Act Number	***Session***	***Bill Number***	***Total Number of Committee Pages***	***Total Number of House Pages***	***Total Number of Senate Pages***
PA 71-695		**5957**	**6**	**2**	**1**

Committee Pages:

- *Education 432-433*
- *Finance 124-127*

House Pages:

- *5037-5039*

Senate Pages:

- *3402(consent)*

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that has been anywhere near solvent.

MR. SPEAKER:

The members be seated and the aisles cleared, we will proceed with the vote. The machine will be open. Has every member voted? Is your vote recorded in the fashion you wish? The machine will be locked and the Clerk will take a tally. The Clerk will announce the tally.

CLERK:

Total number voting	166
Necessary for Passage	84
Those voting Yea	70
Those voting Nay	96
Absent and Not Voting	11

MR. SPEAKER:

The bill is lost.

The Clerkwill continue with the call of the calendar.

CLERK:

Page 24, Calendar 1371, Substitute for House Bill 5957 - An Act Concerning School Construction Grants.

MR. SPEAKER:

Representative Beck.

MRS. BECK:

I would move acceptance of the favorable report of the committee and adoption of the bill.

MR. SPEAKER:

Will you remark.

MRS. BECK:

By way of very brief background on the essential changes in existing legislation, full construction formula now is in 2 parts, state aid is provided for local school construction under a direct cash payment of 50% of the cost of school construction project to the municipality. The second portion, is that the municipalities are assisted with with the borrowing costs of by the state in an amound in excess of a particular interest rate accepted by the state of Connecticut. The essence of the bill is that the state will provide assistance to the town in the amount borrowed at the level in excess of 4% and no higher than 6% and this is provided on a semi-annual basis. The 2 other changes in the legislation are the temporary borrowing by the towns shall not be greater than 6 months after cash payment of the grant and secondly that rules and regulations to the State Board of Education must be established in consultation with the Commissioner of Finance and Control where it applies to the school construction grants. This is the essence of the legislation. I recommend adoption of this legislation so that the towns would bear grant payments effective July 1, 1971.

MR. SPEAKER:

Gentleman from the 170th.

MR. LA GROTTA:

I rise in concurrence with this bill. It is a good bill, it is necessary to clear up the situation of the portion of the money that the towns have to borrow. This clears up a ruling which was made by the Attorney General and which the state did not make good on our last act that we took in 1969. I am happy to see this bill before us and I urge adoption.

MR. SPEAKER:

Gentleman from the 38th.

MR. LOWELL:

A question, as I understand the explanation and I want to make sure, after the completion, after the final payment, there is 6 months for the town or municipality to get permanent borrowing. Is that correct.

MRS. BECK:

The borrowing and anticipation of tax payment would have to completed within 6 months after payment of the grant portion, that is correct.

MR. LOWELL:

So, we would have 6 months after July first of this year.

MRS. BECK:

That is correct.

MR. SPEAKER:

Will you remark further. If not, the question is on acceptance of the committees favorable report and passage of the bill. All those in favor will indicate by saying Aye. Opposed. The bill is passed.

CLERK:

Calendar 1373, House Bill 7793 - An Act Concerning the Surrender of a Principal After Bond Forfeiture in Criminal Cases.

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File 1608; Cal. 1365, House Bill 5578, File 1444; Cal. 1366, House Bill 5697
File 666; Cal. 1367, House Bill 5824, File 775; Cal. 1369, House Bill 6180,
File 1580; Cal. 1371, House Bill 6687, File 1290; Cal. 1372, House Bill 6731
File 1469; Cal. 1373, House Bill 6842, File 1659; Cal. 1375, House Bill 7031
File 588; Cal. 1376, House Bill 7237, File 1629; Cal. 1377, House Bill 7493
File 1623; Cal. 1379, House Bill 7907, File 1446; Cal. 1380, House Bill 7960;
File 1306; Cal. 1381, House Bill 8093, File 1663; Cal. 1383, House Bill 8170
File 1621; Cal. 1386, House Bill 9220, File 1635; Cal. 1387, House Bill 9252,
File 1672; Cal. 1389, House Bill 5154, File 913; Cal 1390, House Bill 5286,
File 1271; Cal. 1392, House Bill 5661, File 919; Cal. 1394, House Bill 6380
File 1386; Cal. 1395, House Bill 6908, File 1442; Cal. 1396, House Bill 6914
File 1388; Cal. 1397, House Bill 7438, File 890; Cal. 1398, House Bill 7450
File 1198; Cal. 1399, House Bill 7889, File 1441; Cal. 1296, House Bill 5036
File 746; Cal. 1297, House Bill 5147, File 1437; Cal. 1298, House Bill 5157
File 1466; Cal. 1299, House Bill 5216; File 744; Cal. 1300, House Bill 5219
File 949; Cal. 1301, House Bill 5247, File 1429; Cal. 1303, House Bill 5561
File 1431; Cal. 1304, House Bill 5577, File 1289; Cal. 1306, House Bill 5754
File 1554; Cal. 1308, House Bill 5918, File 937; Cal. 1309, House Bill 5953
File 1445; Cal. 1310, House Bill 5957, File 1563; Cal. 1311, House Bill 5958
File 1299; Cal. 1312, House Bill 6123, File 1468; Cal. 1313, House Bill 6292
File 1456; Cal. 1314, House Bill 6376, File 833; Cal. 1315, House Bill 6423
File 1458; Cal. 1316, House Bill 6470, File 923; Cal. 1317, House Bill 6512
File 1428; Cal. 1318, House Bill 6525, File 1475; Cal. 1319, House Bill 6547
File 1266; Cal. 1320, House Bill 6606, File 933; Cal. 1321 House Bill 6837
File 1353; Cal. 1322, House Bill 6682, File 1352; Cal. 1323, House Bill 6885
File 1348; Cal. 1324, House Bill 6939, File 1330; Cal. 1325, House Bill 6963

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Specifically, I refer to the amendment to Section 10-287b of the Connecticut Public Acts. As well as proposed HB5957. In regard to this Section of public act 751 there are present disadvantages....or disadvantages to the present law. By allowing the towns and municipalities to borrow from the State of Connecticut and the State of Connecticut in turn going to the open market to finance the school building projects this would add by necessity to the State's debt and even tho we do have the notes and bonds of the towns behind us for this additional debt it would have an adverse affect upon the state of Connecticut's general credit rating.

Also, I believe that any situation that creates a debtor/creditor relationship between the town and the state is not a good situation and should be one that should be avoided at all possible.

There are advantages to the present Public Act 751, Section 10-287b. The advantage being that the state of Connecticut can, of course, borrow money at less cost than the average municipality or school district can. Of course, the State of Connecticut is a Triple A rated and most municipalities are Single A rated or Double A rated. In regard to these additional costs it is hard to estimate, but some calculations indicate that the state of Connecticut could probably borrow its money to the extent of 30 basis points less than the average municipality. This could amount to savings of about $3000 per annum on every million dollars outstanding. So, in other words, if a program is required to finance $200,000,000 or to borrow, in order to finance this program there would be an approximate savings to the taxpayers by the state doing it of about six hundred thousand dollars ($600,000) per year - or about $6 million dollars over the 20-year bond issue.

Weighing the advantages and disadvantages, I do believe that there should be a change in the law and even tho there is a financial stating....that is a short run financial savings on the part of the state of Connecticut by issuing the bonds itself, I believe that the municipalities should be left to their own to issue the bonds and if an interest subsidy is necessary for the towns - that interest subsidy should be paid directly to the towns. But I do believe, in regard to the present proposed bill 5957 there should be some changes considered. First, I think that if the towns .....I mean the state is to subsidize an interest rate over 4%, the State Bond Commission should control the issue of any bonds that are issued under this program by any municipality or school district. In other words, I think that before the municipality can go out and borrow the money, the amount of the bond and also the procedure used to raise the money should be approved by the State Bond Commission. Second, The provisions of the proposed bill 5957 would indicate that this interest differential would be paid by the State floating bonds. In other words, this annual interest differential would be paid for by the State by itself issuing a 20-year bond. Of course, this would be paying current expenses with a bond issue which I am opposed to and of course, this is contrary to good state financial practice. I strongly suggest that this interest differential be paid out of the general fund and appropriated annually on an annual basis by the state. Finally, I think any amendment that is passed by the General Assembly should have an over-all amount limitation. The proposed bill 5957 indicates that it is an open ended matter and that the state would issue bonds and the state would authorize the issuance of bonds in accordance with the full needs of the municipality without any over-all limitation regarding the program. I think that this is wrong. I think that the amount and cost that is reasonably anticipated for the next year should be determined and that amount inserted in any bill that is passed.

Thank you very much for this opportunity to speak.

Rep. Ryan: (William F. Ryan - 84th District)
I would like to speak in behalf of HB5790 to increase the Average Daily Membership from $200 to $300.

I represent two smaller towns, Wolcott and Plymouth whose financial burden in education amounts to nearly 75% of their entire municipal budget. This leaves the communities with very little money left to run the affairs of their towns. With no large industrial tax base, the home owners in these towns pay dearly in order that their children receive a first-rate education.

Here with me today are Edward Bagley from Wolcott and Supt. of Schools, Mr. De Augistino from Wolcott and they share my sincere concern for their welfare.

I would strongly urge the committee to give serious consideration to a substantial increase in the ADM.

Rep. Abijah U. Fox: 152nd District.
I am here to speak on behalf of HB5798. This is a bill which will make it possible for legislative bodies in the municipalities - if they wish to do so - to authorize their finance officer to borrow on the full faith and credit of the municipality and re-lend to non-public schools for the purpose of constructing physical facilities.

Non-public, non-sectarian private schools have approached me and have indicated the problem that they are now having in raising funds for expansion of their physical facilities and the opportunity and possibility of raising money in this way within strict restrictions as to the amount in relation to the market value, the assessed value, and the other assets of the non-public school are provided in this act. There is a need for an expansion of this system. Admittedly, there are different opinions on whether or not there should be a non-public school system at all, but there is and purely from the monetary side if it were terminated the heavy burden on our public school system and on our municipalities and our state for their support would be very substantial. The bill proposes and takes care of the liabilities and I believe that this is something that the Education Committee should give serious consideration to in an effort to maintain a system which now exists and supplements the public school system.

Rep. Klebanoff: Rep. Martin.

Rep. Mary A. Martin: (65th District) I am here to speak on a bill which I sponsored HB5010. The argument for this bill is that the children are brought to the community by federal activity. Without the federal activity the children would not be present. Local business, etc. does not receive the benefits of this increased population because the base itself provides discount purchasing of all items including food.

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FINANCE

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SENATOR LOUIS S. CUTILLO, CHRM.
REPRESENTATIVE D. J. SPAIN, CHRM.

COMMITTEE MEMBERS PRESENT:

SENATORS: L. S. Cutillo, Edward Rimer, Jr..

REPRESENTATIVES: Ray Holdridge, V. Gagliardi, W. Violette, A. H. Nevas, J. J. Clynes, D. J. Spain, M. M. Comstock, A. U. Fox, J. Thornton, D. S. Genovesi.

Sen: Cutillo: Goodmorning, I'm Chairman of the Finance Committee and I would like to turn over this Public Hearing to Rep. Darius Spain.

R. I. Berdon: Treasurer of the State of Connecticut and I'd like to speak on Public Act 751 of the 1969 Legislature - proposed amendment to it. As you know a portion of this act provides for loans directly to municipalities by the State in order to guarantee an interest rate on the school building program of 4%. For the most part just about all of this has not, that section of the act has not been put into effect by the State, mainly because they ran out of money as far as this authorization goes during the last two years. There are a series of proposed amendments to this section of Public Act 751. At present there are disadvantages to 751, that section of it which I would like to point out. Any borrowing that is done by the State, in order to finance the municipality, of course will add to the State debt and could possibly affect the credit rating of the State, even though the borrowings are on behalf of the towns and even though the towns would be giving the State of Connecticut its bonds and notes to back up the bonds of the State issued on behalf of this program. The second disadvantage it is creating a creditor-debtor relationship between the State and the municipality which I don't think is a good relationship. The advantages of the present law are two and two main advantages. Number 1 is that if the State borrows the money from financial institutions, the rate of interest is lower. Of course Connecticut has a triple A rating, most towns have a single A or double A rating. It's difficult to estimate with any preciseness what the interest cost savings are, but based on some calculations I made on borrowings that were done by the municipalities and the State during 1970, I would estimate it would probably be an overall saving to the State, if the State went out and borrowed this money of about 30 basis points.

HB 5957

R. I. Berdon: This is a hard thing to tie down and 30 basis points would mean about $3,000. per year on every million dollars outstanding if you had bond authorizations and on this particular project two hundred million dollars, you would have a saving of about six hundred thousand dollars per year and over a twenty year life of a bond issue it probably would be an overall saving of about six million dollars for the State of Connecticut, if the State issued the bonds and accepted the bonds of the municipalities. The second advantage, of course, if the State issues the bonds there is a certain amount of control they have. They have control over the borrowing and the borrowing practices which could be an advantage. I agree that changes should be made in Public Act 751 and taking into consideration the pros and cons, I think basically, even though there would be an overall savings in interest cost to the State and the municipalities, I think it would be, it is best that the towns be left to their own borrowing practices and go out on the open market and borrow the money and if the Legislature sees fit that there should be a continuation of the subsidy of this program, that we should subsidize directly the municipality for the cost of the difference between the interest the Legislature thinks the municipality should pay and the interest which they actually have to go out and borrow money on the open market. The interest as it now stands on the statute would be 4% or whatever they have to go out in the open market to borrow for which would be close to a little over 5% now. We would be subsidizing the towns for the difference between the 4% and what the actual cost on an annual basis. I would like to point out a couple of things regarding the proposed amendments to this act that I have seen, in particular bill 5957 which is before the Legislature. Number 1. I think that if we do adopt the practice where the towns would go out and borrow their own money and the State is going to pick up the differential, I do think there should be some control on behalf of the State over the towns regarding the issuance of these bonds. I think that before the towns have the authority and the right to go out and borrow this money they should secure the permission, first, of the Bond Commission, the State Bonding Commission which is attuned generally to the market, the market condition. I think that this control, perhaps, will be necessary, and particularly if you go, if you are going to ask the State to open up its purse to pick up any differential between what the town actually borrows and what the State will guarantee as an interest rate. I think this is a necessity, we are dealing with an awful lot municipalities, we are

R. I BERDON: dealing with a lot of school districts. For the most part I believe that most of these municipalities and most of these school districts do get very sound and good financial advice here in Connecticut because we have very good financial institutions advising them, but I think as an overall control the State should have this control within the bond commission. Number 2. if the bill 5957, as I've read it, would provide that this interest differential would be paid through the issuance of bonds by the State itself, in other words these annual increments that the State would be reimbursing the towns would be paid by a bond issue and of course this would be paying current bonding for current expenses. I think that if this program is continued and if we subsidize the interest rate for the towns, I think they should be paid out of the general funds of the State on an annual basis and not on a bond basis over twenty year period. So I would whole hardily recommend that there be an overall financial limitation on the program. Right now this proposed bill 5957 eliminates all financial limitations in regards to program. I think that we should honestly and go through and see what the needs of the towns are and project those needs for the next year and come up with the dollars and cents cost of the program and put it in the bill so that we will know what costs we have. I think that especially on an annual session on an annual basis these costs can be pretty well tied down, pretty accurately and realistically and I think that overall limitation should be put into the bill. As it now stands this proposed amendment would open the door, it would be an open - without any limitation on the amount of the bonds that could be issued for this particular program and the amount of and the costs to the State. Other than those three comments regarding this bill 5957, I would go along generally with the provisions, if the General Assembly wishes to continue the program. I might say, basically and personally I would like to see that rather than an interest of the Legislatue look to other areas in which to help education through per pupil grants, increase in per pupil grants and other programs such as that, rather than continuation of this section of Public Act 751. But, if it is going to be continued, I think that these safeguards and if there are going to be, if there is going to be an amendment to the program and I think it is absolutely necessary that we have these safequards. I'd be very glad to answer any question that you might have.

Rep. Comstock: Of the 71st. In regard to the, going back to the old process of where your municipalies issued a bond for school construction, are you going to make a study in regard to the definite formula for towns, in other words, what's going through my mind is that you get a fast growing town, where they are suddenly confronted with building two or three schools conceivably, the present debt formula might not be applicable to that town and they may be beyond that. Are you going to make a study along these lines.

R. I. Berdon: No, I'm not, I don't plan to make that study, but I think that it is a study that should be seriously considered and

Rep. Comstock: These two bills may go hand in hand actually and I think it should be reviewed.

Rep. Spain: Any other questions from the Committee. Thank you sir. Rep. Stevens.

Rep. Stevens: Thank you Mr. Chairman , I'm speaking here on behalf of the Republican House Leadership in regard to the deficiency that is necessary to implement both provisions of Public Act 751 of the 1969 Session. Now, as you gentlemen know, in 1969 we passed this act and provided that it would take care of two facets of school construction for local municipalities in our State. One to make 50% grants of the actual costs of the school building and two to purchase back the bonds of the municipalities at a rate not exceeding 4% to cover the balance of the cost. Relying on this Legislation, numerous communities, and I think there is about 70 of them, planned accordingly, however, because of a limitation on the funds $160. million dollars was appropriated and unfortunately there seemed to be a third catagory in the legislation that no one had intended be there and that is that schools that had been constructed before the effective date of the law, but had financed their construction on a temporary basis, were allowed to come in under the provisions of this law and according to the State Department of Education this had never been planned for in allocating $160. million dollars. Consequently the funds were not adequate and the Attorney General, Robert Killian issued a ruling which allowed the State to make grant commitments under section 2, without making loans commitments under section 3. This in actuality consequented a default on the promis of this legislation which we had passed in 1969. Our position at this time is that we in 1971 are obligated to make good on this and to implement this act by providing the necessary funds to pick up the deficiency at this particular time. Thank you.

Rep. Spain: Any questions from the Committee.