000,000	-
PA 13-239 Sec. 32(d)(2)	Small Business Express Program	50,000,000	-	50,000,000	-	50,000,000	-
PA 13-239 Sec. 32(d)(3)	Brownfield remediation and redevelopment projects	10,000,000	-	10,000,000	-	10,000,000	-
PA 13-184, Sec. 95	Purchase of urban and industrial sites reinvestment tax credits	20,000,000	-	20,000,000	-	20,000,000	-
PA 07-242, Sec. 2	Energy Conservation Loan Fund	5,000,000	-	5,000,000	-	5,000,000	-
Connecticut Innovations, Inc.							
PA 13-239 Sec. 32(e) SB 29, Sec. 36	Change name of fund and transfer from DPH: New name - Regenerative Medicine Research Fund (formerly the Stem Cell Research Fund)	10,000,000	-	10,000,000	-	10,000,000	-
SB 29, Sec. 22	Regenerative Medicine Research Fund - Provide $10 million in each of FY 16 & FY 17	-	-	-	-	-	-

		Current Law	Governor's Proposed		Committee		Difference
Act/Section	Agency/Description	FY 15 $	Adjustment $	TOTAL $	Adjustment $	TOTAL $	Com v. Gov $
PA 11-1, OSS, Sec. 52	Recapitalize CII	25,000,000	-	25,000,000	-	25,000,000	-
Capital Region Development Authority							
PA 13-239 Sec. 21(h)	Alterations, renovations and improvements at the Connecticut Convention Center and Rentschler Field	3,727,500	-	3,727,500	-	3,727,500	-
Department of Housing							
PA 13-239 Sec. 28	Housing development and rehabilitation programs. **ADD: Not less than $20 million shall be used for homeownership for new home or home conversions in Hartford, New Haven, Bridgeport, New London and New Britain**	70,000,000	-	70,000,000	-	70,000,000	-
PA 13-239, Sec. 56	Housing Trust Fund	30,000,000	-	30,000,000	-	30,000,000	-
SB 29, Sec.	Shoreline resiliency fund	-	25,000,000	25,000,000	25,000,000	25,000,000	-
Department of Developmental Services							
PA 13-239 Sec. 21(i)	Fire, safety and environmental improvements to regional facilities and intermediate care facilities for client and staff needs, including improvements in compliance with current codes, site improvements, handicapped access improvements, utilities, repair or replacement of roofs, air conditioning and other interior and exterior building renovations and additions at all state-owned facilities	5,000,000	-	5,000,000	-	5,000,000	-
Department of Mental Health and Addiction Services							
PA 13-239 Sec. 21(j)(2)	Design and installation of sprinkler systems, including related fire safety improvements, in direct patient care buildings	4,175,000	-	4,175,000	-	4,175,000	-
PA 13-239 Sec. 21(j)(1)	Fire, safety and environmental improvements to regional facilities for client and staff needs, including improvements in compliance with current codes, including intermediate care facilities and site improvements, handicapped access improvements, utilities, repair or replacement of roofs, air conditioning and other interior and exterior building renovations and additions at all state-owned facilities	5,000,000	-	5,000,000	-	5,000,000	-
Department of Social Services							
NEW	Grant-in-aid to Oak Hill for down payment assistance or capital improvements associated with Camp Hemlocks	-	-	-	1,000,000	1,000,000	1,000,000
Department of Rehabilitation Services							

		Current Law	Governor's Proposed		Committee		Difference
Act/Section	**Agency/Description**	**FY 15 $**	**Adjustment $**	**TOTAL $**	**Adjustment $**	**TOTAL $**	**Com v. Gov $**
NEW	Grant-in-aid for home modifications and assistive technology devices related to aging in place	-	-	-	5,000,000	5,000,000	5,000,000
Department of Education							
SB 29, Sec. 9(e)(1)	Grants-in-aid for alterations, repairs, improvements, technology, equipment and capital start-up costs, including acquisition costs, to expand the availability of high-quality school models, and assist in the implementation of common CORE state standards and assessments, in accordance with procedures established by the Commissioner of Education.	-	10,000,000	10,000,000	10,000,000	10,000,000	-
SB 29, Sec. 9(e)(2)	School Security Infrastructure Grant Program	-	10,000,000	10,000,000	22,000,000	22,000,000	12,000,000
SB 29, Sec. 44	School Security Infrastructure Grant Program notwithstanding that allows regional education service centers, charter schools and the technical high school system to apply for funding. **ADD: (1) private schools and (2) real time interoperable communications and multimedia**	-	-	-	-	-	-
PA 13-239 Sec. 21(k)	For the regional vocational-technical school system: Alterations and improvements to buildings and grounds, including new and replacement equipment, tools and supplies necessary to update curricula, vehicles and technology upgrades at all regional vocational-technical	15,500,000	-	15,500,000	-	15,500,000	-
PA 13-239 Sec. 32(g)(1) SB 29, Sec. 38	Grants-in-aid for the purpose of capital start-up costs related to the development of new interdistrict magnet school programs to assist the state in meeting the goals of the [2008] current stipulation and order for Milo Sheff, et al. v. William A. O'Neill, et al., for the purpose of purchasing a building or portable classrooms, subject to the reversion provisions in subdivision (1) of subsection (c) of section 10-264h of the general statutes, leasing space, and purchasing equipment, including, but not limited to, computers and classroom	7,500,000	9,900,000	17,400,000	9,900,000	17,400,000	-
PA 13-239 Sec. 32(g)(3)	Grant-in-aid to assist targeted local and regional school districts for alterations, repairs, improvements, technology and equipment in low-performing schools	10,000,000	-	10,000,000	-	10,000,000	-
PA 13-239, Sec. 57	Grants-in-aid to assist charter schools with capital expenses	5,000,000	-	5,000,000	-	5,000,000	-
Office of Early Childhood							
NEW	Pre-K competitive grant program: Total authorization of $100 million over 10 years - $10 million automaticallly authorized and allocated each year	-	-	-	10,000,000	10,000,000	10,000,000

		Current Law	Governor's Proposed		Committee		Difference
Act/Section	**Agency/Description**	**FY 15 $**	**Adjustment $**	**TOTAL $**	**Adjustment $**	**TOTAL $**	**Com v. Gov $**
PA 13-239 Sec. 32(g)(2) SB 29, Sec. 39	Transfer from SDE: Grants-in-aid to municipalities and organizations exempt from taxation under Section 501(c)(3) of the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as amended from time to time, for facility improvements and minor capital repairs to that portion of facilities that house school readiness programs and state-funded day care centers operated by such municipalities and organizations	15,000,000	-	15,000,000	-	15,000,000	-
SB 29, Sec. 25	Transfer from SDE: Grants-in-aid for minor capital improvements and wiring for technology for school readiness programs. PA 07-7, (JSS), Sec. 32(h)(2). Unallocated balance $1.5 million.	-	-	-	-	-	-
SB 29, Sec. 28	Transfer from SDE: Grants-in-aid to municipalities and organizations exempt from taxation under Section 501(c)(3) of the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as amended from time to time, for facility improvements and minor capital repairs to that portion of facilities that house school readiness programs and state-funded day care centers operated by such municipalities and organizations. PA 12-189, Sec. 9(e)(4). Unallocated balance $10 million.	-	-	-	-	-	-
SB 29, Sec. 29	Transfer from SDE: Grants-in-aid to municipalities and organizations exempt from taxation under Section 501(c)(3) of the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as amended from time to time, for facility improvements and minor capital repairs to that portion of facilities that house school readiness programs and state-funded day care centers operated by such municipalities and organizations. PA 13-239 13(h)(2). Unallocated balance $5,898,768.	-	-	-	-	-	-
State Library							
PA 13-239 Sec. 32(h)	Grants-in-aid to public libraries that are not located in distressed municipalities, as defined in section 32-9p of the general statutes, for construction, renovations, expansions, energy conservation and handicapped accessibility	5,000,000	-	5,000,000	-	5,000,000	-
NEW	eBooks	-	-	-	2,200,000	2,200,000	2,200,000

		Current Law	Governor's Proposed		Committee		Difference
Act/Section	Agency/Description	FY 15 $	Adjustment $	TOTAL $	Adjustment $	TOTAL $	Com v. Gov $
Board of Regents for Higher Education: Regional Community College System							
PA 13-239 Sec. 21(l)(1)(A)	Cancellation: All Community Colleges: New and replacement instruction, research or laboratory equipment	5,000,000	(5,000,000)	-	(5,000,000)	-	-
PA 13-239 Sec. 21(l)(1)(B) SB 29, Sec. 33	Cancellation: All Community Colleges: System Technology Initiative	5,000,000	(5,000,000)	-	(5,000,000)	-	-
PA 13-239 Sec. 21(l)(1)(c) SB 29, Sec. 33	Cancellation: All Community Colleges: Alterations, renovations and improvements to facilities including fire, safety, energy conservation and code compliance	5,000,000	(5,000,000)	-	(5,000,000)	-	-
PA 13-239 Sec.	Housatonic Community College: Parking garage improvements	3,907,258	-	3,907,258	-	3,907,258	-
PA 13-239 Sec.	Housatonic Community College: Implementation of phase III of the master plan for renovations and additions to Lafayette	40,467,047	-	40,467,047	-	40,467,047	-
PA 13-239 Sec. 21(l)(3)	Middlesex Community College: Planning, design and construction of a new academic building	39,200,000	-	39,200,000	-	39,200,000	-
Department of Correction							
PA 13-239 Sec. 21(m)	Renovations and improvements to existing state-owned buildings for inmate housing, programming and staff training space and additional inmate capacity, and for support facilities and off-site improvements	10,000,000	-	10,000,000	-	10,000,000	-
Department of Children and Families							
PA 13-239 Sec. 21(n)	Alterations, renovations and improvements to buildings and grounds	1,515,000	-	1,515,000	-	1,515,000	-
Judicial Department							
PA 13-239 Sec. 21(o)(1)	Alterations, renovations and improvements to buildings and grounds at state-owned and maintained facilities	7,500,000	-	7,500,000	-	7,500,000	-
PA 13-239 Sec. 21(o)(2)	Development of a juvenile court building in Meriden or Middletown	13,000,000	-	13,000,000	-	13,000,000	-
PA 13-239 Sec. 21(o)(3)	Mechanical upgrades and code-required improvements at the superior courthouse in New Haven	8,500,000	-	8,500,000	-	8,500,000	-
PA 13-239 Sec. 21(o)(4)	Security improvements at various state-owned and maintained facilities	1,000,000	-	1,000,000	-	1,000,000	-
Department of Transportation							
PA 13-239 Sec. 32(f) SB 29, Sec. 37	Grants-in-aid for improvements to deep water ports, including dredging	5,000,000	20,000,000	25,000,000	20,000,000	25,000,000	-

		Current Law	Governor's Proposed		Committee		Difference
Act/Section	**Agency/Description**	**FY 15 $**	**Adjustment $**	**TOTAL $**	**Adjustment $**	**TOTAL $**	**Com v. Gov $**
SB 29, Sec. 9(d)	Transfer Town Aid Road from STO bond funds to GO bond funds	-	60,000,000	60,000,000	60,000,000	60,000,000	-
Connecticut Public Broadcasting Network							
NEW	Grant-in-aid to purchase equipment, including transmission, broadcast, production and information technology	-	-	-	3,300,000	3,300,000	3,300,000
Other Provisions							
NEW	Technical corrections	-	-	-	-	-	
Total GO New Bond Authorizations		**1,580,968,712**	**375,709,450**	**1,955,678,162**	**460,509,322**	**2,041,478,034**	**84,799,872**
Cancellation of Prior Year Authorizations							
SB 29, Sec. 27	Cancellation: Alterations, renovations and improvements to facilities, including fire, safety, energy conservation and code compliance. PA 11-57, Sec. 21(l)(1)(A)	0	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)	-
Automatic Authorization/Allocation							
PA 95-230	UConn 2000	315,500,000	-	315,500,000	-	315,500,000	-
PA 07-7, Sec. 105 SB 30, Secs. 4-6	CSUS 2020 Original plan provided $95 million in each of FY 15 and FY 16. Revised plan provides an additional $80 million in FY 15 and $23.5 million in FY 16.	95,000,000	80,000,000	175,000,000	80,000,000	175,000,000	-
PA 11-2, OSS	Connecticut Bioscience Collaboration Program (Jackson Lab)	19,669,000	-	19,669,000	-	19,669,000	-
PA 13-239, Secs. 70-73	Bioscience Innovation Fund	15,000,000	-	15,000,000	-	15,000,000	-
	Total Automatic Authorization/Allocation	**445,169,000**	**80,000,000**	**525,169,000**	**80,000,000**	525,169,000	-
TOTAL General Obligation (GO) New Bond Authorizations		**2,026,137,712**	**450,709,450**	**2,480,847,162**	**535,509,322**	2,561,647,034	84,799,872
Clean Water Fund Revenue Bonds		**331,970,000**	**-**	**331,970,000**	**-**	331,970,000	-

		Current Law	Governor's Proposed		Committee		Difference
Act/Section	**Agency/Description**	**FY 15 $**	**Adjustment $**	**TOTAL $**	**Adjustment $**	**TOTAL $**	**Com v. Gov $**
FY 15 Special Tax Obligation Bond Authorizations: Department of							
Act/Section	**Agency/Description**	**FY 15 $**					
Bureau of Highways							
PA 13-239 Sec. 46	Interstate Highway Program	13,000,000	-	13,000,000	-	13,000,000	-
PA 13-239 Sec. 46	Urban Systems Projects	8,500,000	-	8,500,000	-	8,500,000	-
PA 13-239 Sec. 46	Intrastate Highway Program	44,000,000	-	44,000,000	-	44,000,000	-
PA 13-239 Sec. 46 SB 29, Sec. 41	Environmental compliance, soil and groundwater remediation, hazardous materials abatement, demolition, salt shed construction and renovation, storage tank replacement, and environmental emergency response at or in the vicinity of state-owned properties or related to Department of Transportation operations	13,990,000	6,700,000	20,690,000	6,700,000	20,690,000	-
PA 13-239 Sec. 46	State bridge improvement, rehabilitation and replacement projects	33,000,000	-	33,000,000	-	33,000,000	-
PA 13-239 Sec. 46	Capital resurfacing and related reconstruction projects	68,900,000	-	68,900,000	-	68,900,000	-
PA 13-239 Sec. 46	Fix-It-First Bridge Repair	60,440,000	-	60,440,000	-	60,440,000	-
PA 13-239 Sec. 46	Fix-It-First Road Repair	55,000,000	-	55,000,000	-	55,000,000	-
PA 13-239 Sec. 46	Local Transportation Capital Program	45,000,000	-	45,000,000	-	45,000,000	-
PA 13-239 Sec. 46	Local Bridge Program	-	10,000,000	10,000,000	10,000,000	10,000,000	-
PA 13-239, Secs. 74 - 82	Local Transportation Capital Program and Local Bridge Program provisions	-	-	-	-	-	-
PA 13-239 Sec. 46 SB 29, Sec. 42	Town Aid Road Program - Transfer from STO bond funds to GO bond funds	60,000,000	(60,000,000)	-	(60,000,000)	-	-
SB 29, Sec. 17(a)	Development of a comprehensive asset management plan in accordance with federal requirements	-	10,000,000	10,000,000	10,000,000	10,000,000	-
SB 29, Sec. 17(b)	Highway and bridge renewal equipment	-	5,400,000	5,400,000	5,400,000	5,400,000	-
NEW	Reconfigure existing ramp off of the Merritt Parkway in Westport	-	-	-	3,000,000	3,000,000	3,000,000

		Current Law	Governor's Proposed		Committee		Difference
Act/Section	**Agency/Description**	**FY 15 $**	**Adjustment $**	**TOTAL $**	**Adjustment $**	**TOTAL $**	**Com v. Gov $**
Bureau of Aviation and Ports							
PA 13-239 Sec. 46	Development and improvement of general aviation airport facilities including grants-in-aid to municipal airports, excluding Bradley International Airport	2,000,000	-	2,000,000	-	2,000,000	-
Bureau of Public Transportation							
PA 13-239 Sec. 46 SB 29, Sec. 43	Bus and rail facilities and equipment, including rights-of-way, other property acquisition and related projects	143,000,000	17,650,000	160,650,000	17,650,000	160,650,000	-
Bureau of Administration							
PA 13-239 Sec. 46	Department facilities	16,000,000	-	16,000,000	-	16,000,000	-
PA 13-239 Sec. 46	Cost of issuance of Special Tax Obligation Bonds and debt service reserve	26,000,000	-	26,000,000	-	26,000,000	-
TOTAL STO Bond Authorizations		**588,830,000**	**(10,250,000)**	**578,580,000**	**(7,250,000)**	581,580,000	3,000,000
	TOTAL GO Bonds	1,580,968,712	375,709,450	1,955,678,162	460,509,322	2,041,478,034	84,799,872
	TOTAL Cancellations	0	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)	-
	TOTAL Automatic Authorization/Allocation GO bonds	445,169,000	80,000,000	525,169,000	80,000,000	525,169,000	-
	TOTAL CWF Revenue bonds	331,970,000	-	331,970,000	-	331,970,000	-
	TOTAL STO Bonds	588,830,000	(10,250,000)	578,580,000	(7,250,000)	581,580,000	3,000,000
	TOTAL All Bonds	2,946,937,712	440,459,450	3,386,397,162	528,259,322	3,475,197,034	87,799,872

APPENDIX “B”

General Assembly

Proposed Substitute Bill No. 5465

February Session, 2014

LCO No. **3237**

AN ACT CONCERNING THE CONNECTICUT AEROSPACE REINVESTMENT ACT.

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

Section 1. (NEW) (*Effective from passage*) (a) As used in this section:

(1) "Accumulated credits" means the amount of credits allowed, in accordance with the provisions of section 12-217n of the general statutes, that have not been taken through the last income year completed prior to the date of an application submitted as provided in subsection (b) of this section. The amount of such accumulated credits shall be subject to confirmation, in accordance with the provisions of title 12 of the general statutes, by the Commissioner of Revenue Services in consultation with the commissioner.

(2) "Base level" means the level set forth for each factor listed in subparagraph (A) of subdivision (6) of subsection (c) of this section, in the reinvestment contract for the most recently completed calendar year prior to the designation as a state-certified industrial reinvestment

project.

(3) "Commissioner" means the Commissioner of Economic and Community Development.

(4) "Eligible expenditures" means those expenditures made or incurred in this state by an eligible taxpayer in furtherance of a state-certified industrial reinvestment project, including, but not limited to, (A) expenditures with respect to buildings, improvements, property, plants and equipment, and expenses directly related to such expenditures, such as design work, professional fees, surveys and site preparation, remediation and clean-up, demolition, moving and renovation expenses, (B) expenditures with respect to personal property, (C) research and development expenses, as defined in section 12-217n of the general statutes, and (D) the hiring and training of employees.

(5) "Eligible taxpayer" means a taxpayer, or a group of taxpayers filing a combined return under section 12-223a of the general statutes, that, at the time application is made under subsection (b) of this section, (A) is primarily engaged in the industrial sector, (B) employs at least fifteen thousand people in the state, (C) has incurred at least two hundred million dollars per year in research and development expenses, as defined in section 12-217n of the general statutes, in the state for the five full income years immediately preceding the date of such application, and (D) has at least four hundred million dollars of accumulated credits.

(6) "Exchange year" means the period beginning on the date set forth in the reinvestment contract and ending on June 30, 2015, and each successive period ending on June thirtieth thereafter.

(7) "Income year" means the income year of an eligible taxpayer as determined under subsection (a) of section 12-213 of the general statutes.

(8) "Industrial reinvestment project" means one or more projects in

this state that, if certified by the commissioner as provided in subsection (b) of this section, will entail aggregate eligible expenditures in the state of not less than one hundred million dollars over a period of not more than five exchange years by an eligible taxpayer in furtherance of the industrial reinvestment project. If an industrial reinvestment project is comprised of more than one project, each such project shall be referred to as a segment. Such segments shall be specifically set forth in the reinvestment contract.

(9) "Industrial sector" means all activities that, in accordance with the North American Industrial Classification System, United States Manual, United States Office of Management and Budget, 2012 edition, are included in Section 31, 32 or 33, including all operations in support of such activities.

(10) "Payment year" means the twelve-month period beginning on the date payments commence under the reinvestment contract and each twelve-month period thereafter.

(11) "Reinvestment contract" means a contract entered into between the commissioner and an eligible taxpayer in accordance with subsection (c) of this section.

(12) "State-certified industrial reinvestment project" means an industrial reinvestment project certified by the commissioner as provided in subsection (b) of this section.

(b) (1) Any eligible taxpayer that intends to undertake an industrial reinvestment project may apply to the commissioner for certification of such project as a state-certified industrial reinvestment project. In order to receive such certification, an eligible taxpayer shall apply to the commissioner, in a form acceptable to the commissioner and containing such information as prescribed by the commissioner, including, but not limited to, a detailed plan outlining the industrial reinvestment project, the term of such project, the estimated costs of such project and the amount of accumulated credits the eligible taxpayer proposes it be allowed to exchange in connection with such project. The commissioner may require the eligible taxpayer to submit such additional information as may be necessary to evaluate the application.

(2) All decisions of the commissioner with respect to applications received under the provisions of subdivision (1) of this subsection shall be at the commissioner's sole discretion. The provisions of this subsection shall not be construed as authorizing suit against the state by any taxpayer that is denied certification by the commissioner and shall not be construed as a waiver of sovereign immunity.

(c) (1) Upon certification by the commissioner of an application as provided in subsection (b) of this section, the commissioner may enter into a reinvestment contract with an eligible taxpayer pursuant to which the commissioner may, in consideration of the eligible taxpayer's agreement to make the eligible expenditures in connection with the state-certified industrial reinvestment project, agree to exchange certain of the eligible taxpayer's accumulated credits up to a specified amount. Such reinvestment contract shall specify (A) the length of time the state-certified industrial reinvestment project will take to complete, (B) the aggregate amount of eligible expenditures the eligible taxpayer agrees to make, (C) the amounts, as determined in accordance with the provisions of subdivision (6) of this subsection, that the eligible taxpayer is entitled to receive during the term of such reinvestment contract with respect to such eligible expenditures, and the terms and conditions the eligible taxpayer must satisfy in order to receive such amounts, (D) the terms and conditions of the repayment of any such amounts paid to the eligible taxpayer in exchange for the accumulated credits in the event of any failure on the part of the eligible taxpayer to comply with the terms of the reinvestment contract, and (E) any other terms and conditions the commissioner may require. Any eligible taxpayer that enters into a reinvestment contract with the commissioner under this subsection may, in the event of any disputed claims under such reinvestment contract, bring an action against the state to the superior court for the judicial district of Hartford for the purpose of having such claim determined, provided notice of any such disputed claim is first given to the commissioner in the method and manner prescribed by such reinvestment contract. No action shall be allowed unless it is brought not later than two years after the date on which the eligible taxpayer gave proper notice to the commissioner under such reinvestment contract. All legal defenses, except sovereign immunity, are reserved to the state.

(2) The payment by the state of amounts directly attributable to the exchange of accumulated credits in connection with a state-certified industrial reinvestment project may be made in the form, timing and manner determined by the commissioner, including as an offset or refund of state taxes otherwise payable by the eligible taxpayer under the provisions of chapters 208 and 219 of the general statutes. To the extent that such payments involve the offset or refund of state taxes, such payments shall be made in consultation with the Commissioner of Revenue Services.

(3) The provisions of subsection (d) of section 12-217n of the general statutes, sections 12-217aa and 12-217zz of the general statutes, subsections (c) and (e) of section 32-223 of the general statutes, and section 32-462 of the general statutes, shall not apply to a reinvestment contract to the extent such provisions are inconsistent with such reinvestment contract.

(4) Subject to the provisions of subdivision (5) of this subsection, the amount of accumulated credits that an eligible taxpayer is allowed to exchange with respect to any state-certified industrial reinvestment project shall not exceed the eligible expenditures made by such taxpayer with respect to such project. No eligible taxpayer shall make any further claims with respect to any accumulated credits exchanged in connection with a state-certified industrial reinvestment project. The commissioner shall notify the Commissioner of Revenue Services of all accumulated credits, and the amounts thereof, exchanged in connection with such project.

(5) The aggregate amount of all payments made by the state under

this section for the exchange of accumulated credits shall not exceed four hundred million dollars, provided (A) the amount of all payments made by the state during any of the first five payment years shall not exceed twenty million dollars per year, and (B) the amount of all payments made by the state during any of the sixth or subsequent payment years shall not exceed the sum of thirty-three million three hundred thirty-four thousand dollars per year.

(6) Subject to the provisions of subdivisions (4) and (5) of this subsection, the amounts an eligible taxpayer is entitled to receive under a reinvestment contract with respect to eligible expenditures made by such taxpayer shall be determined in accordance with subparagraph (A) or (B) of this subdivision.

(A) If, in connection with a state-certified industrial reinvestment project, or segment thereof, an eligible taxpayer may qualify to receive more than two hundred million dollars upon compliance with the terms of the reinvestment contract, the actual amount the eligible taxpayer is eligible to receive with respect to such project or segment shall be calculated by multiplying the actual amount of eligible expenditures made during each of the first five exchange years with respect to such project or segment by the total of the following four weighting factors for the respective calendar year ending during each of such exchange years: The employment levels of engineers located in this state; the overall employment levels in this state; the payroll levels in this state; and research and development expenses and capital expenditures in this state, exclusive of such expenses and expenditures made in connection with the state-certified industrial reinvestment project. The percentage for each of such factors shall be zero per cent when the level for such factor falls below the base level by a percentage that is no less than ten per cent and no more than fifteen per cent of the base level. The top end of the range for each factor shall be between the base level and three per cent above the base level, and may be achieved only if the level of each such factor exceeds the base level. The range for each factor and the specific levels of such range shall be determined in accordance with the following: (i) The range for employment levels of engineers located in this state shall be from seven per cent to twenty per cent, with each percentage point within such range being the equivalent of fifty engineers; (ii) the range for overall employment levels in this state shall be from ten and one-half per cent to thirty per cent, with each one and one-half percentage points within such range being the equivalent of one hundred fifty employees; (iii) the range for payroll levels in this state shall be from ten and one-half per cent to thirty per cent, with each one and one-half percentage points within such range being the equivalent of fifteen million dollars; and (iv) the range for research and development expenses and capital expenditures in this state, exclusive of such expenses and expenditures made in connection with the state-certified industrial reinvestment contract, shall be from seven per cent to twenty per cent, with each percentage point within such range being the equivalent of ten million dollars. The actual percentage for each factor shall be interpolated in accordance with the ranges and levels set forth in this subparagraph. In no event may the aggregate amount of all payments made by the state under this subparagraph for the exchange of accumulated credits exceed three hundred seventy-five million dollars. The eligible taxpayer shall certify such base levels to the commissioner.

(B) If, in connection with a state-certified industrial reinvestment project, or segment thereof, an eligible taxpayer may receive fifty million dollars or less upon compliance with the terms of the reinvestment contract, the amount the eligible taxpayer is eligible to receive with respect to such project or segment shall be determined with reference to the performance of the eligible taxpayer during the first five exchange years and shall be calculated as follows: (i) To the extent that expenditures by the eligible taxpayer with respect to one or more research and development components of such project or segment involve over ten million dollars in research and development expenses and involve the retention of one hundred or more employees, the eligible taxpayer is eligible to receive one million dollars with respect to each such component; and (ii) to the extent that expenditures by the eligible taxpayer with respect to one or more capital components of such project or segment involve over one million dollars in capital expenditures, the eligible taxpayer is eligible to receive forty per cent of such expenditures with respect to each such component. The aggregate amount of all payments made by the state under this subparagraph for the exchange of accumulated credits shall not exceed fifty million dollars.

(d) Notwithstanding any provision of the general statutes, an eligible taxpayer that enters into a reinvestment contract with the commissioner under the provisions of this section and is authorized to exchange accumulated credits in connection with a state-certified industrial reinvestment project shall not be allowed any credit pursuant to section 12-217j or 12-217n of the general statutes, during the exclusion period under such reinvestment contract, or be eligible to exchange credits under the provisions of section 12-217ee of the general statutes, during such exclusion period. For purposes of this subsection, the exclusion period means those income years of the eligible taxpayer specified by the commissioner in the reinvestment contract as comprising the exclusion period. This subsection shall not preclude an eligible taxpayer (1) from taking accumulated credits that are not otherwise subject to exchange pursuant to such reinvestment contract during such exclusion period as otherwise allowed by law, or (2) from taking credits allowed under section 12-217j of the general statutes during the exclusion period as otherwise allowed by law. Except as provided herein, this subsection shall not impact an eligible taxpayer's ability to claim those tax credits it has already been allowed or otherwise affect such taxpayer's eligibility for credits under the provisions of the general statutes.

(e) To provide incentives for the retention and creation of jobs and business growth in the state, the commissioner shall analyze and, as appropriate, seek additional legislative approval for programs permitting eligible taxpayers to exchange any accumulated credits in manners not otherwise provided for under this section.

(f) The commissioner shall include in the report required pursuant to section 32-1m of the general statutes an annual report that shall include information on the number of projects certified under this section, the number of reinvestment contracts entered into in connection with such projects, the status of the certified projects, the amount of accumulated credits that have been exchanged in connection with such projects, and the specific levels achieved by each eligible taxpayer under subparagraphs (A) and (B) of subdivision (6) of subsection (c) of this section.

(g) On and after December 31, 2019, the commissioner shall not certify any industrial reinvestment projects under subsection (b) of this section or enter into any reinvestment contracts under subsection (c) of this section.

This act shall take effect as follows and shall amend the following sections:		
Section 1	*from passage*	New section