

Legislative History for Connecticut Act

SB 416	(PA 110)	1998
House	3917-3967	(51)
Senate	2240-2276	(37)
Planning and Development	152, 153	(2)
		(90)

Transcripts from the Joint Standing Committee Public Hearing(s) and/or Senate and House of Representatives Proceedings

Connecticut State Library

Compiled 2014

H-791

CONNECTICUT
GEN. ASSEMBLY
HOUSE

PROCEEDINGS
1998

VOL. 41
PART 11
3573-3970

003917

gmh

258

House of Representatives

Saturday, May 2, 1998

House Bill Number 5669, as amended by House Amendment Schedules "A", "C", "D", "E" and Senate Amendment Schedules "A" and "B" in concurrence with the Senate

Total Number Voting	144
Necessary for Passage	73
Those voting Yea	144
Those voting Nay	0
Those absent and not voting	7

SPEAKER RITTER:

The bill, as amended passes.

Representative Godfrey.

REP. GODFREY: (110TH)

Thank you, Mr. Speaker. I feel like singing Christmas carols, Mr. Speaker.

Mr. Speaker, I would move for the immediate transmittal up to the Senate of all bills acted upon today that need further action by that body.

SPEAKER RITTER:

Seeing no objection, it will be so ordered.

Representative Godfrey.

REP. GODFREY: (110TH)

Mr. Speaker, I would move for the suspension of our rules for the immediate consideration of House Calendar Number 541, Substitute for Senate Bill Number

003918
259

gmh

House of Representatives

Saturday, May 2, 1998

416, AN ACT INCREASING THE PROPERTY TAX CREDIT AGAINST
THE PERSONAL INCOME TAX AND CHANGING THE TREATMENT OF
CERTAIN FEDERAL PENSIONS FOR THE INCOME TAX.

SPEAKER RITTER:

Seeing no objection, it is hereby ordered. Our
rules are suspended and it is now before us and I will
call Calendar 541.

CLERK:

Calendar 541, Substitute for Senate Bill Number
416, AN ACT INCREASING THE PROPERTY TAX CREDIT AGAINST
THE PERSONAL INCOME TAX AND CHANGING THE TREATMENT OF
CERTAIN FEDERAL PENSIONS FOR THE INCOME TAX, as amended
by Senate Amendment Schedules "A" and "B". Favorable
report of the Committee on Finance, Revenue and
Bonding.

SPEAKER RITTER:

That's an interesting title. Chairman Schiessl,
you have the floor, sir.

REP. SCHIESSL: (60TH)

Thank you, Mr. Speaker. Mr. Speaker, I move
acceptance of the Joint Committee's Favorable Report
and passage of the bill.

SPEAKER RITTER:

The motion is on acceptance and passage. Please
proceed, sir.

003919

gmh

260

House of Representatives

Saturday, May 2, 1998

REP. SCHIESSL: (60TH)

In concurrence with the Senate.

SPEAKER RITTER:

In concurrence with the Senate.

REP. SCHIESSL: (60TH)

Thank you, sir. Ladies and gentlemen, despite the title of this bill, this is the tax package and rebate implementing statute. We will have one strike everything amendment which I will now call.

Will the Clerk please call LCO Number 2269.

SPEAKER RITTER:

The Clerk has LCO 2269. If he may call it and then Representative Schiessl would like to summarize.

CLERK:

LCO Number 2269, Senate "A" offered by Senator Looney and Representative Schiessl.

SPEAKER RITTER:

Representative Schiessl.

REP. SCHIESSL: (60TH)

Thank you, Mr. Speaker. Ladies and gentlemen, my intention here today is to summarize this amendment, but before -- in fact, why don't we do that and we will get it adopted and then I will attend to some committee business.

Ladies and gentlemen LCO Number 2269, House

003920

gmh

261

House of Representatives

Saturday, May 2, 1998

Amendment Schedule "A" which I am now moving adoption,
as it is being distributed.

SPEAKER RITTER:

The question is on adoption of Senate "A".

REP. SCHIESSL: (60TH)

Thank you, Mr. Speaker. This is the strike
everything. After the enacting clause amendment that
is your tax and rebate package. By way of brief
summary of the elements of this package you will find
an array of modest tax cuts amounting to a revenue loss
of \$67.9 million in the next fiscal year.

By way of summary, these changes are general fund
revenue changes. As you recall we did our business and
the people's business with regard to the special
transportation fund last night. So we are tending to
revenue changes in the general fund.

With regard to the personal income tax we are
increasing the maximum property tax credit from current
law which is \$285 to \$350 effective January 1, 1998.

In the area of the sales and use tax we are
proposing to exempt effective July 1, 1998 newspapers
sold over the counter and an array of what we called in
the Finance Committee "hot topic sales tax items" which
include purchases with coupons, discounts involving
deposits or involving trade-ins of light kind goods.

gmh

003921
262

House of Representatives

Saturday, May 2, 1998

Those are the extent of the consumer oriented elements of this sale tax portion of this package.

For the business community we are exempting repair and replacement parts effective January 1, 1999. That's the business piece of the sales tax portion.

But we have a corporation tax piece as well and that piece is primarily the result of the work product of the Financial Services Task Force and their recommendations which address corporate tax involving single factor apportionment formula for financial services companies, establishing an exemption for passive investment companies, and exempting domestic insurers from the tax remembering that they pay the premiums tax, as well.

We have a couple of items that relate to the cluster initiative. I don't think they actually, in their totality, constitute a brave new adventure in the cluster area, but they do represent the enactment of some of the priorities of the Department with regard to encouraging the development of certain types of businesses in Connecticut, particularly those who are engaged in the research and development activity providing a carry forward for a credit for research and experiment and also an extension of the 6% R&D credit to qualified small businesses which is really a

003922

263

gmh

House of Representatives

Saturday, May 2, 1998

reaction to what's going on in the market and an encouragement for additional economic activity in this area.

There was a proposal that's been around for a while that was made by the Governor that we enacted that eliminates the tax on Medicaid contracts and contracts entered into to serve children enrolled in the HUSKY Program.

Ladies and gentlemen, these are the elements of the tax reduction package that are included in this amendment. Another provision, of course, as you all know, is the provision to rebate revenue held by the State of Connecticut back to the people of the State. And just to summarize the conditions of this rebate which is a one time rebate, resident taxpayers will be eligible for a one time maximum rebate of \$75 for single filers, \$120 for heads of household, and \$150 for joint filers.

The qualifications are two. Taxpayers must have filed a Connecticut tax return for the 1997 income year by May 1, 1998 or for taxpayers who are granted an extension before October 16, 1998 and taxpayers must have paid Connecticut property taxes in 1997 on an automobile and/or primary residence.

Taxpayers must -- let's see. Taxpayers will

003923

gmh

264

House of Representatives

Saturday, May 2, 1998

receive the lesser of their liability or the rebate listed above which means it's a dollar for dollar credit against your liability. But in no case will a taxpayer receive -- a qualified taxpayer receive less than \$50. So there's a minimum rebate for those taxpayers who can meet this condition.

Funds in the amount of \$115 million are included in Substitute House Bill 5021 for purposes of paying the rebate and of course, the costs - a cost benefit report by the Department of Economic Development is readily absorbable in the appropriated budget before us.

Since we have another amendment of a technical nature which I'll offer immediately upon adoption of this, I would ask the Chamber's indulgence and perhaps rather quickly try to adopt Senate "A" and then take up the technical Senate "B" and adopt that and then perhaps entertain discussion on the bill, as amended which was the bill that was reported out by the Senate.

With your indulgence along those lines, I would, at this time, urge adoption of Senate "A".

SPEAKER RITTER:

Will you remark further on Senate "A" to understand that he is trying to put a new file copy before us? If not, I will try your minds.

gmh

003924
265

House of Representatives

Saturday, May 2, 1998

All those in favor, signify by saying aye.

REPRESENTATIVES:

Aye.

SPEAKER RITTER:

Those opposed, no. Senate "A" is adopted.

Representative Schiessl.

REP. SCHIESSL: (60TH)

Thank you, Mr. Speaker. Thank you, ladies and gentlemen. The technical amendment is LCO Number 5630. I would ask that that amendment be called and I be given permission to summarize.

SPEAKER RITTER:

The Clerk has LCO 5630, previously designated as Senate "B". If Garrey would call it and then Representative Schiessl will summarize.

CLERK:

LCO Number 5630, Senate "B" offered by Senator Looney.

SPEAKER RITTER:

Representative Schiessl.

REP. SCHIESSL: (60TH)

Thank you, Mr. Speaker. I move adoption of Senate "B".

SPEAKER RITTER:

The question is on adoption. Will you remark

003925

gmh

266

House of Representatives

Saturday, May 2, 1998

further, sir?

REP. SCHIESSL: (60TH)

Thank you, Mr. Speaker. Senate "B" corrects two typographical errors relating to a cross reference that should have been referred to Section 17 that instead stood as a 7 and removes an incorrect reference to the effective date of Section 26 of the bill. Since this is clearly a technical amendment, I would urge adoption.

SPEAKER RITTER:

The question is on adoption. If not, I will try your minds.

All those in favor, signify by saying aye.

REPRESENTATIVES:

Aye.

SPEAKER RITTER:

Those opposed, no. Senate "B" is adopted.

We now have the file copy before us.

Representative Schiessl, it's in your possession. You have the floor.

REP. SCHIESSL: (60TH)

Thank you, Mr. Speaker. The bill, as amended that stands before you is the tax and rebate package adopted by the State Senate earlier today. And before I engage in a series of comments regarding that package, I would

003926

267

gmh

House of Representatives

Saturday, May 2, 1998

like to take the opportunity to recognize some individuals who have performed extremely well under very difficult circumstances and I suppose it's probably wise to start at the top, but there really is no way to ascribe priority because everybody pitched in and worked as a team on this package. That's been the hallmark of these past four years and the pattern under your guidance, Speaker Ritter and with the assistance of the able Majority Leader and the Minority Leader have enabled us to produce a quality product. But I should start by thanking the working group of Senate leaders and House leaders, the Finance and Appropriations Committee Chairs and ranking members. They have done their duty to enact the best law possible under the circumstances and try to do their best for the people of the State of Connecticut and they deserve praise, our praise and the praise of the people of the State.

But I would like to single out certain individuals who I think rose above and beyond the call of duty when it came to making the transition from idea and agreement into drafted bill and executed fiscal note. And those are our lawyers in the Legislative Commissioners' Office, particularly Ann Gnazo, the Finance Committee LCO who I think did a marvelous job

003927

gmh

268

House of Representatives

Saturday, May 2, 1998

trying to draft a tax and rebate package for the Senate at the same time she was drafting revenue estimates and a gas bill for us to be taken up at the same time within 18 hours of coming to an agreement. That is marvelous service and I'll never forget the yeoman's work that she did on this package.

While that was happening the OFA revenue section of those four super stars Dan Schnobrich, who like us is now a part time analyst, but I can assure you has done full time duty these past couple of weeks. Linda Miller, Felix Planiss and Rob Wysock. These are the people we rely on and have relied on to make our revenue estimates and to help us guess the right way when we enact tax and fiscal policy and I pay them tribute today because in these past four years we have followed their recommendations with regard to the revenue estimates in particular and we have been mightily well served. So I thank you all very deeply and personally and on behalf of the committee.

Next, we have the ranking member here in the House who I think is a star. Dick Belden is great. Thank you, Dick. It's been great fun working with you as a team mate and I think that we can be proud of our work product. When we win, we win together and when we lose well we lose together and sometimes I'm not sure

003928

gmh

269

House of Representatives

Saturday, May 2, 1998

whether it's good to win or lose, but it's always a great experience and I can always rely on you to have actually read the bills which is unusual. Staff is great, but it's awfully nice from a guy who actually has to push the button and knows what the bill says. And Dick is one you can always count on knowing what the bill says and perhaps what it should say. So, thank you, Dick.

Our Senate chairs have done a stellar job. Bill Nickerson and Marty Looney have been great. And the members of the committee, Republicans and Democrats should be very proud. This was an interesting year in the Democratic Caucus. I asked for no caucus positions on any of the bills we took up. We discussed and debated. We crafted product and some of it made it into this bill. How about that? And the Republicans who I didn't have the pleasure of caucusing with were forthcoming, helpful, and in some cases, entertaining in committee meetings. And I think our committee meetings were most useful and enlightening to the public, particularly in areas like the electric deregulation where we stood our ground and stood up for our jurisdiction and did our job because every committee does its job and we should be proud of all our committees.

003929

270

gmh

House of Representatives

Saturday, May 2, 1998

Finally, committee staff. Our committee administrator, Mary Finnegan is singularly she is the best there is. She's done an outstanding job and I want to thank her. As you know, I am not the easiest guy to get along with.

SPEAKER RITTER:

Since when?

REP. SCHIESSL: (60TH)

But Mary has been a great shield and an even better sword at times and she has certainly set the standard for committee administration and of course, her support staff has done a wonderful job and it's been a very positive experience even in the short budget adjustment session. So, I am most grateful for everybody who participated as part of the process.

I'm also very grateful to have the opportunity to make these comments on behalf of the Finance Committee team and those of us who labor on your behalf to enact good tax policy and sound bond policy. So, thank you for your indulgence there.

This is not an easy thing for me to do tonight. I've been on the committee since 1989 and have a lot of memories of difficult times and good times. But I remember -- actually what I'm going to do tonight is something that is not unprecedented in the committee.

003930

271

gmh

House of Representatives

Saturday, May 2, 1998

I am Chairman of the Committee, House Chairman, as you know and have moved for passage of this tax package and rebate package, but for reasons which I will articulate to you and hopefully provide you with information that you can process as you decide, I have decided to oppose this package of tax cuts and rebates and I want to start by trying to place this into context.

Many of you know, I've put in an amendment this year to try to ask the institution to consider how the biennial budget process marries up to our rules of doing business. I won't offer an amendment to amend the Constitution because we won't attach a resolution to a public act, but we're a little out of sync as an institution. We adopt a biennial budget and a tax package in the first year of our election cycle and then the next year, I think we're supposed to come in and do adjustments and address issues and perhaps even engage in some long term planning. It's really, in my opinion having been here when the biennial budget process was adopted, it's really my belief that this second year really should be for adjusting and planning, not dramatic statements, not grand new ideas, but modest adjustments and contemplation about what we should do as an institution and in what directions we should go. And I'm afraid that this product does not do

003931

gmh

272

House of Representatives

Saturday, May 2, 1998

honor to that idea. That's not a mortal sin. That's just something that might bother someone and it bothers me, but to put it into context, we have been through some interesting times these past 12 years. We have been through modest surpluses from fiscal '83 through fiscal '87. We have gone through a period of very dramatic and very deep deficits from 1987 through '91, but we emerged from those difficult times after '91 by taking very dramatic and contentious measures and we have enjoyed the fruits of our labors and the sacrifices that were made and our commitment to ideas to enjoy surpluses for the past six years, I believe, as evidenced by the Governor's proclamation. Six consecutive year ending surpluses.

What has driven the experience? Why have we had surpluses these past several years? I say it's a combination of several factors. I think one of them is, particularly in these last four years, the enactment of very conservative revenue estimates. We are not making any fudge in the Finance Committee conference room when we meet to do revenue estimates. And one of the reasons, I think, is because both parties are represented in the room. Even this year we take time to look at the estimates. We talk about them. It's not a partisan experience. And I've been on the

003932

273

gmh

House of Representatives

Saturday, May 2, 1998

committee during times when it has been and it's not a pleasant experience for anybody.

So, conservative revenue estimates is a good reason and I think it's one of the reasons we've experienced errors on the plus side when it comes to surpluses.

Two, is discipline state spending. The Appropriations Committee led by Representative Dyson, Representative Metz and their predecessors have made the sacrifices and asked you to make the sacrifices necessary to enact disciplined and honorable budgets. They've done the best they can with what they've had. So I think that's a second factor that's contributed to our good fortune.

The third factor and it's really a combination of two. Since we've gone into this surplus period we have experienced strong collections in basically two areas of taxation. One, which you all know and which I commented on last night as having been the most dramatic is in the area of unearned income. That means non-wages and salaries. We have seen spikes in unearned income that exceed our projections which is not hard to do, but exceeds them on a very dramatic level and that's the third element that I think has driven these strong surpluses, strong, unearned income,

003933

gmh

274

House of Representatives

Saturday, May 2, 1998

collections beyond estimates.

And finally, the inheritance tax has proven to be a surprisingly strong revenue source. Perhaps that's some evidence that maybe it's not so bad to have the highest per capita income in the nation after all. And maybe that's something we should seek to cherish and seek to continue, particularly those billionaires who have really bad estate planners and can't plan around our inheritance tax, but I'm not making that as a jab against our bar association as being a member, but strong collections in the inheritance tax has been the fourth factor that I think has driven at least the surpluses we've experienced in this recent time.

And in an era of biennial budgets we have behaved appropriately in my opinion. We have paid off our debts from the last deficit, finally retiring the URF notes, the economic recovery notes that we had to take out in order to keep our budget in balance when we had to enact that income tax to offset a \$2 billion deficit back in '91. We've cut taxes \$1.3 billion over the last four years. That's very impressive. And I think the results of our actions are being felt in the economy and will continue to be felt as those taxes become effective over the next several years.

We've held the line on spending and finally, we've

003934

275

gmh

House of Representatives

Saturday, May 2, 1998

occasionally socked away some money into the State's savings account, the budget reserve or rainy day fund. That's what it is. It's a savings account and it's a good thing that we have it.

So we've done the right things these past four years. But there are a couple of practices that have raised concerns for me and I've participated in the enactment of them and I think it was the right thing to do, but you have to acknowledge the consequences of your actions and one of the practices we've engaged in and I think it's a consequence of biennial budgeting is enacting tax cuts that get phased in over time or have effective dates that start out year. You do that and you take on the responsibility of having to account for the out years now. And while we have done that, enacted tax cuts that get phased in over lots of years, we are going to have an opportunity today to decide whether we plan for the future or live for today.

If we defeated this bill and did not cut that \$67 million out of the revenue stream, you could still go home and tell your constituents that taxes will go down \$220 million in the next fiscal year. Why? Because of the tax cuts that were enacted over the past several years. And you may not have been around to see them all enacted because some of them went on the books

003935

gmh

276

House of Representatives

Saturday, May 2, 1998

before you were here. And I must say that that's not a bad thing because the taxes that we've started to repeal or phase out or lower are taxes that should be reduced. The corporate tax rate should be reduced to seven and one-half. The inheritance tax should be repealed. The sales tax changes and corporate changes and property tax changes are all important to protect and defend, but you can't forget they're out there when you're doing your budget planning.

Another alarming trend is a revenue trend. I cited for you those four factors driving the surpluses and two of them were revenue related. One, is unearned income. We've experienced in the past three years a spike in unearned income. Unanticipated. It's gone up to a particular level, but in the past fiscal year it spiked up again and that explains why we adopted a zero growth rate in the income tax estimate we adopted last night. Because OFA does not believe and I concur in this belief that we will sustain that high level of unearned income into the next biennium or through the next fiscal year. I hope I'm wrong, mind you because I don't wish any deficits on any legislatures having been through a doosie back in '91. But we cannot rely, in my opinion, on the unearned income or the capital gains interest and dividend revenue continuing to rise the

003936

277

gmh

House of Representatives

Saturday, May 2, 1998

way it has and I think OFA concurs in terms of their revenue estimate which typically we do a growth rate of about 5%, but the good news is we've now adopted a budget that estimates zero percent growth.

The other alarming revenue trend addresses that fourth factor. The repeal of the inheritance tax. While that tax is going strong and collections are great that tax is also disappearing. We're repealing it. It's being phased out. It won't be around much longer. So you have to remember as you budget those two strong revenue drivers, the things that drive our surplus are going away or will probably change.

So, here we are with a tax package of modest cuts, \$67.9 million. In light of our performance these past three years in the Legislature with all the tax cuts we've enacted, \$1.3 billion, most of them already in effect. \$600 million or so in the last two years, this year and next year, I'm not particularly excited about adding \$70 million to that record and the reason why is obvious and Representative Davis mentioned it last night. It's the out years. It's the thing we're supposed to be planning for when we budget in the adjustment year, in my opinion. And last night Representative Davis mentioned and I received also from OFA their preliminary estimate of out year impact of

003937

gmh

278

House of Representatives

Saturday, May 2, 1998

our actions in adopting this package of tax cuts and rebate, well, particularly the tax cuts. Fiscal year 1999-00, starting July 1, 1999, it's coming, projected budget deficit or I should say shortfall, of \$500.2 million. Remember the rainy day fully funded is just short of that. It's about \$499 million and change.

But that's not just a one shot experience like this surplus we're trying to dispose of and fiscal 00-01 they're projecting a deficit of \$483.6 million and in fiscal 01-02, \$490 million. That's fairly strong and consistent bad news. It certainly sets forth the nature of the fiscal challenge for this legislature over the next four years. Keep in mind that during this period taxes will go down \$220 million next year and then up to \$500 million in the following two years as we feel the affects of our previous actions, the tax cuts we've enacted in prior years.

So, I am strongly urging you to consider the out years when you consider this piece of legislation because how you dispose of the state surplus and the revenue decisions you make by changing these tax laws will have consequences for you in the out year.

So, having said that, I want to now turn my attention to the disposition of the state surplus, the second important component of this piece of

003938

gmh

279

House of Representatives

Saturday, May 2, 1998

legislation.

I suppose it's really about rebate or no rebate. Rebate has been the key word in this short session and I'm actually quite pleased we're finally getting a chance to talk about it on the floor, but let's discuss what the real issue is. The real issue to me is not rebate credit refund or not. The real issue to me is how do you dispose or use the surplus revenue, the extra money that you have on hand now, how do you make the best use of that revenue and it's my position that returning this revenue to certain taxpayers is probably not the highest and best use. It is a use that maybe popular. It maybe popular politically. It maybe popular with the public. But I dare say there maybe some other things we can do with the money that might be better and I can address those shortly.

But let's talk about the specific rebate proposal that stands before us, what's in this bill here today.

I say that the rebate is fundamentally from a fiscal perspective a gimmick built upon a fraud. And the fraud is something we will explore first. In my opinion, the fraud is expressed in the proclamation which Clerk Coleman read last night. The proclamation declaring that it's okay to spend this money by providing a rebate to some of the people that pay taxes

003939

280

gmh

House of Representatives

Saturday, May 2, 1998

in Connecticut. The proclamation cites the six years of surplus, the fact that the budget reserve fund will be fully funded in this budget which, by the way, is a wonderful and important thing, it's a requirement. It should be non-negotiable and it should be something that we do without even thinking, but the notion that the fact that there's too much money in a budget, in my opinion, does not rise to the level of an extraordinary circumstance that merits our spending it outside the requirements of the law. And I was in the room as a rank and file member of this Finance Committee sitting around a table with some of my colleagues talking about what we thought extraordinary circumstances might be because this language was born in 1991 when we were facing \$2 billion holes and we didn't know what to do. The one thing we did know we had to do is raise taxes. And it wasn't fun for me and I wouldn't wish it on any of you.

And some of my colleagues who were resistant to the income tax decided that because they didn't want to see something like this happen again that it would be important for them to have protection to provide a spending cap and that was very much a bipartisan exercise, but my recollection is as an anti-income tax democrat and you can imagine how popular I was back

003940

281

gmh

House of Representatives

Saturday, May 2, 1998

then with the democrats, I remember sitting around a table with Finance Committee members who had not yet made up their mind or cast their lot one way or the other and we were contemplating this language, what is an extraordinary circumstance that would allow the Governor to do this and allow us to conspire by three-fifths majority to do something to respond to an extraordinary circumstance and we thought of things like stock market crashes and hurricanes raging along the coast. There had been an explosion, I think, at Ensign Bickford. Somebody talked about that. The departure of a major employer. It never occurred to us that having too much money in your coffers amounted to a circumstance that would justify us doing this spending. I can say that with great certainty and I don't think the transcript of either chamber will provide us with evidence that this is something that amounts to a circumstance that one would consider extraordinary.

But while I pontificate about all that, you also have to recognize the reality of the situation which is that if the Governor and three-fifths of both Chambers agree, we can do anything we want. And maybe that what's happening today, but I'm injecting too much of my personal opinion into this and I would really like

003941

gmh

282

House of Representatives

Saturday, May 2, 1998

to provide you with some information about the legislation you have before you today.

How are we disposing of the surplus in this budget? Most of you have seen the OFA run that shows how the \$460 million surplus is being expended. Most of it's being spent, some of it is being spent above the cap or in lieu of the cap. But it's being spent. The best part of this is the \$161.7 million that's going into our savings account because as you know we're going to need it. The remaining balance to debt retirement stands at \$1.4 million -- that's million dollars - \$1.4 million to debt retirement, but I know we'll hear today that between now and July 1st there will be a readjustment on that surplus figure and that extra money will go into debt retirement. Do you know why? Because that's what the law says. Once the rainy day fund gets filled. We won't be here to spend it because we'll be home.

Current law. Not so bad. Not so bad. So let's explore this particular rebate proposal that's before us. It is built upon the proposition that the people want their money back and the people should get their money back because the fact of this big surplus indicates that we've taken too much of it. But I've already articulated where it's come from, and why it

003942

gmh

283

House of Representatives

Saturday, May 2, 1998

might be too big.

You make the judgment for yourself. But as I review the incidents analysis on this rebate as provided by our Office of Fiscal Analysis, there's some interesting issues raised that actually relate to the language of the bill which I will address now.

For all filers in Connecticut who qualify for the rebate and that's 1.2 -- I'll round up, 1.2 million, the average rebate stands at \$132.43. The average rebate for single filers, \$74.48. Joint filers, \$148.81. Heads of household, \$115.52. But there's an issue, obviously, that I've raised -- there's an issue that has to be considered when you're talking about taking state revenue and doing something with it. And if you choose to give the money back to 1.2 million of the taxpayers of Connecticut you are creating, in some instances, an event of federal income tax ability. So to be fair to the people of the State who have an expectation about money coming back to them, and probably don't fully understand that something one level of government can do will create a taxable event for them in another, we have to explore the issue of what the consequences of using this money in this way are to our taxpayers and of the 1.2 million income tax payers who have a chance to get a rebate, at least the

003943

gmh

284

House of Representatives

Saturday, May 2, 1998

minimum rebate, about 460,000 of them are itemizers. They have reasons to file their federal tax in such a way that they itemize certain expenses and credits and things of that nature. And it's been pretty well established that if you are an itemizer this rebate will constitute taxable income to you.

So for those 460,000 taxpayers who will receive, thankfully, their rebate check, there will be a tax consequence. So let's explore the after tax rebate. Single filers, \$57.37 will stay in their pocket. Joint filers, \$108; heads of household, \$89.41. The average after tax rebate for all taxpayers is \$97.26. An undeniable fact. In the array of choices for uses of our surplus state revenue, I've said this before and I'll put in on the record today, I don't think we should be subsidizing federal government to the tune of \$16 million -- \$16 million of this \$115 million will go to the federal government in the form of income taxes according to the Office of Fiscal Analysis. It's a fact.

The way the rebate is structured also raises other tax questions. We've expanded the scope of the rebate so that now people who don't have liability, state income tax liability, stand to receive the minimum rebate. If you file an income tax return and you pay

003944

285

gmh

House of Representatives

Saturday, May 2, 1998

property taxes you can get a minimum rebate of \$50. But what if you don't have \$50 of state income tax liability? I don't know whether that's refund income or what's known as other income because one would assume that refund income is getting something back that you paid in, but if you haven't paid anything in, are you entitled to get something back? And if you get something back, what is it? Is it a refund or is it other income?

The best information that we have is a memorandum from the State Department of Revenue Services to Senator Looney and I to which is attached a determination letter issued by the Internal Revenue Service to the State of Minnesota, one of six states in the nation that have done rebates. Alaska being the sixth, which is odd because they just do a straight rebate on oil reserve revenue. So that's kind of quirky. Minnesota has a property tax rebate, a one shot property tax rebate. And it was determined that that kind of income is refund income and not other income. But I don't know. No one has made a request of the IRS for a determination letter on the language before us. We haven't had time. It would be unfair to expect that we would have an answer to that question. But the question remains. And everyone in this room

003945

gmh

286

House of Representatives

Saturday, May 2, 1998

can have an opinion about what they think will happen and what they think the law will be, but the only opinion that will matter is the opinion from the Internal Revenue Service. So whether or not you think you have the answer, it's irrelevant because it's what the IRS says that's going to go.

One of the reasons the rebate proposal was altered from the Governor's proposal was to provide some sort of relief for more taxpayers from 800,000 to 1.2 million and that relief was provided to that population of taxpayers who don't have liability.

I suppose that was done as a social policy, you know. Let's make more people get a share of our good fortune. Let's reach out to people with lower AGI's who don't have income tax liability or can't max out their property tax credit to get the rebate. It's a noble change to the proposal and I think it's an important change to the proposal. However, it's \$50. We had an earned income credit bill that might have given a certain sector of the population up to \$325.

It's a social policy. I'm not sure it's a meaningful one. Everybody gets to make that decision for themselves.

So, as a fiscal policy, as a tax policy, as a social policy, there are issues with this rebate.

003946

287

gmh

House of Representatives

Saturday, May 2, 1998

I referred earlier to current law. We have a constitution that requires, based on the adoption of an amendment dated November 25, 1992 that unappropriated surplus be used in a certain way to fill the budget reserve fund, put it in the savings account. Get that up to 5%. Reduce bonded indebtedness or any other purpose authorized by at least three-fifths of the members of each house of the General Assembly.

We have a statute, 4-30a which addresses the issue of disposition of surplus revenue. Section 4-30a provides that any unappropriated surplus shall be used to fund one, the budget reserve fund. There's that savings account again, top priority. Two, up to five percent against unfunded pension liability. And three, to retired debt.

Now, this rebate proposal that's before you is one way to use the surplus. Let me offer you two other ways and provide you with the results or the consequences of our actions if we would have followed the directives in the Constitution or the statute that is current law.

If we followed the Constitution and we put the budget reserve fund as a priority, which we do in this bill just like in this bill \$161.7 million would go into the rainy day. \$298.3 million would go to the

003947

gmh

288

House of Representatives

Saturday, May 2, 1998

reduction of bonded indebtedness. That would result in a reduction in bonded indebtedness of \$489 million and the high. Not a bad investment. You understand the difference? Rebate is giving -- paying off debt, in my opinion, is investing. Non-taxable event too.

Let's look at what the statute says. Fill that rainy day fund, \$161.7 million to get a payment of 5% against our unfunded pension liability, \$185 million of the balance would go against the pension. Over the course of time, that investment of \$185 million, if made today, would result in a savings and a reduction in our unfunded pension liability of \$600 million against the \$3.7 billion in unfunded pension liability. But you will hear in this debate that it's okay because we're not underfunding, we're maintaining our commitments under the CBACK agreement, but that's not what I'm talking about. I'm talking about this windfall, this cash you've got in your hand and how you use it. It's not illegal. It doesn't violate the agreement, in my opinion, maybe I'm wrong. I'll find out later. But it is something we could have done with a portion of this money that would have given us a great return.

The State of Indiana used \$125 million of its surplus to pay against its retirement fund. Moody's

gmh

003948
289

House of Representatives

Saturday, May 2, 1998

Investor Services gave them an upgrade. It happened. It's in one of our magazines. I'll show the cite. But I'm not even done using this surplus. There's another thing we can do if we follow the statute that was enacted way back when. We still have \$113.3 million left to retired debt. And that's based on the \$460 million surplus figure we're budgeting on, not that extra \$40 million that may come between now and July 1.

Debt retirement, saving \$185.8 million. These, as you know because you know me, are OFA numbers. Now, you may hear some debate today about the bond rating agencies and how the bond rating agencies want this and they want that and they tell us to do this and tell us to do that. I've been dealing with the bond rating agencies in two contexts, here as a Rep and professionally in my other job. And I can say with great certainty the bond rating agencies will never tell you to do anything. They might suggest to you the consequences of doing something, but even there they hedge. What they like to do is come in and say hey, you did this wrong and we're going to downgrade you. I remember having conversations here about whether we should have a rainy day fund or not. And as I recall we all walked out of that conversation saying well, if we have one we better damned well fund it. And I'm proud

gmh

003949
290

House of Representatives

Saturday, May 2, 1998

to say that we are, no matter what happens, we will be funding that thing whether this bill passes or not.

I was asked by some of my colleagues who discovered my opposition to the bill, they came to me and said, isn't it irresponsible of you to vote for a budget last night and oppose a tax package and a rebate the next night? And I said no because you're forgetting the fundamental nature of this exercise. We have a budget. It is a biennial budget. We have an array of tax cuts. They are on the books. We adjusted the budget last night. This is an adjustment in revenue and a disposition of surplus. If this bill fails that budget stands. We built about a \$20 million operating surplus into the budget we adopted last night. If we don't cut taxes by \$67 million, that projected surplus will go up. And on July 1st, that surplus we don't distribute will fill the rainy day fund and pay down debt. So I think it's a defensible position.

I am very appreciative of the opportunity to address these issues today and I must tell you that I really feel that the things I've told you and the figures I've given you are really part of my responsibility as the Chairman of this committee, the co-chairman of this committee. This is the kind of information that I am supposed to impart to you and I

003950

291

gmh

House of Representatives

Saturday, May 2, 1998

feel like I've given you the information that you need now to make an informed judgment about this proposal and in providing you that information, I hope you understand now why I stand in opposition to this bill, as amended.

I've always operated on the principle that every Representative knows what's best for him or herself. I would never presume to tell you that I think you should do something because if you do, you will get elected or you will not get elected. That's a decision each of us makes for ourselves. Opinions are one thing, recommendations are another.

But I would like to think that while I've put some issues on the table with regard to this piece of legislation, I want to summarize, briefly, as all lawyers say, by indicating that I'm opposing this bill, the tax portion of this bill for the following reasons.

Trends in revenue; primarily the changes in the tax law that I want to defend and I want to keep on the books, but recognizing their effect on the revenue stream; the continued pressure that will be placed on expenditures. Remember what will happen if the economy turns south. Revenues will go down and demand on services will increase. That's why we go in the hole so fast when the economy turns. And that's why when

003951

gmh

292

House of Representatives

Saturday, May 2, 1998

things are good, their great. And things have been great. Trends in revenue collections and unearned income and inheritance tax. The projected deficits for the following three years starting July 1. These are things that I think that stand out there as facts. And with regard to the rebate, I say rather than giving a modest gift to some, let's make a meaningful investment for all and avoid establishing a dangerous precedent for spending and make the most of our current good fortune by reducing the fiscal challenges that we will surely face tomorrow.

The choice is between short term political benefits and long term fiscal stability and in this instance I say don't give some people what they want, but give all people what they deserve.

I thank you for the opportunity to address you and will now entertain questions or comments concerning the bill, as amended before you.

Thank you, Mr. Speaker.

SPEAKER RITTER:

Thank you, Mr. Chairman. Thank you, sir. Will you remark further? Representative Belden.

REP. BELDEN: (113TH)

Thank you, Mr. Speaker.

SPEAKER RITTER:

003952

293

gmh

House of Representatives

Saturday, May 2, 1998

The question is on adoption.

REP. BELDEN: (113TH)

Yes. The amendment before us - let me just say first that I concur with almost all of the comments of my friend and the Chairman of the Finance, Revenue and Bonding Committee and Mr. Speaker, since he embarrassed me a little bit earlier, as I start this off, let me just tell you that in my four years serving with him on this Finance, Revenue and Bonding Committee, number one, he will take Jim McCavanagh's place on how to run a meeting, number one. And number two, his depth of knowledge, his commitment to the process, his ability to look at all sides, are phenomenal and I think that the Chamber has been so extremely well served by him in that capacity and I think we all owe him a great deal of appreciation for that.

SPEAKER RITTER:

That's true.

REP. BELDEN: (113TH)

And Mr. Speaker, I do know how it is to be all alone on that machine and so I don't know what's going to happen later on today, Carl.

SPEAKER RITTER:

A game within a game.

REP. BELDEN: (113TH)

003953

gmh

294

House of Representatives

Saturday, May 2, 1998

Mr. Speaker, this year having been here and come to this Chamber in 1975 when the State was in a serious, serious depression. It was so bad that the Governor had the lights turned off on the highways so that we could save money and since that time we have certainly had our ups and downs. And as you've heard mentioned here before, that we've now had a surplus for the last six years, we've had a cooperation between all three branches of government, the legislature, the executive, and the judicial to try to do things more efficiently, at lower cost, and even the labor unions and the represented employees in the state, all have been working together, for the most part, as a pretty good family to try to hold the line, try to provide all those services that we do need.

And you know, after you've worked hard all week, what do we all like to do on Saturday night? We like to go to the movies. We like to go to maybe have a little something to eat. The people of the State of Connecticut have been working hard for these past years, as well. And what we're talking about here tonight is not a big, big bonus back. It's saying to the people of the State of Connecticut, we, in this package, have looked at all of the issues. We've tried to provide additional monies for the programs we all

003954

gmh

295

House of Representatives

Saturday, May 2, 1998

feel so serious about. We've tried to reduce our debt. We tried to fill the rainy day fund. We've tried to look at the tax that we place on our constituents and say, what are those things that we can possibly afford to do here and still, perhaps, just one time not to be totally irresponsible and say hey, from now on you're going to get this forever, but take a little bit off of the top of this surplus this year. Call it an extraordinary expense and I have to tell you that whether or not we do this rebate, as I understand the numbers, because of the cap and whatnot, we would have still had to have that proclamation. We would have still had to kind of violate or to exercise the requirement of the language in the books of the State of Connecticut that says if you want to do this, if you want to extend it -- go over that cap, you have to do it.

And the language before us also says and this is where I am going to take just a slight issue with my friend, it says any unappropriated balance of the surplus. That's why we're here in May. July 1st, whatever the surplus that's unappropriated is, that's what it is. So this body and the will of this body and the will of the body upstairs and the will of the executive branch is essentially saying we're looking at

003955

gmh

296

House of Representatives

Saturday, May 2, 1998

all of the issues that stand before us today. We're making our best judgments to try to do all the things we have to do for our constituents and we're moving forward. And in that package if it happens to contain a slight bonus going back to those who toil everyday in order to provide all these services, I think that's an okay situation for this year. It's a one time deal.

Mr. Speaker, I would also like to comment on our staff. You know, we turn around and we say, what about this - what about that - -can you redo this? Can you get me this information? You know it all happens. And it usually happens with a smile and I think whether it be on the Finance Committee with OFA or the Legislative Commissioners' Office, whether it be on amendments we all want, I think we kind of take our people that support us here sometimes for granted and I just wanted to get it on the record, Mr. Speaker, that I hopefully don't and I try to, through this process, thank them for their efforts, their extraordinary efforts that go on.

And Mr. Speaker, just to talk about reading the bills and I got a little chuckle out of that. I think there are a lot of members in this Chamber who are not too happy sometimes that I read the bills and the amendments. And perhaps it raises some issues.

003956

gmh

297

House of Representatives

Saturday, May 2, 1998

Mr. Speaker, I think that this is a considered package before us. It's a package that certainly I might like to have some other things done some other ways. I think probably everybody in this Chamber would liked to have spent more or did this or did that, but the will of the body prevails and I think that the consensus today is the consensus that this package, never perfect, is the best we can do for this year, at this time, under the circumstances before us.

And I would urge passage.

SPEAKER RITTER:

Thank you, sir. Will you remark further? If not, Representative Ward.

REP. WARD: (86TH)

Thank you, Mr. Speaker. Let me first start by complimenting those that have worked both on the appropriations side of the package and in particular, as we discussed today, on the tax side. To compliment Representative Schiessl as the Chairman of that committee and obviously, as he has already eloquently explained, has some problems with the final results of the package, but thank him for his willingness when a majority decision appeared to be made that it was going to go in a certain direction that he still wanted to work to make sure that it was written correctly, that

003957

gmh

298

House of Representatives

Saturday, May 2, 1998

it conformed to our laws, that it worked in the right direction, that the numbers made sense even if the ultimate policy he has trouble with today. And there aren't a lot of legislators that would help you accomplish a majority goal when you were in the minority and I thank him for that service.

As to Representative Belden, Dick I'm always glad that you're reading those bills even if occasionally it doesn't end up with the result that I would have liked to have seen. We all know that we are served much better by members and in particular, by you, Dick, when you are very careful about what goes before us.

I didn't mention on the appropriations package the work of my counterpart on the other side, Representative Lyons and the Speaker. In addition, our Senate colleagues in the same capacity. I will say both on the tax side of this, the rebate side and the appropriations side, if you will, the three prongs of this year's budget, the kind of cooperation that existed on both sides of the aisle to try to bring before this body a package that I believe we could all be proud of.

It clearly was a negotiation that went well because all people were willing to first put their cards on the table as to what was important. Two, which

003958

299

gmh

House of Representatives

Saturday, May 2, 1998

doesn't always happen in negotiations, to listen to the people on the other side and understand the philosophy or the rationale behind their position and I think sometimes in those discussions where you see there are wide philosophical goals, but ultimately end goals that are not really that different and I thank you, Representative Lyons and you, Speaker Ritter, for your cooperation in helping us reach this bill that's before us which I find to be a good bill and a bill that is good for the people of Connecticut.

One of the things that was mentioned earlier today is a question of looking at the out years. I think there is a responsibility to do that and I will tell you as I mentioned last night in our budget negotiations, we did look at that question. We looked at the affect of the cap and in fact, what started for some folks for bigger tax cuts and for other folks for lots more spending, was brought down. Maybe not down as far as some people would like on the tax cut and maybe not down as far as some other folks would like on the spending, but we did take a serious look at that.

When I look at the projected future deficit, I'm always reminded that that's a static look -- that's a snapshot in time and it is for us to make a judgment of what it is we're going to do in the future.

003959

300

gmh

House of Representatives

Saturday, May 2, 1998

From my philosophy, I think it is reasonable when we have the opportunity to present a balanced budget to slightly ratchet down taxes. For as good as the spending cap is, what controls spending, in my opinion, is a control over the revenue we take from the people of the State of Connecticut.

So if you share my concern that despite all of our best efforts, Connecticut has been for many years a high tax state. Representative Schiessl, we're no longer the highest on gas tax as a result of joint efforts in the last year that has a seven cent reduction.

We had a massive income tax that, in fact, Representative Schiessl and I worked to find a bunch of alternatives to that back in coalition budget days that many of us had problems with. But what are we doing here today? We're saying that you will get an additional break, a credit of up to \$350 on your property tax. So we've taken another small step for the fourth straight year. We've reduced the amount of that massive new tax that was placed on the people of the State of Connecticut. We do so in a relatively modest way today, but in a very bold way when we take the entire four years together.

And perhaps the only real significant difference

003960

gmh

301

House of Representatives

Saturday, May 2, 1998

between the tax bills reported out by the Finance Committee and the total amount of tax cut that's here is that piece in the income tax because I believe Finance reported out and I won't be exact, but \$23 million - \$25 million in sales tax cuts and another \$8 million in unearned income tax cut. So there was \$30 million - \$40 million on the table there and folks on our side who had an agenda item that said we wanted to slightly ratchet down the income tax to complete a four year process so that that income tax was a much lower burden, particularly on the middle class working families of this state because make no mistake about it, despite us being in a strong economy, that tax continues to be a burden on the working men and women of this state and we've done a good job over the past four years and this completes part of that process of getting that burden to a more reasonable level for lots of the working folks in this state.

We reached a compromise on this year's rebate and I proudly say that when you have a surplus that darned near approaches 5% of the budget just in this one year alone, that it is not an unreasonable return, maybe 25% of that to the people that paid it. And we worked together to find out how best to decide just how much went to which taxpayers and there was a compromise in

003961

302

gmh

House of Representatives

Saturday, May 2, 1998

that and we said we're going to share some with the elderly who have an over burden on property taxes and we're going to give another share to those who have outstanding income tax liability and we're going to give at least a small amount to folks that paid some income tax and have sales and property tax responsibilities.

So overall over one million taxpayers in this state will benefit by that.

There's the question of whether it's taxable or not. I have always thought that was bit of a red herring argument. I think as Representative Farr pointed out if that was the only argument, we would never give a pay raise to any state employee because after all, that mean federal government takes 35 cents of every dollar we give them between a 28% bracket and the 7% for social security. So if our standard on spending money in this state was some of it finds its way to the federal government, I guess we would spend almost none. So I don't think we can sit here today as we decide whether or not the people that earned the money, that had it taken by the State of Connecticut through its income tax, took more than we planned. That's why we have such a big surplus. We took more money than we needed. We took more than we planned. To

003962

gmh

303

House of Representatives

Saturday, May 2, 1998

say we're going to give you a share back, I find to be a very, very good thing, something I think not only does the public want, but something that is a very reasonable policy.

What else do we do with this budget here today? We help the folks on the income tax. We took a look at the sales tax issues that were raised by people on both sides of the aisle and we prioritized them. We said for some of the nuisance taxes for consumers we were going to give you a break in some of the most annoying of our sales tax. In the area of the sales tax that raises a lot of questions that people don't understand and we would simply eliminate it in the coupons and in that area. In addition, the sort of annoyance when you are buying a 50 cent item to mess around with the three cent penny. So it's not a lot of savings, but it removes a simple annoyance from people on a day-to-day basis. And that's a good thing to do. If we can relieve an annoying piece of our state tax system from people's lives, that's positive.

Secondly, we said in the area of financial clusters and a baby step in the -- I'm sorry, financial services and a baby step in clusters that we would start down a policy of a change in tax which will allow those industries to grow and flourish. In fact, the

003963

gmh

304

House of Representatives

Saturday, May 2, 1998

fiscal note tells us that we didn't do the financial services piece. Instead of, perhaps, an \$8 million revenue loss, it might be \$15 million to \$30 million as those businesses fled to neighboring states that treated them in a more fair way. So we really had no choice to do that.

In the cluster area, the baby step we take today may well result not in a static look, but if you look forward to increasing revenues to the State of Connecticut because we are creating jobs. So we made very sensible decisions in this budget that is before you today.

We said finish your work on reducing the income tax burden for a four year period. And we did it and we completed it with this work.

We said reduce the sales tax in those areas that will help to create jobs, help keep manufacturers in this state. We said remove nuisance items from the sales tax. Sure, there are some more that we would like to do if we could do more than that and we said give a piece of the hard earned money back to the people that earned it and I guess I look at it this way when I look at the rebate. I don't think when the dollar gets to the State it ceases to be the people's dollar. They trusted it to us to do what makes sense, but it's still

003964

gmh

305

House of Representatives

Saturday, May 2, 1998

their money that we took. Why not give the people back some of their money?

I ask you to vote with me to return some money to the people of Connecticut.

Thank you, Mr. Speaker.

SPEAKER RITTER:

Thank you, sir. Representative Lyons.

REP. LYONS: (146TH)

Thank you, sir. I also would like to extend my thanks to everyone in this General Assembly for the bipartisan manner in which we have conducted ourselves during the budget negotiations. My particular thanks also to you, Representative Ward and also to Representative Belden and all the members of the Finance Committee.

Representative Schiessl and I had a conversation earlier and I would just share with you a little bit of that. I knew that this was an extremely difficult debate for him. He had always felt very strongly about the actions that we were going to take and his feelings did not interfere with the work that needed to be done. It was mainly through his help and assistance that we are presented with a bill that we will be voting on today.

I think that is extremely unusual and difficult

003965

gmh

306

House of Representatives

Saturday, May 2, 1998

and I will always respect Representative Schiessl for helping us in a difficult situation that was something that he, himself, could not embrace.

I happen to find it difficult to argue with many of the concerns that Representative Schiessl outlined for us. I am aware of the out years and I do have a very serious concern of what will happen at that time. I remember in the '80's that we went through very good times and it crashed around our heads in around 1987. We have had six years of consecutive surpluses, but we look towards the year 2000 and we do see in our projections a problem there.

Recognizing that, I also looked at what we were doing and heard what we were doing in our discussions and there were many more tax reductions placed on the table. Larger ones. Ones that indeed would have put us in jeopardy in the out years. We chose, as a body, not to do them because there was a legitimate concern that they were too large and we did not know the consequences of those tax reductions.

For me, the reason I am supporting this particular package is that we have kept the faith of filling up the rainy day fund, something ever since it was voted, I felt was extremely critical to what we were doing in this General Assembly.

003966

gmh

307

House of Representatives

Saturday, May 2, 1998

I also recognize that while we could argue the pros and cons of a rebate, there is a surplus and it is appropriate that everyone join in that surplus and experience the benefit of that. But it is also for me not a tax reduction. It is something we give back to the citizens for one year to join with us in a surplus. It is not a continuing tax reduction and for me, that was a critical factor in what we are doing as I look at the future responsibilities we have to the citizens of Connecticut.

We will move forward, but as we move forward and with our debates and with our governance and with all of us who will be back in this General Assembly, I think we should listen very well and heed very well the words of Representative Schiessl and remember that in the coming years when we deal both with the spending side of our budgets and also any suggestions of tax reduction.

Thank you, sir.

SPEAKER RITTER:

Thank you, Madam. Staff and guests, come to the Well of the House. The machine will be opened.

CLERK:

The House of Representatives is voting by roll call. Members to the Chamber. The House is voting by

003967

gmh

308

House of Representatives

Saturday, May 2, 1998

roll call. Members to the Chamber, please.

SPEAKER RITTER:

Have all members voted? Please check the roll call machine to make sure your vote is properly cast. If it has, the machine will be locked.

Clerk, please take the tally.

Clerk, please announce the tally.

CLERK:

Senate Bill Number 416, as amended by Senate Amendment Schedules "A" and "B"

Total Number Voting 148

Necessary for Passage 75

Those voting Yea 129

Those voting Nay 19

Those absent and not voting 3

SPEAKER RITTER:

The bill passes.

At this time, the Chair would ask for announcements or points of personal privilege. Okay, what do you have, Garrey?

CLERK:

A list of Favorable Reports on Senate bills.

SPEAKER RITTER:

They will be tabled for the Calendar. Anything else?

S-425

CONNECTICUT
GEN. ASSEMBLY
SENATE

PROCEEDINGS
1998

VOL. 41
PART 8
2236-2606

002240

5

kmg

Senate

Saturday, May 2, 1998

THE CHAIR:

Senator Jepsen.

SEN. JEPSEN:

It is my understanding that the proclamation should be read. Perhaps we can -- we'll read the proclamation just before we vote, or do the budget debate. So I'd ask the Clerk now to turn to our Go list.

THE CLERK:

Senate Calendar for Saturday, May 2nd 1998.
Favorable Reports. Calendar Page 5, Calendar No. 342,
File No. 533. Substitute for SB416, AN ACT INCREASING
THE PROPERTY TAX CREDIT AGAINST THE PERSONAL INCOME TAX
AND CHANGING THE TREATMENT OF CERTAIN FEDERAL PENSIONS
FOR THE INCOME TAX. Favorable report of the Committee
on Planning and Development, and Finance, Revenue and
Bonding. Clerk is in possession of one Amendment.

THE CHAIR:

Senator Looney.

SEN. LOONEY:

Thank you, Madam President. Madam President, I
move acceptance of Joint Committee's favorable report
and passage of the bill.

THE CHAIR:

Question is on passage. Will you remark?

002241

6

kmg

Senate

Saturday, May 2, 1998

SEN. LOONEY:

Yes, Madam President. I believe the Clerk has an Amendment, LCO-2269.

THE CLERK:

LCO-2269, which will be designated Senate Amendment Schedule A. It is offered by Senator Looney of the 11th District.

THE CHAIR:

Senator Looney.

SEN. LOONEY:

Thank you, Madam President. I would move adoption of the Amendment and ask leave to summarize?

THE CHAIR:

Question is on adoption, will you remark? Senator Looney.

SEN. LOONEY:

Thank you, Madam President. This Amendment will become the bill. Will become our tax reduction bill for the current session. There will be one brief technical Amendment to follow to correct a date problem. But this is --

THE CHAIR:

Senator Looney, just a moment, please. Senator Looney.

SEN. LOONEY:

kmg

Senate

Saturday, May 2, 1998

Yes, thank you. Thank you, Madam President. This Amendment, LCO-2269 will become the bill. It is the compendium of all of the consensus changes that have been agreed upon by all of the parties participating in discussions over the last nearly two weeks.

While this Amendment, Madam President, may seem like many other comprehensive Amendments that we have considered in this Chamber over the years, it is printed on plain white paper, and with dark ink text, without any other obvious marks on it.

But, Madam President, this particular item, although they may not be visible does have, indeed, the fingerprints, thumbprints, hand prints, imprints, seals and stamps of many parties, and all of the constituencies reflected in state government. We do not need to have the forensic investigative expertise of Dr. Henry Lee to perceive all of the prints on this item.

And, Madam President, I would like to acknowledge all of the hard work that's gone into it in a very cooperative fashion from the leaders of this Chamber, our Senate President, Senator Sullivan who was a guiding force in all of the discussions. And kept everything focused appropriately with energy and precision, and attention to detail, and mastery of the

002243

8

kmg

Senate

Saturday, May 2, 1998

facts. And our Majority Leader, Senator Jepsen, who was also --

THE CHAIR:

Senator Looney, just a moment. Ladies and gentlemen. Once again, I'll be glad to wait until everyone takes their seat, and can show some respect to the individual who is speaking. In this case it is Senator Looney. Senator, you have the floor.

SEN. LOONEY:

Thank you, Madam President. And said, Senator Jepsen also in his role as Majority Leader was very, very significant in helping to move toward consensus on contested items. And to find ways to cut through some of the Gordian knots that plagued us in the process.

Minority Leader, Senator Eads, as always, was wonderfully helpful, wise, and supportive. The Ranking Member of the Finance, Revenue and Bonding Committee, Senator Nickerson, as always, was incisive, insightful, and masterly in his analysis.

And our House counterparts, and the representatives of the Governor's office, and OPM. And especially Mr. Ryan, were extraordinary in their participation. I'm sure that Senator Sullivan and others will have more to say about the other participants thereafter.

kmg

Senate

Saturday, May 2, 1998

But, Madam President, what the bill contains, or what the Amendment contains, is a number of elements which I will go through now, many of which appeared on our calendar in another form, in the form of bills that were reported out by the Finance, Revenue and Bonding Committee, and are now combined into one item.

I would just like to summarize its contents and then go into some more specifics. One of the key points, and one of course of great public interest is that we will be increasing the maximum property tax credit from \$285 to \$350, effective 1/1/98.

And that is a very, very crucial and important acceleration of the property tax credit. One of great benefit to the people of the State of Connecticut. In addition to that, Madam President, the issue of a rebate is encompassed in this Amendment.

Resident taxpayers will be eligible for a one-time maximum rebate of \$75 for single filers, and \$120 for heads-of-household filers, and \$150 for joint filers. And the conditions of being able to qualify for that rebate include, taxpayers must have filed the Connecticut tax return for the 1997 income year by May 1st of 1998.

Or, for taxpayers granted an extension, before October 16th of 1998. And taxpayers must have paid

Connecticut property taxes in 1997 on an automobile and/or a primary residence. And taxpayers will receive the lesser of their final tax liability, and with a rebate amount stated above, but in no case will a taxpayer receive less than \$50.

And funds in the amount of \$115 million are included in the Appropriations Act, Substitute HB5021, as amended, for purposes of paying that rebate. So those are two of the most highly profiled, and important aspects of the bill that have, of the Amendment that have drawn the most public attention and debate.

There are, of course, a number of other significant and important measures as well, Madam President. One of which relates to the sales and use tax, and exempts a number of items from the sales and use tax. Many of these were under discussion, had been reported out by the Finance Committee, and an element of the bill dealing with the sales and use tax, and the other elements dealing with financial services.

The sales and use tax items had been -- had appeared in the HB5680, an act concerning various changes in exemptions and exclusions from the sales and use tax. And those include exempting newspapers sold over the counter from the sales tax. That was

002246

11

kmg

Senate

Saturday, May 2, 1998

perceived by many to be a nuisance application of the sales tax. There will be a \$3.5 million revenue loss annually from that provision. Next is the trade in of like kind items. And then coupons, discounts, and deposits.

These were all incorporated as elements of HB5680, and are now included in this Amendment as well. Another provision, Madam President, that was discussed earlier in the session, and had been looked at over the interim by the Finance Committee, but had not been included in that particular sales tax bill, is the provision to exempt repair and replacement parts used in manufacturing.

And that will be effective January 1st of 1999. It was perceived to have a \$6.6 million annual revenue loss, but that will -- we will only have half of that revenue loss occurring in fiscal year '99, because that particular provision will take effective January 1st, rather than July 1st.

Those are the sales tax items in the Amendment, Madam President. The next category is changes to our corporation tax. And again, many of these had previously been reported out by the Finance Committee in SB582, an act implementing the recommendations of the financial services ad hoc study committee.

002247

kmg

12

Senate

Saturday, May 2, 1998

The first of these changes will require financial service companies to use the single factor apportionment formula for the tax, and excludes financial service companies from the alternative capital base.

Secondly, we'll be establishing an exemption for passive investment companies, or PIC's. While this item appears as a revenue loss, given the change in conditions of competition in our nation, and the danger of being disadvantaged by changes in the laws adopted by neighboring states, it was anticipated that if we did not adopt this change, we might be facing a revenue loss annually of anywhere from 15 million to 25 million.

So, in effect, while this shows up as a revenue loss, it does in fact, prevent a greater annual revenue loss. The next change is to exempt domestic insurers from the corporation tax. And then will restrict the deductibility of certain intangible expenses and certain interest expenses with a related member.

These are all items that appeared in SB582. The next category, Madam President, is items that relate to the bill regarding clusters. An act concerning economic clusters that was previously SB599, as reported out by, I believe by the Commerce and Finance

002248

13

kmg

Senate

Saturday, May 2, 1998

Committees. There have been -- there has been a selection of the items encompassed in that bill, Madam President, to avoid some of the large out-year impact that might have resulted from full adoption of that bill.

And there is an interesting in studying the possible adoption of additional provisions relating to net operating loss, extensions of the net operating loss period up to 15 years, or 20 years. Much beyond our current five year statute.

That is something that will be deferred for another day and the completion of a cost benefit analysis for adopting that change. But there are a couple of provisions that have been incorporated from that clusters bill in this overall tax bill, Madam President, including extending the carry forward for up to 15 years of the research and experiment credit to any corporation.

This will be effective 1/1/2000. So it's first impact will be in fiscal year 2001. Currently, Madam President, the research and experimentation credit is allowable for up to 15 years only for biotech companies.

And we are expanding that to cover all industries. And we'll see that there will be a \$3.8 million revenue

kmg

Senate

Saturday, May 2, 1998

impact in fiscal year 2001. The next category, Madam President, will be an extension of the 6% research and development credit to qualified small businesses defined firms with a gross income under \$100 million, also effective January 1st 2000.

Currently, the credit runs from 1% to 6% of expenditures. And the change will be that companies up to \$100 million in sales will be able to qualify for that full 6% credit. So there will be a benefit for the research and development expenses of smaller businesses.

And it is something that has been strongly recommended in terms of helping to make Connecticut more competitive for fledgling growth businesses. The next category of changes, Madam President, is regarding the insurance premiums tax.

And that also was addressed in our financial services bill early on in SB581. We will be exempting domestic insurers from the corporation tax. Increasing the premiums tax of small companies will no longer be able to take that 80% credit of the corporation tax against the premiums tax.

So that there will be a slight increase in the insurance premiums tax because of the reduced off set that domestic insurers will have by being exempted from

kmg

Senate

Saturday, May 2, 1998

the corporation tax, thereby there will be a slight increase in their premiums tax because of the reduced offset. Next, Madam President, is the dealing with another item that was reported out previously in SB50, that was an act concerning the health care center tax.

We will be eliminating the tax on Medicaid contracts. Contracts entered into to serve children enrolled in the Husky Program, and future contracts to serve clients in the General Assistance program, effective January 1st 1998, which has a \$2.8 million revenue loss impact in the current fiscal year of 1998, \$4.5 million in the next fiscal year, fiscal year 1999.

So these are the substantive provisions, Madam President. There will also be a cost benefit report prepared for the Department of Economic and Community Development to study the implication of the net operating loss and the sales of credits by small companies.

Other provisions that had been included in the bill regarding economic clusters, but is not fully implemented, or not being called for as part of this tax package. Madam President, I would to point out in summary, that these items result in a modest series of changes in some categories, but quite significant overall.

kmg

Senate

Saturday, May 2, 1998

It results in an overall tax cut of \$67.9 million for fiscal year 1999. Will result in \$73.6 million for fiscal year 2000. \$78.6 million for fiscal year 2001. In addition, Madam President, these are provisions that provide for stimulation to business, and also for assistance to consumers and targeted relief for taxpayers.

The property tax credit, Madam President, will be highly significant. It is estimated that by moving to \$350 from \$285 in the property tax credit, we will be exempting another 40,000 taxpayers from income tax liability, and resulting in a total removal from tax liability since the initial implementation of the property tax credit of more than 350,000 taxpayers.

It also means, Madam President, that most joint filers with incomes under \$40,000 will now be exempt from the income tax because of the combination of the credits and the exemptions that we have built into our law that heads of household filers will be exempt below \$34,000.

Single taxpayers, in effect, below \$23,000 will be exempt. So we have been making our income tax both more progressive and providing targeted property tax relief by increasing this credit, which was initially implemented a few years ago at \$100.

kmg

Senate

Saturday, May 2, 1998

In the budget passed last year, it provided for a \$215 credit for the first year of the biennium for 1997. It was scheduled to go to \$285 for 1998. And instead, we have moved that \$285 figure to \$350. Again providing a substantial increase in property tax relief.

Under the category of the rebate, Madam President, there will be a significant benefit provided as we said. The categories of the rebate are \$150 for joint filers. \$120 for heads-of-household filers. \$75 for single filers.

In addition, there will be a \$50 eligibility, minimum eligibility of \$50 for taxpayers who will have met the requirements of paying Connecticut property taxes in 1997 on an automobile and/or primary residence and have filed a Connecticut income tax return, even if they did not have existing income tax liability.

So that there will be in a range of lower to moderate income taxpayers who will benefit from this rebate program through the minimal \$50 credit, even if they have had their remaining tax liability removed by applying the property tax credit previously.

So it is a significant extension, and a significant benefit to moderate income taxpayers in the State of Connecticut. Madam President, the revenue

kmg

Senate

Saturday, May 2, 1998

estimates that support all of these items, plus the budget, will be, I believe, discussed later in connection with the Appropriations Act, since they were adopted as an Amendment there to.

But I'll just say at this point that the Finance Committee in adopting revenue estimates yesterday did take a very prudent and conservative approach to projecting revenues based upon very modest expectations about what growth might be. And taking a very conservative approach to match up with the projected appropriations budget for next year.

So that we are not, in a sense, taking any speculative risks by adopting any of these tax cuts or doing anything that will cause us significant problems with our level of expectations in terms of what revenues will be for the next year.

Thank you, Madam President, at this point having summarized and discussed the changes, I will open it up to other members. And perhaps have some more closing comments later. Thank you, Madam President.

THE CHAIR:

Thank you, Senator. Will you remark further?
Senator Nickerson.

SEN. NICKERSON:

Thank you, Madam President. Thank you, Senator

002254

19

kmg

Senate

Saturday, May 2, 1998

Looney for that most effective presentation. I can tell you ladies and gentlemen of the Circle, both the process and the product that we have before us today are noteworthy. In fact, in my 12 years, perhaps unprecedented.

First by way of process, let me extend my thanks personally to Senator Looney for his candor and cooperation, not only in the leadership debates, but throughout the work of the Finance Committee over this year, and indeed last year.

And to the most effective work done with Senator Jepsen, Senator Sullivan, and my boss, Senator Eads, during the leadership debates. They were marked by candor. Not, of course, in absence of differences but a willingness to resolve those differences.

And I was privileged to be a part of that work. And I certainly want also to express my appreciation to the staff. Dan Schnobrick, the man with the numbers who never lets us down. Ann Gnozzo, who has the words of wisdom that you read before us. And our Finance Committee staff leader, Mary Finnegan, like a thoroughbred horse running for the roses at Churchill Downs, she's a winner every day.

(APPLAUSE)

kmg

Senate

Saturday, May 2, 1998

SEN. NICKERSON:

Well, it was an extraordinary process, so I thought I'd mention that. More with regard to the process itself, I want to emphasize, as Senator Looney has, that while the product that you see today is that of a consensus among the leadership group, they if I might use a parallel, did not invent, their invented how to poll forth very little of it.

And if you will, acted as a sort of court of appeals to deal with the Governor's proposals, bills that are on the House Calendar, bills that are on the Senate Calendar, and as Senator Looney has said and I reiterate, virtually everything in this Amendment before you has an antecedent that is either originated from the Executive Chamber or from the Finance Committee.

So, it was necessary, of course, to not do some things and to do others. And at that point, let me make a point perhaps that I often forget, and I've emphasize to our caucus, is really worth making.

What we decide not to do today, is I think just as important as what we decide to do. And what we have decided today not to do, is to in any way, shape or form alter or diminish the benefits of the hundreds of millions of dollars of tax cuts that will take place

kmg

Senate

Saturday, May 2, 1998

this fiscal year. I refer, of course, to fiscal '99. And will take place next fiscal year. We have, if I can use the analogy, a staircase of cuts in current statute.

I won't provide you all the details, cause you all remember voting for them. But they, of course, encompass the corporate tax, the personal tax, sales tax, inheritance tax, hospital gross receipts tax, and many others.

So we start by doing, by deciding not to do something. Not to change the staircase that we're on of reducing taxes in accordance with existing law. We then decide, as Senator Looney has said, to go forward with a tax bill.

You know the highlights, and you know the details, because Senator Looney with his usual care, has given them to you. I will make this comment. It is a perfectly extraordinary achievement both politically and financially, to have arrived at a balanced budget, a consensus bill, a major tax cut, and to have done that with the context frankly, of an election year.

It's something of which we really can be proud. And I'm honored to be a part of it. I think you -- I won't try to tell you in any way better than Senator Looney has already told you, exactly what is in this

kmg

Senate

Saturday, May 2, 1998

bill. Except to say, I'm particularly pleased to know that the most remarked upon part, the rebate is itself the result of a consensus within the Governor's office, the Democratic side of the aisle, and the Republican.

And one which sets a magnificent exclamation mark, if you will, to the tax cuts of the last four years, to those who doubt they will have occurred, they will realize they have occurred when they open their envelopes and find a cash rebate. So, with that I can only add that I join with Senator Looney in urging adoption.

THE CHAIR:

Thank you, sir. Senator Sullivan.

SEN. SULLIVAN:

Thank you, Madam President. Two years ago we all in this Circle said that we would have times when we would debate, and times when even a little politics might enter into our conversations. But that ultimately we would govern together.

And as Senator Nickerson has said, and as Senator Looney has described, the tax relief package that we adopt today is an example of governing together. I also think of Senator Nickerson, Senator Jepsen and those of us still here from the years of 1991 and 1992, and reflect back on what were tough decisions made by

002258

23

kmg

Senate

Saturday, May 2, 1998

people of courage then, to set the state to rights. And today we are here celebrating the fifth, or sixth straight surplus in Connecticut.

As Senator Nickerson, and Senator Looney have pointed out. We stand here today in this Circle without even voting and having over a billion dollars in cumulative tax reductions in place for the people of Connecticut.

It's that discipline, it's that sense of governing together, and working together that have given us the opportunity today to offer to all the taxpayers of Connecticut, all the citizens of Connecticut, yet another dividend on good planning, good government, and good hard work together.

But not just that dividend, because behind this action today, both on tax package and budget, was a sobering moment. One of the most important in the budget and tax deliberations. When Democrats and Republicans, House and Senate, administration and legislature, looked at each other around a table and acknowledged, acknowledged that this cannot be a budget just about this year, but has to be a budget about years to come.

And the consequence of that was a significant commitment and action to reduce planned spending, and

kmg

Senate

Saturday, May 2, 1998

even to give up on some additional tax cuts because we wanted to be sure that what we would do would keep Connecticut on the path of surpluses and keep Connecticut on the path of being able to afford both tax relief and programmatic initiatives for our state.

THE CHAIR:

Senator Sullivan, I hate to interrupt you. But may I just for a second, and ask the members of the Chamber to please come to order and let Senator Sullivan speak to the members assembled here.

SEN. SULLIVAN:

Thank you, Madam President. One of the other things that precedes the action on this tax package, and it is a fundamentally important thing to observe, and they'll be more said about it by Senator Crisco when we get to that portion of our action this afternoon, is the agreement that before talking about one single more tax cut, that before talking about one single more dollar of additional spending, that we made the determination, the promise, and the agreement, and will act today to fill up our Rainy Day cash reserves.

That, more than any other step, helped us collectively as Democrats and Republicans to come together and find a way to do a good budget, and to do a good tax package. Because we are now assured that

kmg

Senate

Saturday, May 2, 1998

for the first time in the history of Connecticut, that Rainy Day fund will be at 5%, and will be there to cover the contingencies of the future.

We are fortunate in the Governor's willingness, and I mean this sincerely, the Governor's willingness to yield on the proposal to reduce income tax, and instead to join with us, and for us to join with him, in a proposal to provide the single most significant expansion of property tax relief that we have been able to undertake so far.

A couple of years ago people around here said, well, you know the legislature can't do much about property tax relief. Can't help on that issue. The legislature has helped profoundly.

Last year, this year, in a bipartisan manner to deliver directly to taxpayers, major, significant, meaningful help to deal with the single largest tax burden in Connecticut, and that is property taxes.

That is something that everyone in this Circle takes home. Everyone in this Circle can be proud to have been part of. As we go up to \$350 of credit, we also acknowledge that 350,000 will, as a result of action taken this year and last year, no longer pay one single dime of income tax in the State of Connecticut.

350,000 taxpayers, by action of this legislature,

002261

26

kmg

Senate

Saturday, May 2, 1998

removed from income tax obligation by giving them the assistance of a property tax credit on their state income tax. Senator Crisco will talk further about the measures in the appropriation side, which also deal with helping cities and towns continue to with, hold down the burden of property taxes.

We have not forgotten our commitment to a more competitive Connecticut. We have kept our faith, as Senator Nickerson and Senator Looney have pointed out, in terms of corporate tax reduction. And we have added the ingredient of financial services tax reductions.

And thanks to Representative Ward, a colleague from the House, who put it back on the table for us, just before we closed the debate. We did not miss the opportunity to also eliminate sales taxes on manufacturing parts. An important step forward for business and competition in Connecticut.

We will act shortly on a further reduction in gas taxes. And we will act even more so this afternoon on immediate taxpayer refunds made more attractive, and more extensive by the deliberations of this legislature in reaching far more, particularly elderly, far more of our citizens than was originally proposed in the rebate.

That is a significant package of accomplishment.

kmg

Senate

Saturday, May 2, 1998

That Senator Looney, and Senator Nickerson, Representative Schiessl, and Representative Belden, have helped us to focus on, and craft, and bring forward for Connecticut. And like Senator Looney and Senator Nickerson, I too want to thank some of the other people that make that happen, Dan Schnobrick, and Ann Gnozzo have been mentioned.

But let us also acknowledge from our, my Senate staff, Ed Mailey, who labored long and hard, particularly in bridging conversations with the House to make sure that this came together. And Mark Ryan, from the Office of Policy and Management, who both as to this that we vote on now, and the budget we vote on later, made a major world of difference in the quality of the discussions between legislature and administration this year, as compared to some of the difficulties last year.

And it would be wrong not to acknowledge the contribution that Mark has made to all of this. We can say today, as we said last year, that we don't just talk about cutting taxes, for working families, for middle income families, we do it. And we do it in a meaningful way.

This year, \$600 million more in tax relief enacted by this legislature. \$600 or more for the typical,

kmg

Senate

Saturday, May 2, 1998

middle income working family in the State of Connecticut in a lower tax burden. And a budget that remains balanced out into the future. Thirty-six Senators will hopefully vote together on this today.

Thirty-six Senators can be very proud to have, not just send great news to Connecticut, but taken a responsible step to share our success with the people who really make it possible, the taxpayers of this state.

And let them get back what they have given us. And let our state continue to offer tax relief, and fiscal responsibility for years to come. Senator Looney, I particularly thank you for your leadership on the finance package.

THE CHAIR:

Thank you, Senator. Will you remark further?
Senator Eads.

SEN. EADS:

Thank you, Madam President. I would be very remiss, in spite of George putting a sign in front, "make it only for two minutes," not to get up and to thank all of the people that worked on this negotiation process for this tax package.

And also for the budget to come. It was a yeoman's job. It was almost a love-fest, as it sounds

kmg

Senate

Saturday, May 2, 1998

like this afternoon. And I think it is going to be because it's going to do the most good for the most people. I think the leadership on the Democratic side was a tremendous asset to our leadership.

I also have to praise Senator Looney, and certainly Carl Schiessl, and our people from the Senate, particularly Bill Nickerson, who always came in with a brighter idea. We might not have accepted them all at the same time, but we took them one by one. And he was a tremendous help, and was at our beck and call at every moment.

I think all the packages wanting to see tax budget and otherwise are so great today, and for the benefit of the people, that very truthfully there need not be a roll call, consent would just be great. And I thank everyone. Many thanks.

THE CHAIR:

Senator Eads, was that a motion to refer this item to the Consent Calendar? Senator Fleming.

SEN. FLEMING:

Thank you, Madam President. I, too, stand to support this tax package. No one that's been around this building for a number of years would believe that we're in an election year. No one would believe that this body itself, there's going to be hotly contested

002265

kmg

30

Senate

Saturday, May 2, 1998

racers. When you take a look at what has traditionally been one of the most political of all votes that's ever cast, and those are the votes that occur on tax packages and on the budget.

But as Senator Sullivan has indicated, I expect that we will have nearly a unanimous vote on this tax package that's before us. And as I was driving in today, I was thinking about what I might like to say about this, and there is one thing that I think has had more impact on this day than any other, and that is, over the last three-and-a-half years we have had a Governor who has put us in a position, working with the legislature, but a Governor that's put us in a position where we can have this kind of a budget this year.

Three-and-a-half years ago, no one, in fact there were a lot of people that wondered if it would be possible to take the state from where it was at, which was with a Rainy Day fund with virtually nothing in it, with a budget and an economy in this state that was in tremendous problems and deficit.

Where we are today is not only leaving in place the tax cuts that the Governor and the legislature have passed over the last three-and-a-half years, but also adding to those tax cuts. And all of us around this Circle that have been here for the last three-and-a-

kmg

Senate

Saturday, May 2, 1998

half years have had to cast some tough votes. This is a relatively easy vote for us today. It's a vote that allows us to cut taxes. It's a vote that in essence allows us to have a balanced budget.

It's a vote that allows us to put almost \$500 million into the Rainy Day fund in case things do not continue along as they seem to be going this year. This is a good tax package for the people of Connecticut. It's a good tax package for all income groups across the State of Connecticut.

It adds another 100,000 people to those who will not be paying an income tax in Connecticut. It provides for a rebate that the Governor has fought very hard for that in essence is, at least in my house, it's a whole week's worth of groceries.

And we've got some three boys that can eat you right out of house and home. This is a tax package that we should be proud of. The members of the Finance Committee, in particular. The chairpersons, and the ranking members worked very hard to put this together.

But, I think, without the leadership that we have seen through Governor Rowland over these last three-and-a-half years, we would not be where we are today. And I would urge all of the members of the Circle, of course, to support this extraordinary, extraordinary

kmg

Senate

Saturday, May 2, 1998

tax package, and tax cut for our constituents. Thank you, Madam President.

THE CHAIR:

Thank you, sir. I will remind our members that we are on the Amendment. I'd like, though the Amendment will of course, become the bill. Will you remark further on Senate Amendment A? Senator Cook.

SEN. COOK:

Thank you very much, Madam President. I rise to support the Amendment. For all of the hard work that folks have put into it, I appreciate not only their diligence, but their creative thoughts on how we could come up with a bipartisan agreement.

I want to highlight that one of the areas, it might not be the largest tax change that we've made in this package, but I think is a very significant one. And that is in the area of the R&D, research and development tax credits.

The economy in the state, and particularly the one that I know most closely, of course, is the economy of southeastern Connecticut. It's been held up by a pedestal table. You know, the way I try to describe it to people is, the table that fed our people was a pedestal table that was defense spending only.

And table, of course, got knocked over with the

kmg

Senate

Saturday, May 2, 1998

huge changes in the winning of the Cold War, and the huge reductions in defense spending in southeastern Connecticut. We needed to make sure that we created a more stable economy for our part of the state, and for the state as a whole.

And I wanted to find ways to make that table much more stable than a pedestal. And one of the legs that is very important to add to that stronger table, is the increase of biotechnology, of medical technology, of ocean research, of environmental research.

All the kinds of things that are going to go into the companies that will benefit from the R&D tax credits that are part of the package before us. That will go a long way to strengthening what that economic table will be that's going to feed the people of our state.

We will certainly have defense as an important part of our state economy, and an important part of a leg supporting southeastern Connecticut. We all know that we have tourism as another leg. The third leg is going to be that biotech, and environmental technology, and the other kinds of programs that are going to qualify for this R&D tax credit.

So a table that has three strong legs and hopefully a fourth one, will be a much stronger way to

kmg

Senate

Saturday, May 2, 1998

feed our people, and to make sure Connecticut stays strong. And for that reason in particular, I commend the Governor's commitment to this tax credit. To the commitment of both the Democratic legislators, and the Republican legislators to go forward to a stronger, more stable economy for our state. Thank you.

THE CHAIR:

Thank you, Madam. Will you remark further on Senate Amendment A? Senator Prague.

SEN. PRAGUE:

Thank you, Madam President. Madam President, I've served in the legislature for a long time. And it certainly is nice for a change to have a tax package that both sides of the aisle agree upon.

Just for the record, I would like to document the fact that I'm going to vote for the tax package, but I'm not in agreement with the tax refund. I'd just like the record to show that. Or, the rebate. Not the refund, but the rebate.

The second issue that I would like to document for the record, is the fact that we have in this tax package a \$24.3 million in tax breaks for businesses. In the bond package that will be coming up soon, I'm sure there will be millions of dollars for the Department of Economic Development to give to

002270

35

kmg

Senate

Saturday, May 2, 1998

businesses loans, and loan guarantees. And that's fine, Madam President. But for the record, as a lawmaker, and as Chair of the Labor Committee, I would like the record to show that my concern would be that there be a responsibility on the part of these corporations who are getting such big tax breaks, and who will be getting loans, and loan guarantees, to the people of the state that they will be employing.

The people whose very money they will be using. That these corporations take into account living wages, benefits, and the fact that the people that they will employ, will be the backbone of their businesses. And the people who have given them the opportunity to get this money.

I want the record to show as a legislator, I will be watching what DECD does with that money. Hopefully, the corporations will assume their responsibility that they should assume in protecting their workers and the people of this state.

One more statement, Madam President. I have heard that this package is a good tax package for the people of Connecticut. That is true. But it will be a good tax package for businesses, especially. And I'm hoping that those businesses will hear the message that in return, we are looking for their responsibility to the

002271

36

kmg

Senate

Saturday, May 2, 1998

people. Thank you.

THE CHAIR:

Thank you, Senator. Will you remark further on
Senate Amendment A? If not, I'll try your minds. All
those in favor indicate by saying aye.

SENATORS:

Aye.

THE CHAIR:

Opposed nay? Aye's have it. Senate A is adopted.

Will you remark further on the bill as amended?

Senator Looney.

SEN. LOONEY:

Thank you, Madam President. I greatly appreciate the unanimous consensus vote on that Amendment. There is -- before offering another Amendment, I would just like to once again express my thanks to all who participated in such a collegial fashion over the last couple of weeks in fashioning this, and would like to as acknowledged before, to thank the staff members to Mary Finnegan of Finance Committee, and of course, Dan Schnobrick, and Rob Wysock and their colleagues in OFA, and Ed Mailey and the Senate staff, all of them bringing years and years of wisdom and hard work for the process.

And would also like to especially acknowledge the

kmg

Senate

Saturday, May 2, 1998

contributions of my co-chair, Representative Carl Schiessl, and his counterpart, the ranking member in the House, Representative Dick Belden. Both of whom always approach every issue from a point of high principle and responsible governance.

So, I would like -- would certainly tip my hat in their direction on this occasion. At this point, Madam President, there is one technical Amendment that is just in the nature of a clerical correction. And would like the Clerk to call LCO-5630.

THE CLERK:

LCO-5630, which will be designated Senate Amendment Schedule B. It is offered by Senator Looney of the 11th District.

THE CHAIR:

Senator Looney.

SEN. LOONEY:

Thank you, Madam President. Madam President, I would move adoption of the Amendment and ask leave to summarize.

THE CHAIR:

Question is on adoption. Will you remark?

SEN. LOONEY:

Yes, thank you Madam President. This Amendment corrects two typographical errors relating to a cross

kmg

Senate

Saturday, May 2, 1998

reference that should have referred to Section 17, but instead read "7" and removes an incorrect reference to the effective date of Section 26 of the bill. And that is just in the nature of a scribiner's correction, Madam President. Thank you.

THE CHAIR:

Question is on adoption. Will you remark further?

Senator Nickerson.

SEN. NICKERSON:

Yes, thank you. I appreciate the kind comments of Senator Looney as to the process participants. And I certainly join him in urging adoption of this technical Amendment.

THE CHAIR:

Question is on adoption. Will you remark further?

Will you remark further? If not, I'll try your minds.

All those in favor indicate by saying aye.

SENATORS:

Aye.

THE CHAIR:

Opposed nay? Aye's have it. Senate B is adopted.

Will you remark further on the bill as amended?

Senator Freedman.

SEN. FREEDMAN:

Thank you, Madam President. I think this is the

002274
39

kmg

Senate

Saturday, May 2, 1998

first time in the twelve years I've been here that everybody has been able to talk positively about both, when we get to it, a tax and spending package. And I just wanted to reiterate some of the words of my colleagues.

Because I think this is very important. I had gone out to my constituency early on in the year, and we had a discussion. And, of course, the year before I got elected to this Chamber, there had been a surplus in the state coffers.

Unfortunately, when I came up here, for whatever reason the surplus was used not in a very appropriate way. So that when my constituents heard that we were reaping in surpluses, they started to say, well are you going to spend it? Are you going to continue to spend it? Or, are you going to send it back to us? And are you going to be reasonable and rational with what you do with our hard-earned taxpayer's dollars?

I think this Chamber and probably the House will also agree, that we have done what is reasonable and rational. We are not only making a commitment to use the surplus to fill up the Rainy Day fund, leg number one.

We're paying off some of our debt, leg number two. And leg number three, the people of the State of

kmg

40

Senate

Saturday, May 2, 1998

Connecticut will be the beneficiaries by receiving some of those tax dollars back. And I think that is very wise. And I would just like to say to everybody who worked very hard and diligently, thank you very much.

As a taxpayer and a representative of the taxpayers, I think this is a day we can all be proud. And we can all say, we did our job and we did it well. And I'm happy to say that I am proud to be a member of this body to be able to see this happening. And again, thank you, colleagues. And I know that the House will follow suite.

THE CHAIR:

Thank you, Senator. Will you remark? Will you remark further? If not, would the Clerk please announce a roll call vote. The machine will be open.

THE CLERK:

An immediate roll call has been ordered in the Senate. Will all Senators please return to the Chamber. An immediate roll call has been ordered in the Senate. Will all Senators please return to the Chamber.

THE CHAIR:

Have all members voted? Please check the roll call machine to make sure your vote is properly cast. If all members have voted, machine will be locked.

002276
41

kmg

Senate

Saturday, May 2, 1998

Clerk please take a tally.

THE CLERK:

Motion is on passage of SB416, as amended.

Total Number Voting	36
Those voting Yea	36
Those voting Nay	0
Those absent and not voting	0

THE CHAIR:

The bill is passed. At this time the Chair will entertain points of personal privilege. Senator McDermott.

SEN. MCDERMOTT:

Thank you very much, Madam President. I rise for a point of personal privilege.

THE CHAIR:

Please proceed.

SEN. MCDERMOTT:

I'm happy today to have a very important constituent with me here today to visit us in the State Senate from the great town of North Haven. We have Yvonne Crowley here visiting us today. So I would appreciate it if the Senate could give her our traditional welcome today. Thank you very much.

(APPLAUSE)

JOINT
STANDING
COMMITTEE
HEARINGS

PLANNING
AND
DEVELOPMENT
1-378

1998
INDEX

000152

49

cmf PLANNING & DEVELOPMENT February 27, 1998

NICHOLAS R. CARBONE: Well on the state, more specifically, the memorandum of understanding between the vice president and the governor was that there were some structural issues that were to be addressed. One of them was the lead paint, the other was the asbestos. The other one is the environmental thing.

We were very much involved with Dennis King who is on our board of directors in negotiating that memorandum of understanding.

When OPM met with the federal government in a single point of contact, we were not invited to the meeting. We have on our own been dealing with the question of lead paint poisoning and the lead paint regulations which create negative values in all the communities and force their abandonment.

We have not been able to create the kind of a working partnership with OPM on that issue which was identified as a primary issue in the memorandum of understanding.

So I can give you example of example where the partnership that we had envisioned had not taken place.

REP. GOOGINS: Thank you.

NICHOLAS R. CARBONE: Thank you.

SEN. COLEMAN: Representative Beals followed by Representative Newton.

REP. BEALS: Good morning, Senator Coleman and Representative Davis. I would like to thank the committee for raising SB380, AN ACT ESTABLISHING A NEIGHBORHOOD REVITALIZATION ZONE RESOURCES COUNCIL. SB 416 HB 5506

When we enacted the Neighborhood Revitalization Zone legislation in 1995 we established a process by which residents and businesses could work together with state and local officials to bring new life to deteriorating neighborhoods.

As we have just heard from OPM, the original

000153

50

cmf PLANNING & DEVELOPMENT February 27, 1998

legislation was vague and that is why we need this bill. Since the process is entirely dependent local initiatives, we could not predict what the results would be.

What has happened has been very exciting. In communities all over the state people who have never been involved before have come together to assess the strengths and weaknesses of their neighborhoods and develop plans to address such issues as economic development, public safety, blighted buildings and contaminated land.

In southern Hamden, we have two neighborhood revitalization zones that have joined forces to mobilize public and private resources. And you will hear more about these shortly.

Both of them are working cooperatively with adjacent neighborhoods of New Haven. One neighborhood lacks a school and has developed and submitted a charter school proposal. The other lacks a grocery store and is working with state and local economic development officials to fill that void.

It is truly wonderful to see the energy that has been devoted to these efforts. However, energy and goodwill are not enough.

SB380 would provide a means of coordinating the resources available from a variety of sources and establish a modest grant program to help neighborhood revitalization zones implement their plans.

The idea is not to provide a continuing subsidy but to enable these communities to become self sufficient. I urge you to act favorably on this bill.

I would also like to express my very strong support for SB416 and HB5506. I believe there may be a drafting error in SB416 in that the no in line 37 should instead be in line 33. Thank you very much.

SEN. COLEMAN: Thank you, Representative Beals. Any