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Introduced by: Sen. Sullivan

Rep. Lyons

End of Senate Agenda #1

THE CHAIR:

Senator.

SEN. JEPSEN:

Madam President, I would ask that the Clerk take up the sole item on Senate Agenda No. 1, SB2001.

THE CLERK:

Calling from Senate Agenda No. 1, for Wednesday, June 27th 2001, Emergency Certified bill SB2001, An Act Concerning Various Taxes and Other Provisions Related to the Revenues of the State. Bill is accompanied by Emergency Certification, signed by Senator Sullivan, President Pro Tem of the Senate, and Moira Lyons, Speaker of the House of Representatives.

SEN. JEPSEN:

If the Chamber could stand at ease momentarily.

THE CHAIR:

The Senate will please come to order. Senator Looney.

SEN. LOONEY:

Thank you, Madam President. Madam President, I

move acceptance and passage of the bill.

THE CHAIR:

Question is on passage. Will you remark?

SEN. LOONEY:

Yes, Madam President, thank you. This is the revenue or tax bill that matches up with and underlies the budget which was passed by this General Assembly in the last several days on a vote of 144 to nothing in the House and 32 to one in the Senate.

This is the revenue structure that matches up with the budget and the revenue estimates that were contained in the budget bill. It has no dramatic changes to current tax law. It does have a number of adjustments.

It has a number of provisions where what is created might be described as intercepts to avoid direct appropriations. So much of what we do in this bill is to some extent under the shadow of the cap that has so much to do with so many of the deliberations that went on in the last several weeks of budget negotiations.

One of the major provisions is contained in the first few sections of the bill that suspends the sales tax on hospital patient care services from July 1st of 2001 to June 30th of 2003. Does not repeal, but suspends that provision for that two-fiscal year period.

There was also a section relating to capping the

total amount of funds allocated to tourism districts at fiscal year '01 levels, again for the next two fiscal years, '01, and '03, and intercepts funds to fund various programs.

So that currently as we know a certain percentage of the hotel tax is diverted to fund tourism districts. This provision will cap the districts at this year's level for the next two years.

It saves an estimated $1.7 million. And also has a corresponding intercept of $1.7 million which goes to several agencies. Again, this is to some extent driven by concerns about the spending cap. So that is one provision that there has been some attention drawn to.

Another is the provision for allowing an exchange of unused research and development credits to be an offset to revenue. Then also Section 12 will establish a non-lapsing account in DSS to receive revenue received by DAS related to managed care plans for services at Riverview Hospital.

This is a significant item of $17.5 million in the first year, $18 million in the second year. There is also a provision that will, in Section 17 of the bill, give the Commissioner of DECD the ability to extend a personal property tax benefit to pharmaceutical companies for an additional five years, meaning a ten-

year provision in total.

There are several provisions relating to extending the petroleum gross earnings tax exemption for propane gas, uses of fuel in a motor vehicle, extending the public service companies tax exemption for propane or natural gas used as fuel as well.

There is one provision in Section 23 of the bill that deals with allowing for the publishing of names and towns of people entitled to refunds, but not street addresses as had been contained in an earlier draft.

There is also a provision in Section 30 of the bill that extends the sales tax exemption that already applies to certain business affiliates, to federally recognized Indian tribes. And that is the inter-corporation tax exemption.

There is a further provision in Section 35 and 36 of the bill that specifies that the starting point for Connecticut AGI is the federal AGI. This relates to the Berkeley decision of the Connecticut State Supreme Court last year and in effect adopts the position of the descent by Chief Justice McDonald in that provision. There is also a provision in Section 39 that eliminates various business tax credits for investments in insurance companies made after December 31st 2015.

As we know in that provision last year we defined

that no new applications could be taken in after July 1st of 2000. And now this provides that the various credits have to be taken by December 31st 2015.

Or at least the beginning of the phase out of those credits has to begin by that year. And we also have a provision that allows the DRS commissioner to fine a cigarette dealer or distributor who sells cigarettes in packs that do not contain at least twenty per pack.

This is an effort to enhance penalties for aggressive marketing of small packages of cigarettes, the kind that experience has shown are frequently marketed to minors in an improper way.

We have a provision, probably one of the most stringent and difficult provisions is the reduction of the state reimbursement from 100% to 80% to municipalities for the property tax exemption for new machinery and equipment for new machinery and equipment that begins to be phased in after that date.

This was a provision of the, from the Governor's original budget proposal. It became necessary to adopt in order to underlie the budget that we have already agreed to adopt. There is lines, Sections 58 to 60 of the bill makes various technical changes to the provisions related to municipal appeals of pilot grants, and by clearly defining the types of colleges and

universities for which a pilot grant is made.

There is no impact here because the changes contained in these sections are already current practice by OPM. And there is no municipal impact since the changes will not alter the amount of pilot grants received by the towns.

There was apparently some concern raised by the Connecticut Conference of Municipalities, and perhaps others, that there might be some implications to these changes that might effect eligibility for pilot payments by some entities.

That is certainly not the case. There was no demonstrated way in which that might occur. Although, as I said, CCM and others were concerned that the very fact of any language change might raise those implications.

In our review, that seemed is, seemed to be not a concern grounded in fact, and certainly for legislative intent, it is certainly not the intent to create any changes that would disqualify any entities currently receiving pilot designation from being able to continue to do so.

There is a provision in Section 61 that exempts caskets used for cremation from the sales tax. As you may recall, last year we exempted caskets used for

burial. This is the corresponding exemption for those who choose to enter their eternal reward in a slightly different packaging.

But this is a correspondingly provision in terms of equity. We have a provision in line, if you look in the fiscal note, there is an error, one I wanted to point out, Section 73 of the bill in the fiscal note refers to two separate, Section 73 is the first one, is no longer operative in the bill.

The operative section of Section 73 is the second one listed in the fiscal note on page seven, that modifies Public Act 01-179, a bond secured by pilot grants to limit the debt service to one million per year instead of one million total.

There are some new fees. There is a provision in Section 74 to 78 of the bill that makes a motor vehicle operator license valid for six year rather than four, and increases the fees by amounts proportionate with the longer six-year renewal.

Section 79 increases the clean air assessment fee on motor vehicle registrations from four to ten dollars. And applies the new ten dollar fee to new registrations. It also splits the fee revenue between the Transportation Fund and the Clean Air Act account.

Those are the major provisions and highlights of

the bill. I would certainly also want to thank all of those who worked on the finance side in putting together this effort, both during the regular session and in the special session.

Would like to offer particular thanks to my co-chair, Representative McDonald, to our Ranking Member in the Senate, Senator Nickerson, to Representative Belden in the House. And also to the other members of the Finance Committee, both on the Democratic and the Republican side.

We'd certainly like to thank Senator Daily, Senator Gaffey, Senator Fonfara, Senator LeBeau, Senator Penn, the Senate Chair of the Bonding Subcommittee, and their House counterparts.

And would certainly also like to thank all of our staff who worked so hard both in the regular session and in the last couple of weeks of the special session. Jeff Beckham of LCO, Dan Snowbrick and Rob Wysock, and Felix Plannis of OFA.

Judith Loehman as well from Legislative Research. And certainly I would also like to especially thank our committee administrator, Mary Finnegan, as well as other Finance Committee staff members for their help throughout.

Thank you, Madam President.

THE CHAIR:

Thank you, Senator Looney. Senator Nickerson.

SEN. NICKERSON:

Thank you very much, Madam President. I, too, would like to join with the chairman in thanking him, then appreciate his kind remarks to me, chairman McDonald, my co-ranking member Dick Belden for their cooperation as with all the members.

The staff as usual have performed wonderful service for our committee. Jeff Beckham at LCO, Dan Snowbrick and Rob Wysock at OFA. And particularly Mary Finnegan. If this were center court at Wimbleton instead of the Circle, and Mary were playing, you'd find she's our Jennifer Capriati.

Hitting balls from the left, from the Democrats, on the right by the Republicans, covers the court and never makes an unforced error. I think it's important before we move on to discuss this bill to put it in the context of where we are.

We are in the seventh session following six previous sessions in which with the Governor's leadership, with a bipartisan cooperation of Republicans and Democrats, House and Senate, we've had an extraordinary run of very significant tax cuts.

And you all know what they are. We've had a new

three-and-a-half percent tax bracket, a $500 credit, repeal of the estate tax, sales tax holidays, cutting the corporate tax in half, R&D credits, and a whole host of effective and initiatives.

So again, over the last six years to continue the tennis analogy, the score would be taxpayer six, to love. This is the seventh year, and after the sixth set, after the sixth game at the end of the first set, you take a break.

You have to say, this is taking a break from the previous record. And that's as it should be. It is so because we all know that while it is not at all likely that Connecticut revenues will decline, it is certainly likely they will flatten out, or that the rate of growth will not ascend at the rate it has in the last couple of years.

So it's perfectly appropriate that we do not become prisoners of our own, shall we say, self-imposed goals, and have the flexibility to understand there is a year in which we take a break. So as the chairman has correctly said, while there are some significant tax cuts, particularly in the hospital tax, there are not tax cuts of the magnitude, and you might call of the celebratory heights that have been achieved in earlier years.

And that's okay. Certainly we're not repealing anything that has passed, nor are we attempting to alter, nor should we, the phase outs of existing ongoing taxes. Rather, we are taking a break.

And we're doing it because we recognize that this is a year when the revenues call for that. I won't attempt to comment further on the individual provisions, because Chairman Looney with his usual scholarship and attention has done that in great detail.

Suffice it to say, it is a tax bill for our times. Following the six love record, and hopefully positioning us, not for fiscal trouble next year, but to commence the second set with another round of tax cuts next year.

So with that again I thank the chairman for his comments, for his warm thoughts about myself and other members of the committee. And I urge, needless to say, adoption. Thank you, Madam President.

THE CHAIR:

Thank you, sir. Will you remark further? Senator Freedman.

SEN. FREEDMAN:

Thank you, Madam President. I told my colleague over here I wasn't going to talk, but it was just a comment about something that the good chairman of the

Finance Committee said when he introduced the bill.

He introduced it as the tax bill. I hope it isn't a tax bill. I hope it's a revenue producing bill for the State of Connecticut. Thank you, Madam President.

THE CHAIR:

Senator Kissel.

SEN. KISSEL:

Thank you very much, Madam President. I'd like to direct just a couple of questions to Chairman Looney, if I may?

THE CHAIR:

Please proceed.

SEN. KISSEL:

Chairman, you had indicated in detailing this bill before us that there is a cap now on the tourism districts. And as a former member of the North Central Tourism Bureau, and indeed a past chairman of their grants committee, I do have some concerns with that, especially as the area of North Central Connecticut with the burgeoning of Bradley International Airport, and all the efforts made to draw attraction to the State of Connecticut, I feel that this might have a negative effect.

Is it correct to state that because the cap is now being imposed on these tourism districts that revenues

that otherwise would go to those tourism districts will be redirected? And is it true that approximately $688,000 will now be redirected to the Department of Transportation for the operation of ferry services? Through you, Madam President.

THE CHAIR:

Senator Looney.

SEN. LOONEY:

Yes, Madam President, through you to Senator Kissel. Yes, I believe that is one of the contemplated uses of the diverted funds.

SEN. KISSEL:

Well, and actually I don't have any further questions directed to the good chairman. I realize the yeomen's work he and Senator Nickerson have done over the past several weeks, and with redoubled intensity in the last few days.

But I have to state that to the extent we are capping revenues that would otherwise go to our tourism districts, that if we were to redirect those funds I would hope that they would be redirected towards areas that were more related to the entire aspect of burgeoning tourism in the State of Connecticut.

Those folks that worked so hard, most of which are volunteers and unpaid in our tourism districts, realize

that we are in an ever more competitive market. We are fighting the Commonwealth of Massachusetts for tourism dollars, the State of New York, the State of New Jersey.

And while I appreciate everything that our governor has done and will continue to do, I do think that when we revisit this in two years that we take the cap off, and that we allow further funds to go into our tourism districts so that we can make sure that people throughout New England and the northeast have ample resources to redirect their holidays and vacation time to our state.

And it's my belief that every dollar spent on tourism in the State of Connecticut reaps ten dollars worth of rewards. And that while this might be fiscally necessary this year, I would hope that two years from now we realize that we don't necessarily need to continue with it and that we free up these funds to go this area. Thank you very much, Madam President. Nonetheless, I will be supporting the bill. Thank you, Madam President.

THE CHAIR:

Thank you, sir. Senator LeBeau.

SEN. LEBEAU:

Thank you, Madam President. I would like to join

with Senator, my good friend Senator Kissel in expressing some consternation. I'm not sure that's what you're expressing, John, but I'm expressing consternation at the capping of the tourism districts also.

I'd like to add a little bit more. I am concerned when $688,000 is going to the Department of Transportation for the operation of two ferries. Those are very expensive ferries when they only operate three months a year.

And I'm going to ask at some point for an audit of the operations. But right now, I do think that's not an appropriate for talking about tourism dollars. That is not the best use. Particularly when two-thirds of the members of this Chamber, and about fifty or sixty members of the lower chamber signed onto a bill that would have given substantially more money for tourism, number one, in a total different direction that these dollars are going to.

I think we have been, at least on this item, somewhat ignored in the negotiations that took place. And I think that is not good policy. If we're taking monies away from tourism, in the tourism districts which for every dollar invested brings ten dollars back, then we're not really helping the State of Connecticut.

We're not really helping to build our tourism up. And as I have said, perhaps not on this floor, but in committee many times, this is one of the fastest growing industries in the country.

It is one of the cleanest industries. It's one of the healthiest industries. And when we invest dollars and bring people in for cultural heritage particularly, we're bringing in college educated people.

We're bringing in families who spend an average of $467 a day in the state. And to cut these tourism districts at this time I think is not a wise policy. The second concern that I have today is Section 57 of the bill, which reduces the state reimbursement from 100% to 80% to municipalities for the property tax exemption for new machinery and equipment.

Again, I feel this is a bad policy. Other states around the country, as most of us know, other states around the country, many states have no property tax on machinery and manufacturing equipment.

This is a way that we dealt with that. This is the way the legislature dealt with this. And I believe this law went into effect back in the late 1980's. And here we're tinkering with it.

The companies will still benefit. Companies will still get their 100% break. But what we're doing is,

we're imposing a mandate on the municipalities to pick up 20%. There's no choice here. There's no choice for say the town of East of Hartford, or Hartford, or Waterbury, to say we don't want this.

Or, we don't want to pick up this 20%. The state is saying, you will pick up the 20%. Because there will be 100% exemption on manufacturing equipment. I don't believe that this is good policy.

If we're going to say that we're going to not have property taxes on manufacturing machinery, we should do as we have done for almost two decades and continue with the policy of helping the municipalities.

As was pointed out, and I think Senator Finch is going to rise and speak to this. But as was pointed out in a discussion I had with him, that this is not a good urban policy. It is particularly bad for cities.

And finally, the last thing I want to say on this is, this bill was also defeated. It was defeated in the Commerce Committee. It rose up again in the Finance Committee and it was defeated.

And yet, we find it in front of us today. Something's wrong with our process when we have two of the major pieces of this legislation were defeated by almost unanimous margins, in front of at least two committees, and yet today we're facing them. They're

part of the bill. And we're looking at them today. Thank you, Madam President.

THE CHAIR:

Thank you, sir. Will you remark further? Senator Aniskovich.

SEN. ANISKOVICH:

Thank you, Madam President. Madam President, I rise for the purposes of establishing legislative intent with respect to Section 60 of the bill. I want to thank Senator Looney for pointing out in his bringing the bill out that although this language makes an adjustment to the pilot provisions that are applicable to private non-profit institutions of higher education, that the changes are not intended to affect any existing educational institutions that are currently within the pilot program.

And, in order to amplify that for the purposes of legislative intent, I would ask that through you Madam President, that having established what the legislative intent of the language is not, what was presented to the committee at the time that this was given a public hearing as being the legislative, or as being the intent of the language, if any, through you Madam President if the Chairman of the committee could provide us with that explanation.

THE CHAIR:

Senator Looney.

SEN. LOONEY:

Yes, thank you. Thank you, Madam President, and thank you Senator Aniskovich for that question to help us clarify this section. The intent of the original proposal as it came to the committee was to try to ensure that there was not an effort to leverage an expansion of the pilot program by entities that may run educational programs of one kind of another, but are not primarily institutions of higher education.

For instance one of the concerns was in relation to museums, as I understand it. Those that may have an educational component to a program, but not necessarily have that as their defining mission.

So the bill in that section will, as we said, provide that, the types of private college, and colleges and property and private colleges eligible for the pilot grants are the current law is unchanged by this bill that requires the state to pay pilot grants on tax exempt real property owned by any non-profit institution that is primarily engaged in post-secondary education.

And the bill specifies that the eligible property may not, must not only be owned by, but also be used as a private non-profit institution of higher education.

And the law already requires that such property be used exclusively for educational purposes as a condition of its being tax exempt.

And that is unchanged by this provision. And the bill also specifies that the institution must offer or accept transfer of college level credit and be either licensed or accredited by the board of governors of higher education to offer degrees or meet criteria such as being established in Connecticut, have degree granting authority at its home campus, not be part of the state public higher education system, and not have a primary function preparing students for a religious vocation.

So that is the, that is the intent. It is intended not to affect any entity currently in qualifying for pilot in any way, or changing any of the definitions or criteria for establishment of that eligibility.

THE CHAIR:

Senator Aniskovich.

SEN. ANISKOVICH:

Thank you, Madam President. Madam President, I want to thank Senator Looney for that explanation. I know many members would be surprised to find that private educational institutions own property in towns not where the primary location of their educational

facility is, that those properties are within the pilot program.

And I think Senator Looney's explanation makes it clear that any attempt to interpret this language to broaden the effect of the existing language outside of the circumstances in which Senator Looney pointed out would be a misapplication of this language. And I thank him for that in advance.

THE CHAIR:

Thank you, sir. Will you remark further? Senator Prague.

SEN. PRAGUE:

Good evening, Madam President, Senator Looney. Sections 50 and 51, Senator Looney, there's an elderly tax freeze program. And the description of the program, and in that description it goes on to say, the bill also eliminates a claimant's right to appeal to the secretary and assess his decision affecting his benefit.

And it goes on to say, the bill eliminates towns' rights to appeal decisions the secretary makes after reviewing their reimbursement claims. And eliminates a claimant's right to appeal to the secretary and assess his decision affecting his benefit.

Senator Looney, is that, could you explain why that language is in this section?

THE CHAIR:

Senator Looney.

SEN. LOONEY:

Thank you, Madam President. And, Madam President through you to Senator Prague, this was the language that had been suggested by OPM early on. Had, was language in one of the Governor's bills.

And my understanding is that there may be some language that may be offered in the, in one of the implementer bills to further clarify this section that deals with the issue of appeals from OPM decisions, rather than to OPM.

It is some language that I know has been worked on by a number of advocates for the elderly and others. And there has been some clarifying language that has been in circulation on that and will, my understanding is, be offered in an implementer bill.

THE CHAIR:

Senator Prague.

SEN. PRAGUE:

Thank you, Madam President. Through you to Senator Looney. Senator Looney, thank you for the explanation, but if we vote for this tax package today, does that mean that this language will be put into law? That an elderly person will not have the right to appeal to the

secretary and assess his decision affecting his benefit?

Or, are you assuring me that in the OPM implementer this language will be addressed? I have a real problem with taking away anybody's right to appeal a decision imposed by the state.

THE CHAIR:

Senator Looney.

SEN. LOONEY:

Yes, Madam President, and to you I concur with Senator Prague that the section that she is concerned about is to be addressed in another forum. It is, in fact, a mistake and will be changed in the OPM implementer.

THE CHAIR:

Senator Prague.

SEN. PRAGUE:

Thank you. Through you, Madam President, thank you Senator Looney. I'll watch for the correction in the OPM implementer. And if I miss it, I hope you'll point it out to me.

SEN. LOONEY:

Yes, thank you, Senator Prague.

SEN. PRAGUE:

Thank you.

THE CHAIR:

Will you remark further? Senator Nickerson.

SEN. NICKERSON:

Yes, thank you, Madam President. I do want to comment on the point made and put in a larger context by Senator LeBeau with regard to how we calculate the cost of a tax bill. It's clear to me that we should look a little further afield in calculating the cost of a tax bill.

What I mean by that in very simplest terms is, if a tax on apples were ten cents, and we doubled the tax to twenty cents, we wouldn't get double the revenue. Because less apples would be sold.

We have to take into account the indirect effects and so it's simply arithmetically multiply a tax increase or a tax decrease by the preceding year's revenue. So for example again, if the tax on apples were ten cents and we eliminated the tax, we wouldn't lose all of that revenue -- I'm sorry. If we move the tax in half, we wouldn't get half the revenue.

We'd probably get more than half the revenue, cause more apples would be sold. How does that relate to Section 57, which was the section with regard to state reimbursement of municipalities for new machinery and equipment?

It relates very specifically. Because the whole

theory of that reimbursement whether it's at 100% or 80% is to induce manufacturing and equipment to be installed in the towns in Connecticut, as opposed to elsewhere around the country.

And if machinery and equipment is, in fact, installed and it, because keeping in mind, of course, that there is no change in the corporation's obligations here. This bill does not change the fact the corporation is not being asked to pay any property tax.

If because of that inducement, machinery is installed in town A, the whole theory of this is that it will be a spur to the economy in town A. It may be part of a plant which has a real estate assessed value which puts increased dollars in the town's coffers.

It may over the long term be part of a whole new enterprise which goes into that town, which improves its economy, its retail, its housing, and all kinds of ripple effects. So I think we have to be very careful when we assume that the dollars saved by the state in reducing that reimbursement are exactly equivalent to dollars lost by the municipality.

It need not be so. Certainly the state saves dollars on the reimbursement side, but I would argue that if this bill is doing its job in creating an incentive for machinery and equipment, and if it isn't

doing that job we shouldn't have the bill -- we shouldn't have the reimbursement program at all.

But if it is doing that job, it will over the long term provide additional financial benefits for the town which are very real. So I'll close just with the larger thought. And I think we have to move in assessing tax reductions and tax increases beyond simply the multiplication phase of multiplying last year's revenue by this year's tax cut, and look beyond that into the real world of human behavior.

Which we affect every time we make a tax change. Sometimes adversely and sometimes favorably. And I would suggest to you that because there is no change in the corporate reimbursement, in this case we will continue the favorable impact that will be felt by any town as to which new machinery is located.

Keeping in mind, of course, it has no effect on machinery already located in towns since the bill so specifies. Thank you very much, Madam President.

THE CHAIR:

Thank you, sir. Will you remark further? Senator Finch.

REP. FLAHERTY: (68th)

Madam President, just in remarking about 57. Certainly, this freshman will make no disparaging

remarks about such a lofty consensus document as this. But I do urge the members of the Senate to monitor the effect that Section 57, I believe, will have on the cities in Connecticut.

Four of our cities are on life support and they will be for many years to come because they are fighting a daily battle to self-sustain themselves based on a property tax system that doesn't work any longer for these very tiny little pieces of land we call our cities.

The manufacturers are the only jobs, in many cases, which offer living wage jobs to the people who live in those cities. And those are the things that are going to continue to pay the taxes, the property taxes, to keep those four towns, I believe, able to sustain themselves.

Our towns are over a barrel. Those four cities are going to always accept, as to paraphrase Senator Jepsen, 80% of a loaf rather than no loaf at all. Because what they're faced with in many cases is manufacturers who are not looking at worrying about expanding in Bridgeport, it's the cities trying to maintain those companies and entice them to stay.

When they're looking at expanding, they're oftentimes looking at North Carolina, Mexico, or perhaps

suburbs in Connecticut. And many times these factories are just feet apart.

And the only way they can expand and spend this money on this, parenthetically let me add, a very successful program. The reason why we're forcing twenty million onto the backs of the towns is because the system works great and it's costing the state a lot of money.

But we're going to force that onto lost revenues from the towns, especially the towns that can least afford it. But in many cases these companies are inches and feet away from each other.

And the only way they're going to expand in a city is if the city or the state helps them. Department of Economic and Community Development and the economic development departments of the cities are very active using this tool.

And I just rise to urge my fellow members of the Circle to monitor this situation. Because I strongly believe that this will have a deleterious effect on the four towns that can least afford it.

Not necessarily on the manufacturers, because I still think the tool exists. But because they're over a barrel, they're going to have to take 80% of a loaf rather than a 100% of a loaf.

I do support the tax package. I think there's an awful lot of good in here, but I want us all to look at Section 57 in years to come and see if there are ways that we may be able to mitigate against what I believe to be negative impacts on the four cities that can afford it the least. And also on some of the towns that are in the second ring suburbs. Thank you, Madam President.

THE CHAIR:

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

SEN. LOONEY:

Yes, thank you, Madam President. Just a couple of other details regarding the sections that Senator Prague referenced. There may be some additional interest in those dealing with the elderly tax freeze program, Section 50 and 51, and 52 and 53 dealing with the elderly disabled circuit breaker and rental rebate programs.

Under Sections 50 and 51, Madam President, the bill eliminates the one year prison term for making a false statement under the tax freeze program that an elderly person could have been subjected to under current law, but retains a fine which can be up to $500.

It also requires people receiving the tax freeze

benefits to refund them if they fail to disclose all matters relating to the benefit, or make false statements with intent to defraud.

And that is a significant change. So there is some limitation on the penalty that could be imposed under that section. In addition, under the next Sections 52 and 53, the bill sets uniform conditions under which the Secretary of OPM can extend the deadline for submitting applications under the tax freeze and circuit breaker program for the elderly and totally disabled homemakers and renters, and allows the Secretary to extend the deadline for submitting rental rebate applications for people who a doctor certifies as having been ill or incapacitated because of extenuating circumstances.

So there is an expansion of the Secretary's discretion to take into account hardship cases for missing certain deadlines. The bill also allows him to extend the deadline for submitting applications under the homeowner program for good cause.

Currently he can extend the deadline for applicants who are certified by a doctor as having been ill or incapacitated because of extenuating circumstances. And now it has a more broadly expansive discretion to extend a deadline for filing those.

It also will drop the sixty day deadline by which

the Secretary must review certificates for rental rebates, notify assessors and claimants about errors. But it also, it will give a claimant thirty business days to ask the Secretary to reconsider his decision instead of thirty calendar days.

So there is an additional provision there to allow more time for a claimant to file for a reconsideration. Thank you, Madam President.

THE CHAIR:

Thank you, Senator Looney. Will you remark further? Senator Prague.

SEN. PRAGUE:

Thank you, Madam President. Madam President, I don't have a question, but I have a comment to make on an item in this tax package. And in the fiscal analysis document, it's on page two. And it's number eleven.

And it refers to a lousy exchange of unused R&D credits to be an offset to revenue. Now, the pharmaceutical companies get these credits on what they spend on research and development above and beyond the previous years expenditure.

So say they spent a billion dollars last year, and spend a billion-and-a-half this year, they get tax credits on that half a billion. And if they don't want to use them as credits, they can cash them in for sixty-

five cents on the dollar.

Now, that's an item for us of $14 million. But my point in bringing this up is that the pharmaceutical companies always say they have to charge so much for their prescriptions because of research and development.

Well, the expenditure that they invest in research and development that's above and beyond last year's research and development, they get a tax credit for, or their choice of cashing that in for sixty-five cents on the dollar.

I just want the record to show that all of the issue presented by the pharmaceutical companies in reference to research and development is really questionable when they get a great deal of that money back.

And when they say that's the reason that the cost of prescription drugs is so high, that leaves me wondering about the validity of that statement. Thank you, Madam President.

THE CHAIR:

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

THE CLERK:

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? If all members have voted, machine will be locked. Clerk will take a tally. The Clerk will please announce the tally.

THE CLERK:

Motion is on passage of Emergency Certified Bill SB2001.

Total Number Voting	33
Those voting Yea	33
Those voting Nay	0
Those absent and not voting	3

THE CHAIR:

The bill is passed. Senator Jepsen.

SEN. JEPSEN:

Thank you, Madam President. If there are points of personal privilege, it may be a good time to call them, because we're going to adjourn shortly.

THE CHAIR:

Are there points of personal privilege at this time? Senator Jepsen.

SEN. JEPSEN:

Thank you, Madam President. I move for immediate transmittal of this item to the House of Representatives.

THE CHAIR:

Without objection, so ordered. Once again the Chair will ask if there are any points of personal privilege or announcements? Senator DeLuca.

SEN. DELUCA:

Thank you, Madam President. Just to announce that Senator Genuario was not here because he was away on family business. Thank you, Madam President.

THE CHAIR:

The Journal will so note. Senator Jepsen.

SEN. JEPSEN:

Thank you, Madam President. Senators Peters and Ciotto were not present today due to family matters.

THE CHAIR:

The Journal will so note.

SEN. JEPSEN:

We expect to be in session tomorrow. Once again, whether we're in Friday, we don't know at this time. And if there is no further business, normal twelve o'clock Democratic caucus.

THE CHAIR:

H-861

CONNECTICUT
GEN. ASSEMBLY
HOUSE

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Are there any other announcements or points of personal privilege?

Will the Clerk please call bill number 2001.

CLERK:

S.B. 2001, AN ACT CONCERNING VARIOUS TAXES AND OTHER PROVISIONS RELATED TO REVENUES OF THE STATE, LCO number 9122, introduced by Senator Sullivan and Representative Lyons.

DEPUTY SPEAKER CURREY:

Representative Stillman of the 38th.

REP. STILLMAN: (38TH)

Thank you, Madam Speaker. Good afternoon, everyone. I move the bill, in concurrence with the Senate.

DEPUTY SPEAKER CURREY:

The question before us is on passage in concurrence with the Senate.

Please proceed, Madam.

REP. STILLMAN: (38TH)

Thank you, Madam Speaker. The bill you have before you is affectionately called, "The Tax Bill". And I'm sure, as you've read through the bill, you've noticed that the bill is much more meager than it has been in years past. And there are no reductions of taxes in

terms of some of the smaller issues that many of us have requested this past year.

Unfortunately, as we know, our revenue stream is not growing as quickly as it has in the past and we have to be extremely careful that we cannot only honor the tax cuts that we've enacted these last few years, but that we also are responsible in not enacting any new ones so that we don't have to rescind the ones that we have passed.

Quickly, what this bill does is it creates a $163.9 million revenue loss for the State, the bulk of that for the hospital tax loss, which we adopted in the budget earlier in the week.

It also creates a net transportation fund revenue gain of about $8.5 million in the first year and the same in the second year. The Clean Air account revenue gain is $1.6 million in each of the two years.

Unfortunately, there is a municipal impact of a potential revenue loss from state grants of $7 million in the first year and $12.3 million in the second.

Some of the highlights of the bill are, again, that is suspends the sales tax on hospital patient care.

It increases the credit for HMO's providing HUSKY A or B coverage.

It caps the total amount of funds allocated to the tourism districts to fiscal year 01 levels for 02 and 03 and it intercepts some funds for various programs.

It also allows the exchange of unused research and development credits to be an offset to revenue.

It establishes a non-lapsing account in DSS so they can receive revenue by DAS. It's related to managed care plans in terms of services at Riverview Hospital.

It also transfers $1 million in petroleum gross earning tax revenues to the Conservation Fund for the fisheries account for recreational fishing in 03.

It exempts material, equipment, tools, fuel, and machinery from the sales tax when used by a fuel cell manufacturing facility. It's a small, what we could consider a small revenue loss of about $100,000, which we feel will help retain an industry in this state.

It also extends the petroleum gross earnings tax exemption for propane gas used in motor vehicles and also extends the sales tax exemption for vehicles powered by alternative fuels and equipment used in natural gas filling and electric recharging stations.

It also allows the DRS Commission to fine a cig[illegible] d[illegible] [illegible] bu[illegible] wh[illegible] [illegible] packs that do not contain at least 20.

It reduces the State reimbursement from 100% to 80% to municipalities for the property tax exemption for new machinery and equipment. That's for machinery that will have started to appear on grand lists as of October of last year.

So those monies may have been anticipated by the communities, but they actually have not been received yet. That was a component of the budget.

Also, it makes various technical changes to the provisions related to municipal appeals of pilot grants, especially for types of colleges and universities.

It makes clarifying and technical corrections to a variety of tax statutes and it changes the criteria for applying the sales tax to cellular mobile phone calls so we can conform to the federal law.

It also makes a motor vehicle operator license valid for six years instead of the current four and increases the fee by appropriate amounts, based on the longer six year license. It does not eliminate the two year or one year license that some of our older residents feel more comfortable having.

It increases the Clean Air Assessment fee on motor vehicle registrations from $4 to $10 and applies a new $10 fee to new registrations. So those cars that are

brand new will not have to have the emissions tested on their car in the first four years.

So, it allows municipalities, at their option, to provide an additional $100,000 in property tax exemption for farm machinery and equipment.

Those are some of the highlights, Madam Speaker. And I move its passage.

DEPUTY SPEAKER CURREY:

The question before us is on passage. Would you care to remark further?

REP. STILLMAN: (38TH)

Madam Speaker.

DEPUTY SPEAKER CURREY:

Yes, Ma'am.

REP. STILLMAN: (38TH)

Yes, thank you. If I may quickly continue. I wanted to make sure I moved passage of the bill.

The tax bill that you have before you is based on not just some budgetary decisions that have been made, but also making some technical changes to current law to matching our current law to federal laws.

And as I said before, it might appear to be a big number, but based on past tax bills that we've had, it really is much smaller in nature and the bulk of the

monies is due to the hospital tax exemption.

As many of you know, unfortunately, Chairman McDonald cannot be here to present this tax package today as the Chair of the committee. And I know we all wish her well and a speedy recovery. So I've had to sort of fill-in and play catch-up real fast and in doing that, I really must thank some staff people who have been very helpful to the process.

Of course, Mary Finnegan, the Clerk of the Committee, has done a yeoman's job, as usual. Jeff Beckham in LCO, Dan Schnobrich from OFA, Rob Wysock from OFA, Felix Planas from OFA, and Judith Lohman from OLR have been extremely helpful in the work I had to do.

I also want to thank Representative Belden as the ranking House member in taking part in this process. I've truly appreciated his input and guidance.

The bill you have before you, I think, is a responsible one and I'd be happy to answer any questions.

Thank you, Madam Speaker.

DEPUTY SPEAKER CURREY:

Thank you, Ma'am.

Representative Belden of the 113th.

REP. BELDEN: (113TH)

Thank you, Madam Speaker. Madam Speaker, let me join with Representative Stillman in thanking those who give us all that support this year on and on and on. The captain of our committee, Mary Finnegan, and Jeff Beckham, Dan Schnobrich, Rob Wysock, Felix Planas, Judith Lohman.

Without these people, we would kind of be afloat in all the extensive detail that's involved in the process and I certainly would like to thank Representative Stillman, Senator Looney, and Senator Nickerson for the very good exchange and activity that's gone on this year in working on the various tax bills, the finance bills that are before us.

I would like to take a minute, we're talking about this bill before us now, as to how it got here because our process has faltered.

In February, the Governor of the State of Connecticut presented a budget on time, as he's required to do every year. Our Constitution then says we have a deadline date we're supposed to adjourn. And we, very intelligently, because of that, set our House rules so that our committee activity is finished roughly a month before the constitutional mandatory adjournment of the regular session of the General Assembly.

I know in our committee and I know in all the committees, bills were proposed, including this tax bill before us right now, in various forums. In fact, it was proposed in several different bills. Most of the material in this bill and in other bills we're dealing with this week, was either in the Governor's budget or was in bills proposed and considered by the committees.

I don't know what happened between the Finance Committee deadline and the first week of May and June 6th. In the past 27 years that I've been here, the 26 years before this, that was the time that the General Assembly took the input from the committees, debated it on the floor of the House and the Senate and passed the various bills that needed to be passed.

The only other time that I've been here that I've this kind of a problem to this extent is in the income tax year, 1991 and there were significant multiple problems of policy that we were not able to address in the normal constitutional timeframe of the regular session of the General Assembly.

So we have before us today, in this tax bill, and all the other bills that we're going to be dealing with this week, a mixture of all kinds of things, the Governor's proposals, people's requirements, committees'

input.

But you know, at this point you could say, well, all the leaders had a chance to make their input and this is consensus package. But you know what? I don't think we're going to see many amendments and I'll tell you, packaging is everything. I didn't see any votes against that last bill. I don't think there might have been maybe one or two votes the other day against the bill, it was unanimous. Because packaging is everything.

Normally, the amendment process gives us the chance to debate those issues that we don't like in a bill. Or even to debate the bill. We didn't have a chance to debate the bill this year, not the several tax bills that went into this one before us or the same with Mental Health, DSS, Education, go on to Social Services, go on and on. That's what we were supposed to be doing between the 1st of May and the 6th of June. That's what our process is supposed to be.

Members are supposed to be able to be given a chance to debate on bills that are 100 pages and 84 sections, like the one before us right now, where it becomes take it or leave it.

We should have an opportunity to amend bills. We

should have an opportunity to debate individual issues. It takes a lot of time. It's a real grind. But you know, we all get a chance to participate when it happens that way.

And I have participated in some of the meetings that have occurred since May 8th, I believe, regarding packages that are before us today. I didn't see a lot of my colleagues in those meetings. I didn't see any amendments offered. I didn't see any votes taken on the floor of the House as to whether it was good or bad.

So today, we have a package here that happens to be the one I'm debating right now, the tax package, that falls in that category.

It's a package that's really not a whole lot here for anybody because we're at a point in the economic activity of our State and the country where we're kind of leveled off.

But this is not really the way the system is designed to work.

I'm not going to name names. I've heard the Governor being beaten up because of the budget he presented here earlier this year, the tax issues, the programs he cut and I've heard how we're able to do better. Do you know what? The estimated surplus in the

Governor's budget presented in February was $501 million, not $626 million that we're playing with today, $125 million more to spend just in surplus.

We could have waited until September if you would have liked. Maybe we could do better. But do you know what? We missed telling the towns what they were getting from us for their budgets because we didn't meet our constitutional deadline to adjourn.

So towns had to go on their own, pick a flyer. This is what we think the State is going to provide to us this year. Not the way to do the process.

Madam Speaker, enough of that. The bill before us has a little something in it that perhaps is comforting to each of us. The hospitals, we attempt to take care of. My 27th year here we're going to attempt to take care of the hospitals for the 27th year. There is no real answer, but we're going to do away with the sales tax and that's a revenue loss of $120-some million, I believe. We're going to try to entice the HMO's to keep offering coverage of the HUSKY Program by giving them an increased tax credit. Tax credits are called "tax expenditures". It means you don't see it. You normally would have gotten it, but now you don't see it. So it becomes spent, but you never see it.

There's really not a whole lot of other changes in here. There are many things in here that had public hearings. There are many things here that Commissioner Gavin and the insurance people and whatnot, wanted to do to tighten up our laws to make them more clear, to allow administration with our state businesses and our state citizens to be simpler, more concise.

So, Madam Speaker, I do intend on voting for the bill, as I probably will for most others. I would have liked to maybe amend it. There's a tax increase in here. There's a fee increase in here of $4.50 additional going into the environmental fund - the Transportation Fund, rather, to cover automobile inspections. I'd like to take that out.

I'm not too happy about the reduction to the municipalities of 20% of the repayment of taxes that we used to give them 100%. This bill says for every new piece of equipment, we're only go to pay 80% for that value.

But the program has been so successful, but the costs have gone way out of our estimated size of the program when it was initiated in the early 90's.

If you look at the data, we paid the towns back each year, $73 million that they normally would have

taxed the businesses in the trucking industry for property tax on equipment and vehicles. Success beyond our wildest dreams. And we want to keep doing that. But we have to kind of hold the program down just a little bit and hopefully we'll keep having those successes even though we're not going to pay reimbursement at 100%.

Six, seven years ago, $73 million going to the towns did not even exist. Kind of a new program. And because of it and other things going on in the State, we've been able to bring the trucks back into Connecticut. We've been able to encourage businesses to capitalize new equipment, modernize, stay competitive.

But the program has been so successful that we have to say to our municipalities, you know what? Next year, if the program is successful as it is right now, you're going to get 80% of what you got this year and it didn't cost you anything. It did not cost you anything. You may, over a period of time, lose some of the revenues you're currently getting. Hopefully, that will be made up by further success of the program. We'll have to see.

So the bill before us is pretty much tax neutral. It doesn't do much one way or the other and I think that

clearly reflects the world we're in today with the world economy, the national economy, and the state economy.

So, we're kind of relying on the status quo this year.

There are also a few adjustments in here that change the cap. They're small, they're minor, for the most part. But they'll no longer be counted as appropriations. And when they will no longer be counted as appropriations, they go outside of the cap. So there are some of those in there too. If I had my way, I might want to offer some amendments, perhaps, to adjust those.

But at this point, this is the consensus, clearly what's going to happen and I suppose we should move on that, Madam Speaker.

Thank you.

DEPUTY SPEAKER CURREY:

Thank you, sir.

Representative Collins of the 117th.

REP. COLLINS: (117TH)

Thank you, Madam Speaker. First of all, I guess I have a question for the proponent.

In Section 16, it's dealing with monies that are going to be allocated to the Fisheries Account for recreational fishing purposes. It says that this is

notwithstanding Section 13b-61 and that is it applicable under Chapter 227.

So I guess my question is, is this monies from what we call the "unredeemed motor boat fuel tax"?

DEPUTY SPEAKER CURREY:

Representative Stillman.

REP. STILLMAN: (38TH)

Thank you, Madam Speaker. It's my understanding that that $1 million is from a new oil company's tax.

DEPUTY SPEAKER CURREY:

Representative Collins.

REP. COLLINS: (117TH)

I'm sorry, Madam Speaker. I did not hear the answer. If the proponent could reiterate.

DEPUTY SPEAKER CURREY:

Representative Stillman.

REP. STILLMAN: (38TH)

The $1 million additional that's in this bill is from the oil companies tax.

DEPUTY SPEAKER CURREY:

Representative Collins.

REP. COLLINS: (117TH)

Thank you. By the oil company taxes, do you mean the unredeemed motor boat fuel tax or is it a different

tax?

REP. STILLMAN: (38TH)

It's a different tax. Through you, Madam Speaker.

DEPUTY SPEAKER CURREY:

Representative Collins.

REP. COLLINS: (117TH)

Thank you, Madam Speaker. That's good and I rise in support of what we're accomplishing here. But I do have a problem. I guess the only thing that we can do with these bills today is get up, say it's a decent bill, I'm going to vote for it, complain about what's not in the bill, and what we hope to accomplish in the future. That's what I've been hearing so far.

I would say that on this issue, as many members know, I've been putting in bills for a number of years to gain additional funds for the Fisheries Account and also for the Conservation Account to the DEP. This does not address the Conservation Account.

I hope that in the future we can do that, particularly with the unredeemed motor boat fuel tax, which seems to be fair. It's sort of like the Boston Tea Party. The boats pay a road use tax. If you use more than 200 gallons a year, you can get that money refunded. For the monies that are not refunded, it's

just available and it goes to the DOT now and I think it rightfully should go to boating interests and fishing interests.

The one thing that gets me on this is since it's an oil tax, it's going for recreational fishing purposes. I'm not sure what they can do with that if it's just to stock trout, that's one thing. If it's to take care of recreational fishing purposes on Long Island Sound, it possibly could mean that they could hire a couple of new conservation officers, which we need desperately and would be appropriate. But if these conservation officers enforced some boating laws instead of a recreational fishing purpose, would that, in fact, be applicable?

You get into these sticky questions. I would hope next year that we could also give some funds or continue giving funds to the Fisheries Account and improve the funding for the Conservation Account.

Thank you very much.

DEPUTY SPEAKER CURREY:

Thank you, sir.

Representative Tercyak of the 26th.

REP. TERCYAK: (26TH)

Thank you, Madam Speaker. Madam Speaker, this is another one of those disappointments for Representative

Tercyak from the 26th district.

I'm referring now to Sections 5 and 6 of this bill, S.B. 2001. Those sections address caps on the total amounts of funds allocated to the tourism districts at this year's level for years 02 and fiscal year 03. And it intercepts those funds to fund various programs.

Tourism, as all of us know, is one of the great, great money makers for the State of Connecticut. So many, many businesses benefit from tourists coming into our State.

The agency is doing a terrific job when it comes to tourism. Economic development way, way up there because of tourism year in and year out.

So, here we are, capping those funds. This is regressive. This is penny-wise and pound foolish and it's just a shame that this is a part of this particular bill.

Thank you, Madam Chairman.

DEPUTY SPEAKER CURREY:

Thank you, sir.

Representative Knopp of the 137th.

REP. KNOPP: (137TH)

Thank you, Madam Speaker. Madam Speaker, before I begin, a few remarks and offer and amendment, I would

like to compliment Representative Stillman on the job she's done in bringing out the bill and filling in for Chairman McDonald and commend her for her explanation of the bill.

Madam Speaker, the question has occurred, what does the tax bill before us really do? And in discussing some of the expenditure aspects with Senator Nickerson, he has suggested that maybe there are a few misdemeanors in here and I think, in addition to that, there's really a felony and that is a property tax increase of $19.3 million over a two year period caused by the reduction of state reimbursement for the manufacturing equipment pilot and no authority for municipalities to make up the 20% difference.

Madam Speaker, the Clerk has an amendment, which will address the situation, LCO number 9126. May he call and I be permitted to summarize?

DEPUTY SPEAKER CURREY:

Will the Clerk please call LCO 9126, designated House "A".

CLERK:

LCO number 9126, House "A" offered by Representatives Knopp, Stone, et al.

DEPUTY SPEAKER CURREY:

Representative Knopp.

REP. KNOPP: (137TH)

Thank you. Madam Speaker, this amendment would clarify that municipalities have the authority to collect the 20% property taxes due after the State reimburses the municipality for the 80% under the reformed or changed manufacturing pilot program that is in Section 54 before us.

Madam Speaker, I move its adoption.

DEPUTY SPEAKER CURREY:

The question before us is on adoption of the amendment. Please proceed.

REP. KNOPP: (137TH)

Thank you. Madam Speaker, I would like to make several points about this proposal.

First of all, it does not impact the budget. The 80% level of reimbursement in the budget remains unamended by this section. Therefore, there's not a single dollar of budget impact as a result of this amendment to the State budget.

Second, Governor Rowland has proposed producing the manufacturing pilot to 80%. In the past, it was defeated two years ago in the Commerce Committee and this year in the Finance Committee. The proposal did not even receive

a parliamentary second to be brought up for a vote. It was moved for a JF. There was not even a second in a parliamentary sense for anyone to bring this matter up and therefore, it was defeated in the Finance Committee.

It seems to me, even under the much changed parliamentary procedure that we're engaged in today with these implementer bills, that it constitutes an abuse of discretion to add in an implementer bill that probably will not be amended, a proposal that in a regular session could not even get a parliamentary second from anyone to be brought up for a vote.

Third, Madam Speaker, the estimates of the impact of the reduction to 80% can be found on page 5 of the fiscal note at the end of the bill that we're debating and that fiscal note makes clear that there's anticipated revenue loss to municipalities of $7 million in fiscal year 02 and $12.3 million in fiscal year 03. That's a two year total of $19.3 million.

And the question really occurs, where does that loss happen in the State? And I'm sure it's no surprise that it happens primarily in the urban areas which have the greatest concentration of manufacturing and other high density economic development.

It happens in, really, the biggest municipalities

in the State. I'm not going to read them. I have distributed an estimate from the Connecticut Conference of Municipalities showing what these are and it's clear, as a matter of equity, this revenue loss, in terms of the property tax, will be felt most strongly n the urban areas and least strongly in the smaller towns and suburban areas.

Therefore, I think this is not an equitable or fair approach.

Fourth, Madam Speaker, it seems to me in the past we've always taken the position that economic development initiatives that require funding should be done on a statewide basis rather than imposing the burden on particular towns.

And simply because, over the years, our urban areas have become the centers of manufacturing, it does not seem fair to me that we should require those municipalities to engage in this kind of subsidy as opposed to continuing the role of the State in carrying this out.

And finally, Madam Speaker, members may not be aware, but this year, for the first time, the decision made by the General Assembly in the past that I did not support to include tractor trailer trucks over 55,000

pounds is now going to be funded through this program. So the impact of the Governor's proposal on 80% reimbursement means that our taxpayers will be funding 20% of the property taxes that would normally be paid by tractor trailer trucks that exceed 55,000 pounds. This seems, to me, an unreasonable development.

Madam Speaker, I am greatly concerned about this section, but I realize that it's in a tax bill that's passed the other Chamber. There will be other opportunities in this special session to raise this issue and at the request of the Speaker, I'm going to withdraw my amendment, but I do want to raise this issue. I think it should be addressed in the OPM implementer bill. I hope that the leaders who are negotiating that will take this into account and that's a bill that starts in the House, does not have the problem of some other amendment, and it does concern me that we need to address this issue and I hope that we will do it on that other bill.

And, Madam Speaker, for that reason, I would ask that this amendment be withdrawn so it can be addressed at a later time.

DEPUTY SPEAKER CURREY:

Without objection, the amendment is withdrawn.

Representative Fleischmann of the 18th.

REP. FLEISCHMANN: (18TH)

Thank you, Madam Speaker. Madam Speaker, like other in this Chamber, perhaps, I've been wrestling with my conscience as this bill comes before us, both over whether to speak and how to vote.

Section 4 of the bill before us significantly increases a tax credit for HMO's providing HUSKY coverage. We want HMO's to provide HUSKY coverage. That's a laudable service and one that we need.

But the tax credit that is in this measure gives us no accountability. There is not language here indicating that we are going to better guarantee the services provided to those children, that we are going to increase compensation for the providers offering HUSKY coverage, that we are going to see a single step from these HMO's moving in the direction that we feel is important.

What this is, is a tax expenditure. As Representative Belden rightly observed, we are engaged in the process of moving things from the appropriations side to the tax side trying to hide expenditures by putting them in the tax package, but it's still a cost to every taxpayer in Connecticut.

The expansion of this tax credit will cost us $4 million in the coming fiscal year and $4 million in the subsequent year.

We would not countenance this sort of maneuver if it were for any individual taxpayer in the State of Connecticut. And yet, when it's for corporations, we do countenance it. In fact, we tend to let it go by without notice.

Our Office of Fiscal Analysis issues a tax expenditure report each year. I don't happen to have it on hand. But it is a thick report documenting hundreds upon hundreds of these sorts of tax breaks. They're bad for regular taxpayers. They're poor public policy. They create a tax code that has arbitrary inequities and I think they put us on the wrong road.

So, Madam Speaker, I thank you for having recognized me and I hope that however my colleagues choose to vote on this tax package, they will scrutinize this tax expenditure and other similar ones in years to come.

Thank you, Madam Speaker.

DEPUTY SPEAKER CURREY:

Thank you, sir.

Representative Fontana of the 87th.

REP. FONTANA: (87TH)

Thank you, Madam Speaker. Madam Speaker, I rise to associate myself with the remarks of Representative Knopp and to thank him for his comments on the subject having to do with Section 57 of the bill and the proposal in the bill to reduce to 80% the reimbursement level for municipalities in which businesses apply for tax exemptions on new manufacturing machinery and equipment.

I think it's important to call to the Chamber's attention for two reasons.

First, as I read the bill, in line 2469, the reduction would take effect on those tax years beginning with October 1, 2000. In essence, punishing municipalities that have, in good faith, planned on revenue that would be arriving starting next month.

I think, Madam Speaker, that municipalities that have planned on that revenue have done so in good faith. I serve on the Board of Finance in my municipality and I can tell you that that funding, while it's never guaranteed from year to year, is part of the budgetary process and certainly my municipality moved forward this past spring to approve a budget that included revenues that were modeled after revenues they received in years

past.

And to change this now, at this point, I believe, in essence is not only violating a sense of good faith, but pulling the rug out from underneath those municipalities that have planned on receiving that revenue next month as a way of balancing their budgets.

So again, I'm extremely disappointed and dismayed that this would be here. As I recall, a proposal surfaced four years ago to do just this and we defeated it at that time. Either last year or the year before, again a proposal surfaced to do this and we defeated it then. And I'm sorry to see that it is here.

I think, Madam Speaker, that really when we talk about preserving the ability of municipalities to plan and budget properly, we often talk in this Chamber about trying to avoid mandates. Certainly, there's a discussion on both sides of the aisle about how we don't want to, here at the State, require our towns to do something without paying for it and I think in this case, Madam Speaker, we almost have a reverse mandate. We're taking money away and prohibiting them from doing something to adjust for the revenue loss.

So, I would again commend Representative Knopp, register my disappointment, and look forward to having a

further discussion on this matter on an implementer bill.

Thank you, Madam Speaker.

DEPUTY SPEAKER CURREY:

Thank you, sir.

Representative Cafero of the 142nd.

REP. CAFERO: (142ND)

Thank you, Madam Speaker. Madam Speaker, I'd like to inquire of the proponent of the bill with regard to some of the issues raised by Representative Knopp and Representative Fonfara - Fontana, excuse me.

First of all, through you, Madam Speaker, to Representative Stillman. Several times in Representative Knopp's comments, he referenced the fact that the proposal before us, the bill before us, and certainly the proposal in Section 57, regarding the manufacturing and equipment pilot, was Governor Rowland's proposal.

It's my understanding that the reason that we are here on June 28th debating and hopefully passing this bill is because after countless hours of negotiation, the various leaders of this building, the Speaker of the House, the Majority Leader of the House, the Senate President Pro Tem and the Majority Leader of the Senate, as well as the Minority Leaders of the House and the

Senate, worked together to finally come to an agreement, which is represented in this bill, including Section 57.

Is that your understanding?

Through you, Madam Speaker.

DEPUTY SPEAKER CURREY:

Representative Stillman.

REP. STILLMAN: (38TH)

Through you, Madam Speaker. Yes.

DEPUTY SPEAKER CURREY:

Representative Cafero.

REP. CAFERO: (142ND)

Thank you, Madam Speaker. And I guess, therefore, it's only fair that if credit and/or blame is to be taken for any section of any bill that we do, certainly at this late date, it's blame or credit that is certainly bipartisan, especially with regard to Section 57, that the Democratic leaders of the Senate and the Democratic leaders of the House agreed that this provision was worthy to come before us today in our tax package.

Another question I have and I guess this is with regard to the mechanics, again to Representative Stillman, it is my understanding that manufacturing equipment that is currently qualifying under the 100%

pilot, would continue to receive 100% pilot payments from the State of Connecticut. Is that true?

Through you, Madam Speaker.

DEPUTY SPEAKER CURREY:

Representative Stillman.

REP. STILLMAN: (38TH)

Thank you, Madam Speaker. Through you to Representative Cafero. Yes, that is true. If the items appear on the grand list before October of 2000, they would continue to receive the 100%. And if I may just add one other comment in relationship to your previous comment, I will say yes, that what we have before us is a consensus of all the caucuses, but I'm sure that there wasn't total agreement on every single item. I'm sure there was a great deal of debate on many of the items that are in this tax package.

Thank you.

DEPUTY SPEAKER CURREY:

Representative Cafero.

REP. CAFERO: (142ND)

Thank you, Madam Speaker. Again, a question, through you to Representative Stillman.

Representative Stillman, in Representative Knopp's comments he referenced the report that showed a loss of

revenue if this clause were to go through. Being that it is, I believe, and again if I am wrong or naive about this, please correct me. I believe that we're talking about new equipment that is yet to be on line that would apply for this clause in Section 57.

Is that correct?

Through you, Madam Speaker.

DEPUTY SPEAKER CURREY:

Representative Stillman.

REP. STILLMAN: (38TH)

Through you, Madam Speaker. That is true. This is money, I understand, that the municipalities may have anticipated receiving based on current law. And that it is equipment that may have been installed during the past year and as I said, didn't appear on the grand list until October of last year.

DEPUTY SPEAKER CURREY:

Representative Cafero.

REP. CAFERO: (142ND)

Thank you, Madam Speaker. Through you to Representative Stillman. Representative Stillman, in the event, whether under current law or under the bill that is before us, if it should pass, the manufacturer decided to take off-line or take out the equipment that

was installed. Would the municipality lose revenue from that, in that it's no longer on-line, so to speak?

Through you, Madam Speaker. Pilot revenue I'm referring to. Through you, Madam Speaker.

DEPUTY SPEAKER CURREY:

Representative Stillman.

REP. STILLMAN: (38TH)

Through you, Madam Speaker. I would assume, Representative Cafero, you're talking about the fact that they may have decided not to use a piece of equipment and they removed it from their premises? Or was it already on their assessment onto the grand list?

DEPUTY SPEAKER CURREY:

Representative Cafero.

REP. CAFERO: (142ND)

Through you, Madam Speaker. Let's assume that it was not already on their grand list. It was either installed or was going to be installed and based upon that, the municipality had anticipated revenue, be that 100% or even if, under this current law, proposed law, 80%. If at any time the manufacturer decides not to put that equipment on line, does that -- in other words, would the municipality be entitled to the pilot payment if it's not on line?

Through you, Madam Speaker.

DEPUTY SPEAKER CURREY:

Representative Stillman.

REP. STILLMAN: (38TH)

Through you, Madam Speaker. I would assume if the equipment is not on their property, that they could not be assessed for it. But I am not an assessor, so I am must make my remark with that caveat.

DEPUTY SPEAKER CURREY:

Representative Cafero.

REP. CAFERO: (142ND)

Thank you, Madam Speaker. I guess what I'm trying to envision and I'm not an expert at this, is that if I was a manufacturer and I had a business plan and I wanted to put on-line "x" amount of equipment on my premises in a particular town and I made that decision based upon the fact that under this program I wouldn't be paying any taxes on it, if the law were suddenly to change, wherein I would not have to pay even 20% of that tax, and I made the decision, well, you know what, that's a little too steep for me and therefore I'm not going to buy that equipment and have it installed, isn't it a fact that the municipality would not only lose the 20%, but they would lose the 80% because now nothing is

being taxed whatsoever? Is that true?

Through you, Madam Speaker.

DEPUTY SPEAKER CURREY:

Representative Stillman.

REP. STILLMAN: (38TH)

Thank you, Madam Speaker. Through you, that would be my interpretation, that they would not receive the 80% nor have to worry about the 20% loss which they haven't gotten anyway.

DEPUTY SPEAKER CURREY:

Representative Cafero.

REP. CAFERO: (142ND)

Thank you, Madam Speaker. So, again, I could stand corrected, but it appears to me that if we anticipate that if this law were to pass and manufacturers, plural, in any given town were going to put on-line equipment, had plans to put on-line equipment that would have generated a tax of, let's say, $1 million, and under this law, the State will only reimburse $800,000 of that to the municipality, and the manufacturer would have to pay $200,000 of that to the municipality, I should say, if the amendment discussed by Representative Knopp had gone through, that might be a dis-incentive for them to put on-line that equipment at all. In which case, not

only would the municipality not get the 20%, but they would lose, in my hypothetical, $800,000 worth of revenue.

I guess what I'm saying is I think there is a flip side to the concerns raised in Section 57. The old equipment that has been taxed has been reimbursed by the State at 100%. Under the proposal before us, it would be reimbursed by 80%. If we were to require the manufacturer to pay the other 20%, the manufacturer may decide not to do it and if they don't do it, the municipality then loses 100%.

That's my understanding of it. And that's why I do see some rationale with regard to Section 57 because, in my opinion, potentially a municipality has more to lose than to gain if we were to take this suggestion that was initially proposed and then thereafter withdrawn by Representative Knopp.

Thank you, Madam Speaker.

DEPUTY SPEAKER CURREY:

Thank you, sir.

Representative Roy of the 119th.

REP. ROY: (119TH)

Thank you, Madam Speaker. Madam Speaker, I rise, I'm going to support this bill as most people will. But

at the same time, I wish to voice my displeasure with the fact that this bill, like the previous one, is so loaded with so many items, items that should have arrived on the floor before our constitutional adjournment date as stand alones. They're to be debated on their merit. They're to be voted up or down on their individual merit.

I believe we are here today and in this situation because we have, if not bypassed completed, subverted the committee process.

In 1993 when I first came into this Chamber, I never heard the term, "a work in progress". Unfortunately, that term, more and more often, has crept into the lexicon of this Assembly and more and more often we are passing legislation out of committee as a work in progress, never to be seen until it arrives on the floor with that work in progress having been finished by a small group of people rather than the full body of the House.

We must, in the future, say no more often to these works in progress and keep them in the committee and let the committee do their work and do it properly and get these bills before us in a proper state.

Ladies and gentlemen, I ask you to join me in the

future and I am as guilty as anyone in voting on yes on these works in progress to restore the committee integrity.

Thank you.

DEPUTY SPEAKER CURREY:

Representative Knopp of the 137th for the second time.

REP. KNOPP: (137TH)

Thank you, Madam Speaker. It was the first time on the bill and I think the first time was on the amendment.

Madam Speaker, just a couple of responses to some of the comments made by my colleague from Norwalk.

First of all, the estimate of $19.3 million fiscal impact over two years is not from some group. It's from the Office of Fiscal Analysis located on page 5 of the fiscal note.

The estimate that I referred to is an attempt by the Connecticut Conference of Municipalities to figure out how the $7 million out of that $19.3 million would be distributed in the first year and that's done on a pro-rata basis until there are better numbers from OPM or some other entity. These are probably in the ball park.

And what it shows, for example, is that under this pro-rata distribution, Norwalk would be the 11th largest loser in the State out of 169 municipalities under this program, approximately $174,000.

Where, if you take a look at the impact on some of our good neighbors, we find, for example, that the Town of Darien would lose nothing. The Town of Easton would lose $24. The Town of Weston, $41. The Town of New Canaan, $122 compared to the loss for Norwalk of $174,000, which incidentally, almost equals the exact amount Norwalk would be receiving in additional funding for special education reimbursement under the excess cost figure.

My point is this. That we are a state as an economic entity and the fact that most of the manufacturing facilities are concentrated in our biggest cities, means that the impact of this 20% shift of taxes from the State to the municipality, will be borne mostly by the large urban areas.

And in order -- these are Waterbury, Groton, Bridgeport, Meriden, Stratford, North Haven, East Hartford, Bristol, Milford, Wallingford, Norwalk, New Britain, Stamford, West Haven. Those are the top fourteen municipalities.

Now, these again are estimates based on CCM's attempt to distribute the pro-rata share of a first year $7 million.

But the point is, why should Norwalk be subsidizing new manufacturing at $173,000, Darien subsidizes it for zero, when people from Darien work in Norwalk and use those facilities? It's not the fault of Darien, but it certainly shouldn't be the burden of Norwalk. It's a state responsibility to fund economic development by helping to mitigate the most regressive tax in the country, which is the Connecticut property tax.

Our program has been successful because the State has played the role of 100% reimbursement and therefore, the different mil rates between urban areas and suburban areas don't come into play when companies are making locational decision and that is how it should be.

But once we start cutting back on the 100% reimbursement, we simply shift the tax burden to the municipalities and mostly to the urban areas.

This is unfair to Norwalk, unfair to other urban areas. It's a much better policy to keep it at 100% of the State in terms of whose proposal this is and whose responsible for it, there's a paper record and I don't need to argue that now. But again, I think it's

inappropriate that we take a measure that couldn't even get a second in the Finance Committee, put it into an implementer bill that really can't be amended and for that reason, as well as for others, in protest against this property tax shift to Norwalk and other municipalities, I will be voting against this bill.

Thank you, Madam Speaker.

DEPUTY SPEAKER CURREY:

Thank you, sir.

Representative Beamon of the 72nd.

REP. BEAMON: (72ND)

Thank you, Madam Speaker. I too would like to associate my remarks with the remarks of the esteemed ranking member of the Finance Committee, Representative Belden.

He is so true and so right in his description of what we have done here.

I've grown, in my fifteen years, a lot to rely on his confidence, but also on his expertise on that committee. And he made a good point in terms of what we do and what we should do in a process such as this. And it's really unfortunate this afternoon that if it wasn't for the good graces of leadership today, I would have never known that what Representative Knopp was really

addressing until he brought it out here on the floor today.

And that is the problem in the tax package that we have today. If leadership likes what you may say or it may not be controversial or you may withdraw what you might put in front of the House, well they'll sign off on it. That's not the process.

Whether we like it or not, that's not the process. Every one of these items on the Finance Committee in this tax package is open game, every one of these items is open game. Every one.

Now, the top six, God bless them, they can go in the back room all they want and when the white smoke comes out of the Capitol, we're all supposed to run in here and do it. Well, I'm not sure I can just stand here today and just go along with the program.

Our system has been compromised because many of the members will not have an opportunity, not only to file an amendment and these are the rules that we adopted, but we didn't know that.

If, again, you have something in here that is non-controversial or leadership may like, they'll sign off. I don't think when the rules were voted, we really knew that because I know many members here would like to

throw amendments in, would like to have a debate on these implementer bills. They want to do that, but we're saying no, you shouldn't do that. What you should do is just pay attention and go along.

Representative Belden was kind, he was nice. I don't have to be nice, nor do I have to be kind.

Let me ask a few questions, through you to the proponent.

DEPUTY SPEAKER CURREY:

Please prepare yourself, Representative Stillman.

Please proceed, sir.

REP. BEAMON: (72ND)

Thank you, Madam Speaker. Representative Stillman, in Section 44 we have, again, an agreement which was in the Finance Committee to find or to give to the Commissioner of the Department of Revenue Services the discretion to fine individuals who sell what is called on the street a, "loosey" cigarette. What was the legislative intent of changing the fine itself from $50 to $500?

Through you, Madam Speaker.

DEPUTY SPEAKER CURREY:

Representative Stillman.

REP. STILLMAN: (38TH)

Through you, Madam Speaker. I'm sorry, would the Representative please repeat the question?

DEPUTY SPEAKER CURREY:

Representative Beamon.

REP. BEAMON: (72ND)

Thank you, Madam Speaker. I apologize for my lack of clarity. Let me try to make it a little more clear.

Through you, Madam Speaker to Representative Stillman, in Section 44 there are three different fines that could be assessed for offenses for selling what is known on the street as, "loosey" cigarettes. It starts off with a fine of $50 and it goes all the way up to $500.

For the purposes of legislative intent, could you explain as to why that is there?

Through you, Madam Speaker.

DEPUTY SPEAKER CURREY:

Representative Stillman.

REP. STILLMAN: (38TH)

Through you, Madam Speaker. It's my understanding that previous to -- well, under current law, the Commissioner can certainly pull someone's license to sell cigarettes. What this is doing is, obviously, now giving him the ability to introduce a penalty for the

offense.

I would say that it is before us because it was an item that came up as the tax package was being negotiated. There are a variety of DRS items in this bill, many of them clarifying what is already law.

Thank you.

REP. BEAMON: (72ND)

I thank the gentle lady for her answer. For the purpose of legislative intent, in the Finance Committee, which we had an opportunity to discuss this in Finance, there was an amendment and that amendment, I was a proponent of the amendment to make sure that there was a different way of fining initially, originally the first offense was supposed to be $500 and on top of that, not only $500, but an individual who sold a "loosey" cigarette, would also - it could also lose a liquor license if it was done in a liquor store or somewhere else, maybe a meat license or some other licensing. So this clarified it in some way.

And if I may, through you, Madam Speaker, another question. Through you, Madam Speaker, in Section 37, Section 37, there is a reference to a taxing policy that we would have in terms of out-of-state lottery winners and in-state lottery winners.

For the purpose of legislative intent, would the gentle lady please explain what that really is because I'm not clear?

Through you, Madam Speaker.

DEPUTY SPEAKER CURREY:

Representative Stillman.

REP. STILLMAN: (38TH)

Through you, Madam Speaker. I'd be happy to, Representative Beamon. What that is, is an opportunity for people who play the lottery and do not live in the State of Connecticut, for us to impose the income tax on their winnings.

It also will allow those who live in Connecticut and may have purchased a ticket that was a winning ticket in another state and allow them a credit on their income tax so the tax that they may have paid elsewhere.

DEPUTY SPEAKER CURREY:

Representative Beamon.

REP. BEAMON: (72ND)

And through you, Madam Speaker, I understand the revenue gain to the State is minimal? Through you, Madam Speaker.

DEPUTY SPEAKER CURREY:

Representative Stillman.

REP. STILLMAN: (38TH)

Through you, Madam Speaker. I understand it's approximately $400,000.

REP. BEAMON: (72ND)

Thank you. That is a revenue gain, correct?

Through you, Madam Speaker.

DEPUTY SPEAKER CURREY:

Representative Stillman.

REP. STILLMAN: (38TH)

Through you, Madam Speaker. Yes.

REP. BEAMON: (72ND)

And I was wondering, it's interesting the way we come up with these projections. You know, we have to do revenue estimates before we get involved with this budget and we have to do revenue estimates. So now we can assume that there are so many State of Connecticut residents who are going to win a lottery from out-of-state and it's going to bring us $400,000. That's not bad, but there again, at least we have an opportunity to talk about it this afternoon because our process that we're under in special session should allow such debate, but unfortunately does not allow such debate because if it may go longer than five minutes, we may not want to sign off.

Well, I'll tell you. I give leadership -- and leadership's position is not a position, rather. Leadership is action. And I look to my leaders, not only here in the House, but in the Senate, but also my other leaders to just be fair, just be fair, to be equitable and one thing I've learned on the Finance Committee and Representative Belden noted and Representative Roy noted it, that in some ways, it's not an equitable process because when you tax on one hand, one group, you have to make up that revenue by taxing someone else.

When we give away billions of dollars in tax credits and tax incentives, it's got to be made up in some way. And it's interesting, on that item, Section 37, we can estimate a pie in the sky estimate that we can get $400,000 because we're all going to rush out and we're all going to play a lottery somewhere, maybe in New York and win.

Or may be lucky and run to California and win. Sell those dreams and sell those hopes. Well, Madam Speaker, as I said, I really am sad today because I too had an amendment, not like my good colleague, Representative Knopp, who could get it signed and called and withdraw it, but because the process today would not

allow me to call my amendment. And the process today, since it would not allow me to call this amendment, which just for the purpose of legislative intent, if those individuals may go on the Internet and look, is LCO 9131. I can't ask the Clerk to call it because it's not in his possession, but on one hand I've just got to make a point.

And my point is a simple point. On one hand, we can say that out-of-state lottery, we're going to tax those people, you can get $400,000 that goes into our general fund to fund many of the programs that were cut in our budget.

But then there's a gentleman, an inequity, an injustice who also had a lottery ticket, who this amendment, if I could talk it, I would, but since I can't talk about it, I won't, would receive $5.3 million and a taxing of 10% would allow the State money certain of $535,000. That $535,000, that $535,000 maybe would save the displaced homemakers who did a great job in our State for 18 years. Maybe, just maybe that $535,000 would fund something else that many of you are interested in. But we would rather just wait and see how many people go out and hit the lotto in New York who live in Connecticut and give us some taxes.

Please, please, please, please. Unfortunately, this document is a potpourri, a potpourri, a panache, of so many different items that, as I said, it's almost a legislative Christmas tree. It might even be political wielding what we're doing today. We're just going to pick on whatever we want.

I've very upset that the process itself has been compromised. The process, that come the public hearings, that come to meetings to listen to testimony on one hand and on the other hand, we don't get a chance to say anything. You open the door at the top six, they look at you, who are you? Why are you coming in here? What are you looking for? And that's not right.

I don't think the voters of the 72nd district in Waterbury, nor of the other 150 districts in this State want us to be able to stand by the door. Can't we look in? Can't we send a little note up way saying you know, this tax is not good, we want you to stand by the door.

It's not right. It's not right and since it's not right, I don't know what I'm going to do.

Implementers, great bills. Work in progress. Code words for stay out of the way. All that means is you, stay out of the way. That's a code word. You hear the

word "implementer", stay out of the way. If you want to put something in it, you'd better be on the right side of whoever it is. It's not right. It's not fair. It's unjust in the process, but it's a process we adopted.

Madam Speaker, I would not want you to sit too long.

DEPUTY SPEAKER CURREY:

Yes, sir.

REP. BEAMON: (72ND)

Thank you, Madam Speaker. A question, through you, to the proponent of the Emergency Certified bill.

DEPUTY SPEAKER CURREY:

Please proceed, sir.

REP. BEAMON: (72ND)

Thank you, Madam Speaker. Through you, Madam Speaker to Representative Stillman, if you extracted the tax credit, basically that we give to hospitals of maybe 144, according to this, there's 163 in cuts that we will lose in fiscal year 02. Would that be correct?

Through you, Madam Speaker.

DEPUTY SPEAKER CURREY:

Representative Stillman.

REP. STILLMAN: (38TH)

Through you, Madam Speaker. The amount of the

impact to our general fund, the loss is $163.9 million. The hospital tax is $111.4 million. Of that $163 million in the first year and $114.8 million in the second.

REP. BEAMON: (72ND)

I thank the gentle lady for her answer.

DEPUTY SPEAKER CURREY:

Representative Beamon, you may proceed, sir.

REP. BEAMON: (72ND)

Thank you. I thank you and I thank her for her answer. It shows you what we're really discussing today. It's very, very small. Representative Cafero noted that it's almost neutral and it is almost neutral. Neutral. So we're not going to hurt too many people this year. It's not like in '91, the income tax. Or I could even go back with the billion dollar tax, back in '88 and '87. So, this is fairly good. This is not bad at all. Not bad at all. Kind of neutral. We're going to help some businesses, we're going to help some individuals, but we're really not going to hurt too many people and I guess that's good, but there are some taxes here that I really like, like roll your own tobacco tax. I mean, isn't that a great tax? Roll your own tobacco tax. You get taxed - it's not bad. That on one hand we're saying if you sell a "loosey" cigarette, you can

lose your license and be fined $50 to $500, but on the other hand, if you go into the grocery store and you buy some tobacco, roll your own because it will be better off for you. Please, please, please.

And my point in all of this, Madam Speaker and members of the House, is it's simple. These are open game issues that on the taxes we all should have an opportunity to debate. We all should have an opportunity to provide some input, whether it maybe want it or not.

Unfortunately, what we have today on this and it's so important, and probably to budget in other items, we don't have a chance.

So, if you're not needed, why come? If everything here is going to be 151 to zero, if we can't have any input, it's sad and I don't think, again, it's right that in this process today, that we can't amend any bills, we can't debate those bills, this bill, we can't even deal with this emergency certified piece of legislation, which came down from the Senate because guess what? If we do, we may upset the apple cart. It's not right. It's unfair. I want to put it on the record for those who follow us, to remember one thing. Discipline creates performance. When our Legislature

had discipline, we performed. Now, we just assimilate to a process that we don't know. Discipline creates performance.

Thank you, Madam Speaker.

DEPUTY SPEAKER CURREY:

Thank you, sir.

Representative Feltman of the 6th.

REP. FELTMAN: (6TH)

Thank you, Madam Speaker. I want to return to the debate that was taking place earlier with regard to Section 57, which is this 80% reducing from 100% reimbursement for the manufacturers' tax to 80%.

And I wanted to speak not only as a State Legislator, but more importantly, as a former municipal official.

And I'm sure that many people in this Chamber, on both sides of the aisle, have served as municipal officials. And I'm sure that as a municipal official, looking to balance your budget, your municipal budget, you looked with envy upon the State and how the State has so many revenue streams in which to draw. The State Income Tax, these occupational taxes we've talked about, sales tax, the lottery, as Representative Beamon was just referring to, conveyance tax and so forth.

And as a municipal official, you're limited and you're trying to meet the service needs of your town, to hold the mil rate of your town and you're limited to only one tax, one tax that you can rely upon that you can use to balance your budget and that tax is the property tax.

And I don't have any problem philosophically if the State, if the State of Connecticut wants to give incentives to, for new manufacturing facilities, if the State wants to give up any of its revenue streams, that it wants to give up the corporate income tax, personal income tax, sales tax, any of the things that we get, that's fine because we're giving up revenue that would otherwise be coming to us, but for us to say yes, we want to incent new manufacturing facilities, but we're not giving up our revenue stream, we were giving up somebody else's revenue stream.

So we want it both ways. We wanted to give a break, but we don't want to pay, we, as a state, don't want to pay for it. We're going to let the towns pay for it.

And I don't think that is fair to tie the hands of the municipalities. Representative Cafero said earlier, that the municipality has more to lose than to gain if

they don't give that incentive. Well, let the municipality make that judgment.

They have the ability, under law, to give up the seven year tax deferral on new manufacturing facilities. They can look into the situation, see if that tax break is needed, see if they want to give up their property tax revenue. And if they do, they can go ahead and do it by vote of municipality and it they don't, they can choose not to.

But we're doing here is we're picking the pockets of the municipality. We're saying to the municipalities of this state, you cannot tax these facilities, but we're only going to reimburse you for a portion of your lost revenues and you have to eat the rest, you have to eat it and you don't have to like it and we don't care what you think.

And for all the times I've sat in this Chamber and heard about home rule and heard about local control, and heard about unfunded mandates, I think that people, if they're consistent about that, and really believe that municipalities have to call their own shots with regard to the one revenue stream they have, which is the local property tax, we should not sit here and be so patronizing and be so arrogant as to tell them what they

should or shouldn't do with their property tax.

If we want to take their property tax revenue away, for whatever reason, good or bad, then let us reimburse them for it. But if we're not going to reimburse them for it, then let them make up the rest and make up their own minds about whether or not they're going to tax the other 20%.

I think this is wrong. I think this is an usurpation of local control and local authority. And for this reason and also because of another section of this bill, in which we repeal the hospital tax, and I've never heard any justification for that, on lines 135 through 137, where for two years we appeal the hospital tax and no one, to my mind, has justified why we should be doing that, it seems to me it's working well and it's serving the purposes intended to serve, which is to make sure that indigent people are getting medical care in the places where they live and that the whole State is paying the freight for that and not just one impacted municipality, I intend to vote no on this legislation.

DEPUTY SPEAKER CURREY:

Thank you, sir.

Representative Newton of the 124th.

REP. NEWTON: (124TH)

Thank you, Madam Speaker. Let me say that I have great respect for Representative Belden and watched him talk about the process on how we do business in the General Assembly. And I guess I'm a young senior member of the House of Representatives and have watched this process change dramatically.

Do I want to vote for a bill that cuts close to $4 million from Bridgeport when Bridgeport's in the process of revaluation and we have to raise those taxes on the homeowners? No, I don't want to be in that position.

But I recognize that our process in this General Assembly has changed a lot. And I respect our leadership. I understand the dynamics that they work under. A Republican Governor, a majority of Democrats in the House of Representatives, one vote short of having an override and the Senate from having whatever numbers they need to be able to override a governor's veto.

Those numbers aren't there. So we're forced to have to compromise and compromising means just that. You get some things you like, and you get some things you don't like.

But we must always fight for the integrity of this Chamber. And the committee process is very important.

And I've watched everything in this Chamber all of a sudden be a work in progress. The Finance Committee votes out things. But by the time it gets to this Chamber, it's different. But we must never lose sight of why we're here.

It's the process and this ain't for Representative Newton because I'm going to be gone one day. It's for those individuals that come after us. I've heard Representative Ward talk about the process and making sure that legislation goes through its proper procedure. But we don't do that anymore.

And as a legislator, who sits on the Finance Committee, if I had to vote on taking it from 100% to 80%, I would have voted no. And the reason I would have voted no is because it hurts municipalities.

Whether we like it or not, when this is passed, you can be your selectmen and your mayors will blame the General Assembly. Don't think they won't. Forget about all the good things we've done for aid to municipalities, they will blame the General Assembly.

So when we're up for re-election, and the mayor says he has to raise taxes in your town, they're going to blame us, whether we like it or not because they always do.

I would just hope that our leadership will always protect the process of this General Assembly because we're moving further and further away from that process. Why should I want to serve on Finance or Appropriations when all we have to do is say don't worry about it, we'll get it in an implementer.

Why don't we just set that process up? Let's do everything by implementers. Let's do away with the committee process and do everything in implementers.

This is serious business. And when we continue to allow this to happen, all we do is delete and dilute the power of the committees. And I don't know about you, but I was at every one of those meetings, like I should have been, just like many of us sat through those meetings. And I take my job very seriously. I take it very seriously because my constituents voted for me to do that.

So what do I go back and tell them? I had no input, whatsoever. It was done by our leadership and I recognize the dynamics. We have a Republican governor, we have a General Assembly that has a simple majority, 100 votes, 50 votes. Not veto over-proofed because I'm sure if there was 105 votes on the Democratic side, or 105 votes on the other side, this budget would look a

lot different. I know that.

But I hope and pray that our leaders always protect the integrity of this Chamber because it's very important. Our forefathers, the people that came before us, took their jobs very seriously. And I would hope that each and every one of us would do some soul searching. It doesn't make any difference whether you're a Democrat or a Republican, what makes the difference is the process in this Chamber because this will out-live any governor, any representative, long after we're gone. Somebody will stand on this floor and talk about how we do business and why it's the integrity of this Legislature not to serve its own power and not give that authority to nobody. That's our authority. And we don't take it very seriously.

Because if we did, we would make sure that the committee process meant something. And that's very important that we never lose sight of that because it's not about, to me, Democrat or Republican. It's about this Chamber and what it ought to stand for.

So I would hope that each and every one of us, on both sides of this aisle, never lose that perspective of what it is we do here because to the public, they don't care about Democrat or Republican. They care about what

we do here and what's right.

So, Madam Speaker, I would just hope that we bring some integrity and some more honor to the process that this Chamber has been in existence for a long time and that's what it's about. It's the integrity that we do business here.

So, I would just hope, after this day is long and gone, that we think about that and I'm guilty, but I didn't want to miss this opportunity to go on record to say I don't like this process because it's not fair to us who are elected by the people to do a job.

Thank you, Madam Speaker.

DEPUTY SPEAKER CURREY:

Thank you, sir.

Representative Farr of the 19th.

REP. FARR: (19TH)

Thank you, Madam Speaker. Madam Speaker, the horse is dead, but let me beat it one more time.

I want to return to Section 57 and I understand that most people have lost all interest in debating this any further, but I do think it's important to put some facts on the record.

We're talking under Section 57 the provisions that provide for state reimbursement to municipalities for

property tax exemption for new machinery and equipment.

Let me get the facts out here because we've seen a lot of misconceptions and mis-information handed out in the hallway.

First of all, we're told, my God, this bill is going to cut aid to municipalities and we've come up with some $16 million that we're going to cut.

That's just not true. The fact of the matter is this program was put in place in 1993 and what it provides for is that if manufacturers go out and buy new equipment, there's going to be no property tax on it. Because of that incentive, because of the fact that they no longer have property tax in Connecticut, we've seen an explosion of new equipment purchased under that program.

In 1993, we spent $16 million for the program. This year, the estimate is $76.6 million. I don't know of any other program out there that has grown over eight years from $16 million to $76 million, but that growth is a result of the fact that the incentive we created has worked.

Now, what this bill does is it says for next year we're going to pay municipalities 80% instead of 100%. But guess what? Because of the explosive growth of that

program, 100% this year costs - gives the municipalities $76.6 million. Eighty percent next year gives them $75 million. The reduction in revenue to municipalities is $1.6 million under this bill.

The following year, the estimated amount goes up to $75.5 million. So we're talking about reducing revenue of approximately $2.5 million to municipalities over the next year, over the next two years.

Consider that, in light of the fact that the underlying budget increases aid to municipalities of approximately $78 million next year and over the next two years, it's probably in excess of $200 million.

So in a year that we've increased aid to municipalities, more rapidly than any year in the history of the State of Connecticut, we hear people coming before us and saying, oh, my God, this cut is awful and somebody has suggested that our local municipalities are going to come and ask us to explain what we're doing up here.

Well, I would suggest that if you have any municipal officer that comes and says, my God, this $1.6 million reduction in pilot is awful, that you can say and suggest to them well, let's make a trade, we won't do this reduction. We'll give you the same amount as you

got this year, but we won't increase the ECS, we won't phase out the cap, we won't give you the revenue sharing, the Pequot Fund, the increase in aid to special education that is resulting in $78 million in more revenue.

This is a very reasonable proposal. The municipalities should be rejoicing instead of being out in the hall lobbying and talking about how they're getting an awful cut. This is not an awful cut. It's a $1.6 million reduction from this year. That's what we're talking about in a year that we're giving them $78 million in more aid.

Thank you.

DEPUTY SPEAKER CURREY:

Thank you, sir.

Representative DelGobbo of the 70th.

REP. DELGOBBO: (70TH)

Thank you, Madam Speaker. First, I'd associate myself with the comments of Representative Farr. I was frankly, very troubled during this debate on how this provision has been characterized, but I accepted, in good faith, that members of this body will argue their points well and with sincere purpose, I hope.

What has concerned me is I look, for example, at

some of these numbers and representations of what the revenue loss would be to the municipalities. It's concerned me and I will say for the record, I feel that as this perhaps leaves this Chamber in a future date and gets passed around the State, that I think it's quite patently an absolute fabrication, misrepresentation, the specific numbers that are being presented by some people outside this Chamber.

And I think I felt I had to put that on the record.

However, Madam Speaker, I listened to Representative Newton, Representative Feltman, Representative Beamon and Representative Roy speak very well about this institution, about this Chamber, and about our prerogatives and some concerns, I think, we have all shared, everybody in this Chamber has shared in recent years as we feel that the institution itself is evolving in ways that have taken away some of the prerogatives of this body as a whole. And I accept negotiations take place. Our leaders from all sides go there and I think represent each caucus very well.

But there also comes a point, Madam Speaker, in which, as they say, the Lord helps those who help themselves and we, as an institution, just standing up and saying, you know, this is a problem and we've said

it in the past and I've heard it in the committee meetings where we sit there and we jokingly, as Representative Newton knows, we jokingly talk about in Finance, we know that in the end, those college of cardinals are going to meet and we'll wait for the white smoke to come out and we'll see what kind of bills happen.

So for me, Madam Speaker, although there are things in this bill that I like and things in this bill that I have concerns with, the fundamental issue for me here today is, I feel, this institution needs to assert itself. This body needs to assert itself and its prerogatives.

And it's just standing up and saying that and hoping that it changes, I don't think any longer is enough.

So, Madam Speaker, I will be voting against this bill today as perhaps a small measure of that displeasure with what I feel has been an extraordinary mismanagement of this process and in the hopes that in the future that that and a few others' comments might provide the incentive for us to return to what I think Representative Beamon so well said. You know, discipline provides the results, not just for this institution, but

for the people of this State.

Madam Speaker, I rise in opposition. Thank you.

DEPUTY SPEAKER CURREY:

Thank you, sir.

Representative Stillman, for the second time.

REP. STILLMAN: (38TH)

Thank you, Madam Speaker. I just wanted to rise and since everyone seems to be associating themselves with somebody's remarks, I would just like to say I associate myself with everybody's remarks because I think everybody has made some good points.

This is not a perfect bill. It doesn't satisfy everybody's needs. But it is a bill that is before us that, in a special session, which is a little different, as we all know from regular session, that I think does meet the needs of not only the budget, but also technical corrections that are needed and hopefully, helping some companies, as we move forward in this state, so that they will stay here and continue to do business here.

So I would hope that the majority of the members of this Chamber will support this bill. And I just wanted to make one clarification for legislative intent on Section 17, which is a property tax exemption. It's

actually an extension. That Section 17, which is creating a net increase of 1,000 full-time employees in an enterprise zone, to obtain a five year extension means that the employees can be hired after the start date of the project and temporarily assigned to the existing facility and then transferred back again.

As you all know, many times when there are large companies that are moving people back and forth between facilities, we want to make sure that that movement doesn't disqualify them from the exemption.

But, of course, they cannot downsize a facility. So I just wanted, for legislative intent, to clarify Section 17.

I look forward to voting on this shortly because I know we have a lot of business ahead of us. For those of you who are concerned about a lack of municipal aid, look forward to the bond bill that's going to be before us today because you'll see, there's something in there for everybody.

Thank you.

DEPUTY SPEAKER CURREY:

Representative Belden of the 113th, for the second time.

REP. BELDEN: (113TH)

Thank you, Madam Speaker. Madam Speaker, earlier in my discussion, I took the opportunity to discuss the process and how the bill got before us, not to specifically single out this bill. My intention is not to tank this bill. This process I talked about before relates to all the E-cert bills we're taking up this week.

But I did want to get back to Section 57 because it appears to be the most contentious part of this file before us. And clearly, I can understand concerns of any municipality, but the way this works is you buy a new piece of equipment and for the first five years, you supply OPM with a list of its value and of course, each year the depreciated value is less and less over the five years.

After the five years, the tax payment for whatever the value is left, automatically goes to the municipality.

So we have a series of - currently in this estimated income of $70-some million, we have five years worth of equipment or trucks, depending upon which section of the statute you're dealing with. And each year, they're at different values.

So what we're really talking about here is that the

next year that's coming due right now, that if you have equipment, when you supply your list to OPM, instead of giving you --- and by the way, the municipalities bill the State based upon the mil rate. So when the municipalities come in with their equipment that's under this statute to OPM, OPM then reimburses the town for the taxes they didn't collect from the manufacturer.

And as previously I indicated and I think some others indicated, this program has been successful beyond anybody's imagination, over $70 million. And do you know what? With that $70 million for equipment or trucks comes other things to the municipality and I don't see them here. Where's the building they went in? Where is the garages for all these trucks that are now being purchased and garaged in Connecticut that previously were in New York and New Jersey and Rhode Island?

There are other property taxes accruing to the town for these facilities. And I look at the list that came from CCM and I notice on here, I'm not going to pick on anybody in particular, but I am. I see Hartford on here. It says $500,000. Hartford has a pretty high mil rate which tells me it's a pretty low amount of new equipment coming into Hartford.

How many people here know that in Hartford, when you do your appraisals, when you're all done, Hartford tax on -- I believe it's now a 20% surcharge on business. No wonder they don't have any new equipment in Hartford.

I look at the list and I see Waterbury and I see Naugatuck. Very high amounts. Guess what? They haven't done revaluation in 20 years. So whose paying the brunt of the cost in these towns? Who really wants to go there?

So all of these things are based on mil rate. And look at Groton. Very high payment. Boy, I would love to have the new Pfizer building and the revenues from that in my town. I'll take it any day. I'll give up all this money.

So there are two sides to this. It's a very good program, successful beyond our means and when it's successful for us, it's successful for municipalities.

And we have to kind of step back a little bit and say we've got to share a little bit here. Hopefully, at 80% we'll continue to be successful and maybe municipalities won't lose any because the amount of equipment and trucks will increase. Maybe it will be revenue neutral. I hope so. Maybe there will be a

little loss, but there are other gains and hopefully, in that whole process, there are gains of what's called jobs for our citizens. Hopefully, they're good jobs and if we have those, we get other revenues.

So I think it's on balance here. It's tough. Sometimes that's why we're paid the big bucks to come up here, to make these little difficult decisions. Policy decisions. The Governor put this on the table back in February. Difficult for him. To get beat over the head. The administration got beat over the head every day. Boy, are you trying to kill us, do us in? Not the case. We're trying to deal with a policy here that has grown significantly to our benefit and to the towns' benefit. This is $79 million they didn't even get ten years ago.

So, I'm hoping the discussion I had earlier about process isn't an indication of killing this bill because it's circumstances of today and where we are for whatever reasons. We need to do our business and get out of -- we need to return the State of Connecticut to a peaceful calm knowing that we cannot do any further damage until next spring.

So, with that, Madam Speaker, I do urge support of the bill.

Thank you.

DEPUTY SPEAKER CURREY:

Thank you, sir.

Would you care to remark further on the bill before us? Would you care to remark further on the bill?

If not, staff and guests to the Well of the House.

REP. WARD: (86TH)

Madam Speaker. Madam Speaker.

DEPUTY SPEAKER CURREY:

Oh, Representative Ward of the 86th.

REP. WARD: (86TH)

I apologize, Madam Speaker. I was trying to make sure no one else was getting up.

And I'll try to be brief, although I will tell you I've been a bit frustrated sitting here hearing member after member complain about the process, particularly on the other side of the aisle.

And I'm sorry to point out to you that you made that decision when you got out of here in regular session without a budget. When you got out of Appropriations with an out of balance budget. And we couldn't get it put back together.

The question before us today at the moment is, with the cards we're dealt today, we passed a budget unanimously here - I'm losing track of time having left

here last night at about two in the morning a day or two ago or three. I literally don't remember which day we voted on the budget at the moment, 133 to zero. The issue that's been most talked about on this tax bill is one of the issues that was within that bill that passed here unanimously.

Representative Belden correctly pointed out what really happens, not what CCM passed out on a sheet and sorry to use such strong language, but one of the things that's often said about lobbyists is all they have is their word. This is about as misleading a paper as I've ever seen. I think I know a way for my town to save some money in their budget. Maybe it's something to do with dues.

I will say to you that the bill before us implements appropriately the budget that we passed 133 to zero. It did say that the State will only reimburse payments in lieu of taxes for what we exempted from taxation some seven or eight years ago in a program accurately described as very successful. It was a policy question at that time.

One of the things that makes Connecticut uncompetitive for manufacturing, compared to other states and jurisdictions, is that we tax manufacturing

equipment for property. Most other states do not. Many other states do not, and certainly not the level we did.

We tried to find a way to come to some balance in dealing with that. If you exempted it outright, for example, as we exempt outright non-profits, hospitals, state property, we exempted that outright, the towns would lose because they've been taxing it. But if we continue to leave towns taxing it town-by-town, the State has a whole loss of manufacturing equipment, particularly the larger cities with the higher more effective mil rate, the higher effective mil rates lost because they lost it to the suburbs.

So we had a policy of reimbursing at 100%. Started as a modest program. It grew almost ten fold. I'm sorry, it grew five fold. This year when we tried to put a budget together, we said there needs to be some areas to find some reductions. The reduction estimated in the next year of the biennium of a couple million of dollars means we pay for some other things. Hartford got a $5 million bonus for education. I was in a meeting a little while ago, we're going to give them another $100,000 because they begin to take back their board of education and we want to train the candidates for board of education. So we made some policy decisions here as to

how the money ought to be spent.

Representative Beamon of Waterbury, we said, has some serious problems in education. We're going to give them some bonus money in the budget for one time to hopefully help improve their school system.

So we make some of those tradeoffs and this one, in fact, we said will leave a program in place that makes good sense, which allows businesses to have a reason to come here and expand and grow and the State will pick up a fair share of the loss of having it be tax exempt.

Others will argue there's a little different policy, we ought to have the towns tax it in between. Of course, some would tax, some wouldn't. If the high tax towns, the high effected mil rate towns tax and the suburbs that don't need the money as much, don't, again competitive disadvantage, they'll move from one place to the other.

So I think that the better policy is the one that was assumed within the budget which is, we take a modest savings here as we go forward. We don't take any money away for what was already on the grand list and what's already in the five year program, but just for future growth. We try to encourage that growth and have the State reimburse it at 80% which is, frankly, consistent

with most of our pilots. Prisons are different at 100, but most of the payments in lieu of taxes from the State, whether it be for a non-profit organization, for a public policy reason we don't have them pay property taxes. Whether it be for a hospital, which is also a non-profit. Whether it be a college or university. We have a public policy reason to exempt them from tax, but don't expect the towns to survive with all of that. Whether it's state property, the same thing. We don't expect them to survive all of that and the State pays a portion of it. But always that portion of pilot is traded off against other things in the budget. And I guess I would say to you that I think that the budget was a fair budget. Nobody's happy with the process. Nobody's happy that it's three, four weeks late. I'm not happy the tax bill before us is three or four weeks late.

Yes, Representative Newton, I think if my party was the majority party, it would look different than what it is here. I'm sure if there was not a Republican governor and not a requirement to have 60% to pass the budget, the budget might have looked a little different on the other side. There were some tax cuts I wanted at the beginning of the budget negotiations. They were

compromised to get a deal.

I think it is a fair deal. I think we should support the bill. I think the fact that one section made a policy decision that we assumed the other night, we should stick with that policy decision as we go forward with this bill today because I think fundamentally, the budget and the combination of the tax package and the budget together set forward a reasonable policy for the next biennium.

Can we revisit this issue next year if we think this is where you want to add money back instead of somewhere else and you think you have that money? Sure, you can. But for this fiscal year, I think we ought to leave it in place and pass the tax package that's before us that did pass the Senate, I believe, unanimously yesterday and we ought to pass it here today. Hopefully, move on within the next few hours to also pass the rest of the items that are needed to implement the budget so we can do what the Constitution contemplated we do, be done with our business and go back to our home districts.

Thank you, Madam Speaker.

DEPUTY SPEAKER CURREY:

Thank you, sir.

Would you care to remark further on the bill before us? Would you care to remark further on the bill before us?

If not, staff and guests 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 roll call. Members to the Chamber.

DEPUTY SPEAKER CURREY:

Have all members voted? Have all members voted? If all members have voted, please check the board to make sure your vote is properly cast.

If all members have voted, the machine will be locked and the Clerk will take a tally.

The Clerk will please announce the tally.

CLERK:

Emergency Certified S.B. 2001, in concurrence with the Senate

Total Number Voting	132
Necessary for Passage	67
Those voting Yea	109
Those voting Nay	23
Those absent and not Voting	19

DEPUTY SPEAKER CURREY:

The bill passes.

Representative Pudlin.

REP. PUDLIN: (24TH)

Good afternoon, Madam Speaker. I guess we all get more lovely every hour.

We're going to -- it's our intention, at the beginning of a recess, to assemble for a brief Democratic caucus in 207A to discuss the two bills before us at the end of that recess. Again, it will be a brief recess and with that, if the Minority Leader cares to make an announcement.

DEPUTY SPEAKER CURREY:

Representative Ward, do you accept the yield?

REP. WARD: (86TH)

Yes, Madam Speaker. I thank the gentleman for the yield.

There will be a very, very brief Republican caucus in Room 209 immediately upon the recess.

Thank you, Madam Speaker.

DEPUTY SPEAKER CURREY:

Thank you, sir.

Representative Pudlin.

REP. PUDLIN: (24TH)