Legislative History for Connecticut Act

Act Number:	07-196	
Bill Number:	1440	
Senate Pages:	5238-5241, 5247-5248	**6**
House Pages:	8463-8470	**8**
Committee:	Finance: 373-377, 397-404, 499-502, 577-631	**72**

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

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CONNECTICUT
GEN. ASSEMBLY
SENATE

PROCEEDINGS
2007

VOL. 50
PART 16
5071-5415

Calendar Page 16, Calendar 561, Files 725 and 868, Substitute for Senate Bill 1440, An Act Concerning the Special Taxing Districts Within Redding and Bridgeport and the Authority of Special Services Districts to Borrow Money, Favorable Report in Committee on Finance, Revenue and Bonding and Planning and Development.

THE CHAIR:

Senator Daily.

SEN. DAILY:

Thank you very much, Mr. President. I move the Joint Committee's Favorable Report and seek passage of the bill.

THE CHAIR:

Acting on approval of the bill, Ma'am, will you remark further?

SEN. DAILY:

Yes, there is an LCO 8720 that's been filed, and I would ask the Clerk to call that amendment, please.

THE CHAIR:

Mr. Clerk.

THE CLERK:

LCO 8720, which will be designated as Senate Amendment Schedule "A". It is offered by Senator Daily of the 3rd District.

THE CHAIR:

Senator Daily.

SEN. DAILY:

Thank you very much, Mr. President. I move the amendment, as I said, and I would like to just explain the amendment and the bill.

THE CHAIR:

Please proceed.

SEN. DAILY:

Thank you. The underlying bill allows taxing districts to borrow money for clean, renewable energy, something that was not in previous Taxing District bills, and it also changes the requirement for audits for small organizations and some larger organizations, raising the threshold from $200,000 to $1 million.

THE CHAIR:

Will you remark further on Senate Amendment "A"? If not, let me try your minds. All those in favor, signify by saying "aye".

SENATE ASSEMBLY:

Aye.

THE CHAIR:

Opposed, "nays". The ayes have it. Senate Amendment "A" is adopted. Will you remark further on bill, as amended by Senate "A"? Senator Daily.

SEN. DAILY:

Thank you very much, Mr. President, that is the content of the bill, and if there is no objection, then I would move that bill be placed on the Consent Calendar.

THE CHAIR:

Hearing and seeing no objections, so ordered.

Mr. Clerk.

THE CLERK:

Calendar Page 18, Disagreeing Actions, Calendar 98, File 17, Senate Bill 1172, An Act Concerning Wholesale Beer Price Posting and Modifying Beer Packaging for Consumption On and Off Premises, as amended by House Schedule "A", Favorable Report in the Committee on General Law.

THE CHAIR:

Senator Colapietro.

SEN. COLAPIETRO:

Thank you, Mr. President, I move the Joint Committee's Favorable Report and passage of the bill and rejection of House "A", and I would ask for a roll call.

THE CHAIR:

Calendar Page 16, Calendar 561, Substitute for Senate Bill 1440.

Calendar 575, Substitute for Senate Bill 940.

Calendar Page 17, Calendar 614, Substitute for House Bill 6209.

Calendar Page 18, Calendar 98, Senate Bill 1172.

Calendar Page 19, Calendar 197, Substitute for Senate Bill 1315.

Calendar 251, Substitute for Senate Bill 1066.

Calendar Page 20, Calendar 413, Substitute for Senate Bill 1270.

Calendar 576, Substitute for Senate Bill 977.

Calendar Page 21, Calendar 667, Senate Resolution 70.

Mr. President, that completes those items previously placed on the first Consent Calendar.

THE CHAIR:

If you will please call the roll again, the machine will be open.

THE CLERK:

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

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

THE CHAIR:

Have all Senators Voted? If all Senators have voted, the machine will be locked. The Clerk will call the tally.

THE CLERK:

Motion is on adoption of Consent Calendar No. 1.

Total number voting, 36; necessary for adoption, 19. Those voting "yea", 36; those voting "nay", 0. Those absent and not voting, 0.

THE CHAIR:

Consent Calendar No. 1 passes. Senator Looney.

SEN. LOONEY:

H-1009

CONNECTICUT
GEN. ASSEMBLY
HOUSE

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The record will so note. Are there any introductions or points? Representative Sawyer, for what purpose do you rise, Ma'am.

REP. SAWYER: (55^{th})

For an introduction, Ma'am.

DEPUTY SPEAKER FRITZ:

Please proceed.

REP. SAWYER: (55^{th})

What a wonderful day for the fourth grade from Andover to be here. If you'd just give them a round of applause and a wave, they'd appreciate it. Welcome.

(APPLAUSE)

DEPUTY SPEAKER FRITZ:

We welcome you on this very, very busy day. The last day, we hope of the Session. Will the Clerk please call Calendar Number 726.

CLERK:

On Page 20, Calendar Number 726, Substitute for Senate Bill Number 1440, AN ACT CONCERNING THE SPECIAL TAXING DISTRICTS WITHIN REDDING AND BRIDGEPORT AND THE

AUTHORITY OF SPECIAL SERVICE DISTRICTS TO BORROW MONEY, Favorable Report of the Committee on Planning and Development.

DEPUTY SPEAKER FRITZ:

Representative Jason Bartlett.

REP. BARTLETT: (2nd)

Thank you, Madam Speaker. I move acceptance of the Joint Committee's Favorable Report and passage of the Bill in concurrence with the Senate.

DEPUTY SPEAKER FRITZ:

The question is on acceptance and passage. Will you proceed, Sir.

REP. BARTLETT: (2nd)

Thank you, Madam Speaker. This Bill gives a special taxing district, Georgetown Special Taxing District in Redding, Connecticut, additional powers to finance more infrastructure improvements, adopt and enforce codes on district property, and impose and collect taxes on land and buildings.

It allows the District to receive $72 million in an urban renewal project bond from the federal government.

It also allows special services districts to repay debt obligations going from one year to seven years after they're incurred.

And thirdly, it allows municipal and local agencies to comply with auditing requirements of the Municipal Auditing Act and allows the threshold raise from revenues to go from $200,000 to $1 million.

Madam Speaker, the Clerk is in possession of an Amendment, Amendment LCO Number 8720. I request that the Clerk call the Amendment, and that I be permitted to summarize.

DEPUTY SPEAKER FRITZ:

Will the Clerk please call LCO Number 8720, previously designated Senate "A", and the gentleman has asked leave to summarize.

CLERK:

LCO Number 8720, Senate "A" offered by Senator Daily.

DEPUTY SPEAKER FRITZ:

Representative Bartlett.

REP. BARTLETT: (2nd)

Thank you, Madam Speaker. Senate Amendment "A" allows for setting up a trust. It's a technical Amendment to the underlying Bill. It allows the special tax district to set up a conduit--

REP. CAFERO: (142nd)

Madam Speaker.

DEPUTY SPEAKER FRITZ:

Representative Cafero.

REP. CAFERO: (142nd)

Madam Speaker, we don't have the Amendment on this side.

DEPUTY SPEAKER FRITZ:

We'll stand at ease for a few minutes while you get a copy of the Amendment. I apologize, Sir.

(CHAMBER AT EASE)

Representative Cafero, do you have the Amendment on your side now, Sir? Thank you, Sir. Representative Bartlett, please proceed.

REP. BARTLETT: (2^{nd})

Thank you, Madam Speaker. Senate Amendment "A" allows for a trust to be set up in the underlying Bill. It allows the tax district to act as a conduit so that they can loan money for commercial purposes, in this particular case for Norwalk Hospital and the Wilton YMCA. It's much like a CHEFA or a CETA.

The second part of the Amendment allows for each district principally to have their audits take effect after each district receives revenues of over a million dollars. I move adoption, Madam Speaker.

DEPUTY SPEAKER FRITZ:

The question is on adoption of the Amendment. Will you remark further on the Amendment before us? Will you remark further on the Amendment before us? If not, let me try your minds. All those in favor please signify by saying Aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER FRITZ:

Those opposed, Nay. The Ayes have it. The Amendment is adopted. Will you remark further on the Bill as amended? Representative Stripp.

REP. STRIPP: (135th)

Thank you, Madam Speaker. Madam Speaker, this Bill greatly helps a project in Redding, Connecticut, that's going to be over time considered a classic project, and how you go about redeveloping an old brick and timber factory building.

It was very carefully done by a group that understands the issues with industrial pollution, and is very typical to sites around the state.

So I think we're going to not only have a great project in Redding, but we're also going to have a project that we can learn a lot from to move projects of this type forward in other towns throughout the state.

So Madam Speaker, I think it's a worthy Bill. I think it's one that should get positive consideration of this erstwhile body. Thank you, Madam Speaker.

DEPUTY SPEAKER FRITZ:

Thank you, Representative Stripp. Will you remark further on the Bill as amended? Will you remark further on the Bill as amended? If not, will staff and guests please come to the Well of the House. The machine will be opened.

CLERK:

The House of Representatives is voting by Roll Call. Members to the Chamber. The House is voting by Roll Call. Members to the Chamber.

The House of Representatives is voting by Roll Call. Members to the Chamber. The House is voting by Roll Call. Members to the Chamber, please.

DEPUTY SPEAKER FRITZ:

Have all the Members voted? Have all the Members voted? Please check the board and make sure your vote is accurately cast.

If so, the machine will be locked and the Clerk will take the tally. The Clerk will announce the tally.

CLERK:

Senate Bill Number 1440, as amended by Senate Amendment Schedule "A", in concurrence with the Senate.

Total Number Voting	146
Necessary for Passage	74
Those voting Yea	146
Those voting Nay	0
Those absent and not voting	5

DEPUTY SPEAKER FRITZ:

The Bill is passed in concurrence with the Senate. Will the Clerk please call Calendar Number 118.

CLERK:

On Page 36, Calendar Number 118, Substitute for House Bill Number 7204, AN ACT CONCERNING THE ENFORCEABILITY OF AUTOMATIC CONTRACT RENEWAL PROVISIONS, as amended by House Amendment Schedule "A", Favorable Report of the Committee on Judiciary.

DEPUTY SPEAKER FRITZ:

Representative Stone.

REP. STONE: (9th)

JOINT
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REP. BELDEN: Now, they still may not stop in Connecticut. You may or may not do better. What, can you just give me some idea of what's happened to your business over the years in terms, I know that a number of truck stops have just closed up.

DOUG PARKER: I really, I really can't. I don't know of, personally, of the businesses that have closed up.

I can speak of my own, and we've been in a situation of decreasing volume. I can provide more specific information to the Committee, if you would like me to do so.

REP. BELDEN: So just in a very few words, the current law has not done anything for your industry in Connecticut?

DOUG PARKER: That's correct.

REP. BELDEN: Thank you.

SEN. DAILY: Thank you very much. Thank you. Steve Soler, followed by Hank Teskey, followed by Senator McKinney.

SB 1440

STEVEN SOLER: Good morning, Senator Daily, Representative Staples and Committee Members. For the record, my name is Steven Soler. I'm the President of the Georgetown Land Development Company.

I'm the President of the Georgetown Taxing District, and I'm here to testify in favor of Raised Senate Bill 1440.

One of the powers provided to the district by legislation that was created pursuant to Special Act 05-14, was to construct green buildings.

To finance these buildings, the district applied for, and won, a designation as a green building and sustainable design project.

It is one of four projects in the United States to receive this designation. The award was provided by the Internal Revenue Service. With that award came an allocation of $72 million of private-activity bonds.

These bonds would be issued by the district, unlent to the owners of the commercial buildings, and paid back from revenues from those commercial buildings.

However, we cannot issue the bonds without impacting the Town of Redding's ability to issue general obligation bonds.

Therefore, we've added in this legislation language that would provide the districts that would be considered as urban renewal project bonds. This would make sense in that we're converting a former mill site into an urban environment in Redding.

In addition to the green bond financing, the district may be able to finance other infrastructure and qualify for another federal bonding program known as clean renewable energy bonds, or CREBs. They're very similar to the green bonds.

They are unlent to the user or the individual that creates the energy. The language in this legislation allows the district to do these projects and provide renewable energy resources to the project.

Other aspects of the bill are in reference to functions that the Town of Redding Land Use Commissions have requested.

The bill also allows the district to collect benefit assessments against property in the district for public benefits provided to property owners within the district.

In addition, there is testimony that has been submitted, written testimony in favor of this legislation from the First Selectman of the Town of Redding, Natalie Ketchum, and I believe that was distributed to you earlier.

In the end, the bill allows the Georgetown mill development to move forward, and I respectfully request that the Committee act favorably on the bill.

SEN. DAILY: Thank you very much. Are there questions? Yes, Senator.

SEN. RORABACK: Thank you, Madam Chair. Just quickly, how would the Town of Redding's capacity to issue bonds be implicated if we don't pass this bill?

STEVEN SOLER: Sure.

SEN. RORABACK: They don't guarantee the bonds or anything like that?

STEVEN SOLER: No. They don't. What happened is, last year, what the Legislature allowed us to do, was to issue general obligation bonds. Last year in November we issued $14.4 million of general obligation bonds for infrastructure within the development.

As we went through that process of issuing those bonds, we realized that there is a debt limitation within the town. And that limitation is equal to two and a half times gross receipts in the town.

SEN. RORABACK: Yes.

STEVEN SOLER: That you mean that the maximum amount of general purpose bonding in the Town of Redding would be $77 million.

SEN. RORABACK: Notwithstanding that it's not issued by the town, the fact that you come under their cap.

STEVEN SOLER: Correct.

SEN. RORABACK: That's the answer?

STEVEN SOLER: That's right.

SEN. RORABACK: This removes that?

STEVEN SOLER: This would actually max out their cap. What we're doing is moving it into an urban renewal--

SEN. RORABACK: Is the cap of their own creation, or of the Legislature's creation?

STEVEN SOLER: I believe that that's Connecticut General Statutes cap.

SEN. RORABACK: Okay. Thank you, Madam Chair. Thank you.

SEN. DAILY: Thank you very much, Mr. Soler.

STEVEN SOLER: Thank you.

SEN. DAILY: Hank Teskey.

HANK TESKEY: Good morning.

SEN. DAILY: Good morning.

HANK TESKEY: Good morning, Senator Daily, Representative Staples, Members of the Finance Committee. My name is Hank Teskey. I'm the Director of Tax and Accounting, Electric Boat Corporation in Groton, Connecticut.

I'm here today in support of Raised House Bill 7380, which proposes the repeal of sales tax on various business services.

For over 90 years, Electric Boat Corporation has designed, constructed and repaired nuclear you apparently already do offer it, or Positron does?

PETE SIMS: They do. We're a small player in the radio console market today. I can tell you on the trading system side of the house, in North America, we have 20 plus direct offices.

We have, I have the better part of 200 field technicians under my remit, and we believe that we can leverage these points of presence and these technicians on the command and control side of the house, also.

SEN. STILLMAN: Okay. Thank you very much.

PETE SIMS: My pleasure. Thank you.

SEN. STILLMAN: Thank you, Madam Chair.

SEN. DAILY: Thank you very much. I would suggest strongly that you invite this Committee to tour your terrific facility.

PETE SIMS: Thank you very much. There's always an open door.

SEN. DAILY: Thank you. Any other questions of Mr. Sims? David Evans, followed by Mike Freimuth and Richard Jukanski.

DAVID EVANS: Senator Daily, Representative Staples, the Members of the Committee, my name is David Evans and I am the Government Affairs Consultant for TCR Northeast Land Acquisition Limited Partnership, an entity affiliated with SB1440

Trammell Crow Residential and I am here to testify with regard to Raised Senate Bill 1440.

I won't, I won't read the testimony, but just highlight a couple of parts of it. This, this involves a special Act, this piece of legislation, that was passed in '05. It's Special Act 05-14.

It involves Georgetown Land Development Company who is redeveloping the former Gilbert and Bennett manufacturing facility in the Town of Redding in a mix of residential, commercial, retail and civic uses.

To a certain degree, all the parties here are all on the same page and we'd like to see that, that parcel developed. However, the language of this bill, in many respects, raises some concerns by TCR.

And I won't go into the technical parts of this testimony, but I ask that you read it and we're, we've already begun some discussions with Georgetown Land Development Company to try to make this bill, and the concerns that we have with this bill, address them.

TCR would like the Committee to understand that it's supportive of GLDC's efforts in redeveloping this former manufacturing facility into a groundbreaking mixed-use community.

However, TCR is concerned that some of the provisions of the revised legislation would have potential impact upon TC, TCR's intended development and future marketing efforts.

As such, as I indicated, they were prepared to sit down and talk about ways in which we can make this better, and we would ask the Committee's indulgence in, in listening to those, those corrections or amendments. So and we will proceed in that direction right away.

If you have any questions, I'd be happy to answer them. If I don't have them, we'll be happy to get them to the Committee.

SEN. DAILY: Are you saying that, I hope you're saying that, the changes you'd like to see considered, you have to submit to us today?

DAVID EVANS: We've highlighted some of the sections. In light of the fact that this bill surfaced last week, there hasn't been a lot of time to react to it and members of the company are, are looking at it in more detail.

We've got some, some sections of the bill that are raising concerns for TCR. We're headed in the right direction.

We'd like to see the project move forward, but until we can further analyze and discuss some of those sections, because they allow a lot of latitude that isn't normal in this, in the taxing districts in Connecticut.

SEN. DAILY: Thank you very much. Other questions? Representative Leone.

REP. LEONE: Thank you, Madam Chair, and good morning, Sir. I'm looking briefly through your testimony and it's pretty in depth, so I'm just trying to understand.

What is, what, if you can summarize, what exactly is it that you have an issue with? The Redding Special Taxing District proposal?

DAVID EVANS: Yeah. Their concern is the changes under, the changes, because CCR is under contract to become the owner of a significant portion of the land, which it is intending to develop and sell to individual residential lots and units to various buyers.

And TCR will be selling these units, would be requiring property subject to tax encumbrances to finance millions of dollars of debt for capital improvement projects, with none of the usual limits on district's ability to tax TCR for it.

It's, it's the expansion and the latitude that's being allowed under the provisions of this legislation.

REP. LEONE: I was looking at the Redding proposal, and they're just looking for a different classification in terms of their bonds, but how did TCR first get involved with the Redding project, because I understand Redding sort of put together this district so that they could clean up the area and then sell units. So did you buy some of the units and then you're looking to re-sell them.

DAVID EVANS: There's a contract arrangement between Georgetown Land Development Company and TCR to, to further parcel out and sell those units out, from my understanding.

REP. LEONE: Okay. Because this was created two years ago, so you entered into contracts with them two years ago?

DAVID EVANS: Our client, yes. Between when it was created and today, at some period of time, and we're just getting up to snuff on this.

Entered into a contract to further parcel out and sell out those units, and the concern is that there will be, some of those parcels would be encumbered by the latitude that's given with respect to the changes that are being proposed here.

REP. LEONE: So the issues that you have, were they relevant when this was first enacted two years ago, or is this the result of the proposed changes that they're requesting now?

DAVID EVANS: The concerns are the regard to the changes that are being proposed here, that is providing a great amount of latitude to them that will further encumber the property as it's subdivided and sold out, is my understanding.

REP. LEONE: Okay. I guess, maybe we could take this off-line and get a little bit more deeper, because I'm just trying to understand how the reclassification of bonds, it would help the town in terms of not hitting their debt limit, how this would negatively impact you.

DAVID EVANS: I think that that would be appropriate and some discussions have already begun among the proponents and TCR to do what's needed to be done to move this along so it benefits not only Redding, Georgetown and TCR, as well as future property owners.

REP. LEONE: Okay. And maybe we should do that sometime soon.

DAVID EVANS: Very soon. Yes.

REP. LEONE: Thank you.

DAVID EVANS: That would be our suggestion.

REP. LEONE: Thank you, Madam Chair.

SEN. DAILY: Thank you very much. Just to add clarification, the Statute as it exists now works fine for your company. The changes would adversely affect your company.

DAVID EVANS: Could potentially adversely affect.

SEN. DAILY: Representative Belden.

REP. BELDEN: Good morning, David.

DAVID EVANS: Good morning.

REP. BELDEN: I'm looking at Lines 77 and 78, where the new language says, adopt and enforce design codes and use restrictions applicable to real and personal property within the district. Is that one of the areas that you're concerned about?

DAVID EVANS: I don't have the bill in front of me.

REP. BELDEN: Oh, okay.

DAVID EVANS: It's Section 4A and 4B, raised some concerns. Section 4(B)(4). We pretty much delineated in the testimony, if you'll look at it, Representative.

The areas that are of concern, and we've already begun some dialogue between Georgetown and TCR, and hopefully, we'll reach a resolution of the concerns that were originally raised.

This bill surfaced last week and they haven't had a lot of time to react to it, and they're in the process of doing that right now.

REP. BELDEN: Okay. Can I assume, perhaps not the right person to ask, did Georgetown submit this request for these changes?

DAVID EVANS: That I don't know, Mr. Chair, Mr. Representative.

REP. BELDEN: So Trammel Crow got involved after we passed the Special Act.

DAVID EVANS: That's my understanding.

REP. BELDEN: And essentially, based upon the Special Act as it was constituted at that time?

DAVID EVANS: Right.

REP. BELDEN: So now you have concerns about this?

DAVID EVANS: We have concerns about their contract with Georgetown for parceling and selling out those--

REP. BELDEN: What portion of this project is Trammell Crow involved in? Give or take.

DAVID EVANS: That I can't. I'll have to get that answer to you.

REP. BELDEN: Thank you.

DAVID EVANS: Thank you very much.

SEN. DAILY: Mr. Evans. Mike Freimuth, followed by Richard Jukanski, and Robert Siminski.

UNIDENTIFIED SPEAKER: Still want to be paged?

SEN. DAILY: Yes. We have to go below the line, but--

MICHAEL FREIMUTH: Senator Daily, Representative Staples, and Members of the Committee, thank you for the opportunity to testify today before your Committee on Raised House Bill 7384, which is AN ACT ESTABLISHING THE HARBOR POINT INFRASTRUCTURE IMPROVEMENT DISTRICT WITHIN THE CITY OF STAMFORD.

This legislation mirrors other acts passed by the General Assembly for other communities, and by its passage, will enable Stamford to also use this tool as a means to finance public infrastructure.

000499

Town of Redding

100 Hill Road – P.O. Box 1028
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Natalie Ketcham
First Selectman

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FINANCE, REVENUE AND BONDING COMMITTEE
OF THE CONNECTICUT GENERAL ASSEMBLY
PUBLIC HEARING – MARCH 20, 2007

Testimony of Natalie Ketcham, First Selectman, Town of Redding, in support of Senate Bill No. 1440 (Raised), An Act Concerning a Special Taxing District within the Town of Redding.

As Redding's First Selectman I offer my statement in support of Senate Bill No. 1440 regarding the Georgetown Special Taxing District within the Town of Redding. Additionally, on behalf of the Town of Redding, I wish to thank the General Assembly for the passage of initial legislation to allow the District to be created. The District is a very important component of our unique public/private partnership with the Georgetown Land Development Company to redevelop the former Gilbert & Bennett mill site in the Georgetown section of Redding, and we support the District's successful implementation.

The District was created in September 2005 pursuant to Special Act No. 05-14. The powers of the District contained in the Special Act included the power to construct "green buildings." Green buildings are buildings that meet high environmental and energy-efficiency standards for building construction. To finance the green building construction, the District hoped to issue "green bonds." Green bonds are a new type of private activity bond that can be issued only if awarded an allocation of bonding authority by the Internal Revenue Service. The District applied to the IRS for an allocation of bonding authority, and received an allocation of $72 million. The District was one of only four projects nationwide to receive an allocation. However, the District cannot issue the full amount of the green bonds under Connecticut law without impacting the ability of the Town to issue bonds for its general purposes. Line 121 through 124 of the Bill would provide that the District's debt, including the green bonds, be considered as "urban renewal project" debt for purposes of calculating the combined debt limitation of the Town and the District. This would allow the District to issue the green bonds and mitigate the impact on Town's ability to issue bonds for its municipal purposes. The characterization of the District's bonds as "urban renewal project" bonds is based on the nature of the site as a former mill site that once served as a thriving part of our community.

In addition, the District may have the opportunity to finance other infrastructure improvements and qualify for another federal bond program known as the clean renewable energy bond program. The Bill allows the District to do these types of projects. The Bill also clarifies that the District may perform some of the functions that our local land use commissions have requested, such as maintaining the District's open space and parks and enforcing design codes and use restrictions on the buildings within the District. The Bill would also allow the District to assess and collect benefit assessments against properties within the District.

I respectfully request that the Committee act favorably on the Bill so that the District and the Town can move forward together on this very important project for the Town of Redding and the State of Connecticut.

Sincerely,

Natalie Ketcham

Natalie Ketcham
First Selectman

465303 v.01

Testimony to the Finance, Revenue and Bonding Committee

Raised SB 1440 An Act Concerning A Special Taxing District Within the Town of Redding

March 20, 2007

Chairpersons Daily and Staples and members of the Committee, my name is David Evans with Evans & Associates, LLC, Governmental Affairs Consultant/Lobbyist for TCR Northeast Land Acquisition Limited Partnership ("**TCR**"), an entity affiliated with Trammell Crow Residential and I am testifying with regard to Raised SB 1440.

Trammell Crow Residential, founded in 1978, is one of the nation's leading residential real estate developers.

Georgetown Land Development Company (**GLDC**) is redeveloping the former Gilbert & Bennett manufacturing facility in the Town of Redding into a mix of residential, commercial, retail, and civic uses. GLDC is under contract with TCR Northeast Land Acquisition Limited Partnership (**TCR**), to sell **TCR** several parcels within the redevelopment project that are approved for a number of the newly-created residential units in the **GLDC** development. **GLDC** had a taxing district created under Special Act 05-14 to govern the area. As a municipal entity, this district has powers of bonding and taxation. In principal, the proposed changes in "the District itself" are beneficial because it makes the project possible and cost-effective.

However, other sections of this proposal which would amend SA 05-14 in several ways, deeply concern TCR:

Sections 4(a) and 4(b) of the bill would empower the District with sweeping authority over its tax assessments. Ordinarily, districts may only select generally-applicable mill rates which are then uniformly applied to the valuations of their properties determined for them by each forum town, and they have only limited powers to impose special assessments on particular properties uniquely benefiting from expenditure. However, this bill would greatly expand the authorization of GLDC's Tax District to:

- Levy special benefit assessments on any land or buildings in its discretion before, during, or after the improvements or expenditures are made. For example, the District could apparently pay for an entire project and then assess taxes for doing so afterward, or instead, collect taxes for the full expected cost before commencing it and bill the gap caused by any underestimate separately later.

- Levy special benefit assessments only in part, with the balance funded by the District's general budget. In other words, all properties in the district could be taxed for a particular project while specific benefited properties would bear a higher proportion of the tax.

- impose, collect, and forgive taxes for all expenditures, services, and costs and to prescribe the manner for doing so. The bill is ambiguous on this issue because the first sentence of Section 4(b) (1) appears to simultaneously state that the District's powers in this respect are both "notwithstanding" and "in accordance with" the regular tax district statutes. Normally, districts are obligated to collect the taxes they impose, and they cannot simply "forgive" a tax in whole or part except in extremely narrow, highly regulated circumstances.

- Make a levied tax payable within 30 days of billing (this is standard for municipal taxation) or in up to thirty annual installments (this is not). The District would be able to forgive payment in any particular year, and tax a building constructed on a benefited property as though the building had existed at the time of the benefit. This is apparently intended to allow a higher tax levy because an improved parcel would be assessed as more valuable than an empty lot.

- Levy assessments upon all property within the District for the benefit of open space even lying outside the District so long as it is within the town of Redding. This provision is confusing because it would apparently either allow the District to dedicate funds to off-site open space projects or impose taxes for such projects to which it did not so contribute.

Section 4(b) (4) would entitle property owners to notice and an opportunity to be heard on benefit assessments, but the right to impose them would remain with the board. Therefore, unlike most districts, the residents of this district would have no right to vote on their own taxes. They could only file a court appeal afterwards, with no reimbursement for the litigation expenses or interest on the refund even if they win. Moreover, Section 4(d) of the bill would require that all of its language be "liberally construed to affect the purposes hereof." This means that a court would be obligated to interpret the ambiguous and open-ended provisions of the bill in favor of the District. It would appear to reverse the usual rule that municipal empowerment statutes are construed narrowly and in favor of the taxpayer.

TCR is concerned with the proposed changes because **TCR** is under contract to become the owner of a significant portion of this land, which it intends to develop and sell as individual residential lots and/or units to various buyers. **TCR** and the members of the public to whom **TCR** will be selling these units, would be acquiring properties subject to tax encumbrances to finance millions of dollars of debt for capital improvement projects with none of the usual limits on the District's ability to tax **TCR** for it. In fact, the taxation powers of this district are expansive and unusual enough to raise constitutional concerns. The bill would allow "spot taxation" with no need for advance budgeting or board accountability, and scare away potential buyers due to the unpredictable authority the District would have to finance its significant debts. Voting the board out would be no remedy, because right now **GLDC** is the sole landowner, and therefore the only voter and in control of all board membership. By the time **TCR would look to** take title, **GLDC** could have saddled the District with millions in bond and budget-debt, with **TCR** and its future unit buyers as potentially responsible for repayment of the bonds and interest.

There are also several provisions in the bill about which **TCR** believes require additional analysis in order to alleviate concerns that TCR has about their potential impacts on **TCR**:

For example, Sections 1 and 2 would authorize the district to undertake a federally tax-exempt bond program for capital projects involving certain clean renewable energy expenditures ("clean bonds"). **TCR** supports the concept of clean renewable energy, but has no idea if those bonds would require unacceptable construction, engineering, architectural, or design regulations, union labor or other wage requirements, etc. which could impose requirements or obligations on TCR beyond those in its purchase contract. More in-depth analysis will be needed by **TCR** and its advisors to determine the purpose and effects of these provisions.

Section 2 would also grant the District new powers to plan and finance roads, sidewalks, and "other infrastructure improvements," and to encumber and operate open space, parks, "and other interests in real and personal property." Neither of these quoted terms is defined, and obviously they are incredibly open-ended. Also, this proposal would let the District adopt design codes and use restrictions for all real and personal property within its boundaries. This change would mean that, unlike virtually every other district in Connecticut, this District could adopt planning and zoning regulations -- and apparently even do so for "personal property" which is not currently understood by **TCR.**

Section 3 of the bill would provide that the District's bonds are deemed securities available for public investment and also as debt for urban renewal projects free from certain state-mandated municipal debt limitations. These bonds would be allowed to be secured by a trust agreement pledging or assigning the District's revenues, and such a pledge would be immediately binding against all tort claimants against the district's board without notice or UCC filing. Again, **TCR** needs more time to evaluate it and its ramifications for its contract and buyers.

In closing, **TCR** would like the Committee to understand that **TCR** is supportive of GLDC's efforts in redeveloping this former manufacturing facility into a groundbreaking mixed-use community. However, **TCR** is concerned that some provisions of this revised legislation could potentially have upon **TCR's** intended development and future marketing efforts. As such, **TCR** intends to work with **GLDC** and this Committee in an attempt to resolve any and all concerns, prior to further consideration of this proposal.

JOINT
STANDING
COMMITTEE
HEARINGS

FINANCE
REVENUE
AND
BONDING
PART3
577-869

2007

SB1452
(SB1442)
(SB1451)
(HB7333)
HB 7400

SEC. ROBERT GENUARIO: Good morning, Madam Chairman and Mr. Chairman, Senator Nickerson, Representative Meyer, distinguished members of this Committee.

My name is Robert Genuario. I am the Secretary of the Office of Policy and Management and I thank you for the opportunity to appear before you today on several of the bills that you have before you.

I'd like to begin my testimony with regard to Raised Senate Bill 1450, AN ACT ESTABLISHING A MUNICIPAL CAPITAL INVESTMENT COMMISSION. It probably will not surprise you to hear that we oppose this bill.

And you have my written testimony. I would like to put before you several concepts concerning this bill. First and foremost, the methodology for allotting bond proceeds for Urban Act and STEAP grants as well as other bond proceeds has been stable for many, many decades.

It has worked when there have been Republican Governors and Democratic Legislatures. It has worked when there have been Democratic Governor and Republican Legislatures. It has worked when there has been split Legislatures. It has worked in a variety of different settings.

I would suggest to you that there is a heavy burden on those who would suggest that we need to significantly change the methodology for allotting those funds.

The second concept, the bill goes a long way to creating a new office within the Office of Legislative Management. And as I look through the powers of the new office I think it is fair to say that many of those powers are by their nature Executive Branch functions.

It goes so far as to empower the new legislative office to deal with the Treasurer's Office with regard to the issuance of bonds, dealing with a bond council and the like.

Those are uniquely Executive Branch functions and it is surprising that a bill would go so far as to creating a new office within the Office of Legislative Management in order to create those functions.

Third, with regard to the allotment of bonds, Urban Act bonds in particular require and the responsible allotment of Urban Act bonds require the interaction of Executive Branch agencies.

Senator LeBeau is probably tired of having me use Rentschler Field as an example but whether you talk about Rentschler Field of Steelpoint or Adriaen's Landing.

It required the interaction before decisions could be made of the Department of Transportation, the Department of Environmental Protection, The Department of Economic and Community Development and frequently other agencies.

Often the Department of Public Health, before the, in particular, larger transactions are decided upon and an appropriate flow of funds is decided upon.

With regard to STEAP funds, I would note that over the last two years the Executive Branch has moved 100% of the STEAP funds that you have authorized.

I would be happy to share with you the allocation of those STEAP funds in particular, if there's any concern about the methodology used to allocate them, I would be happy to go over with any of you in detail the allocation of Urban Act funds.

In the event that there was any concern that for any reason whatsoever those funds have not been properly allocated. In general, you should know the following.

That with regard to general bond allocations issued since July 2004, since Governor Rell took office, 58.2%, almost 58.3% of all funds was for elementary and secondary school construction.

About 16% were for state agency programs, Departments of Correction, Judicial Court Houses, upgrading of state buildings and the like.

The other, what I would call the discretionary programs, such as Urban Act and STEAP programs have equaled about $146 million over that time period.

I would be happy to share with any members of the commission the allocation of those funds for your review for you to determine whether or not those have been allocated in an equitable and appropriate manner, a meritorious manner.

I think you would find that they have been. I think there has been a lot of talk that perhaps they haven't been and I would welcome your detailed review of what has been done prior to your making a determination that there is some needed fix.

The problem that we have in this state, and you've heard me say it before, is that our debt service is beginning to swallow up everything else.

In an effort to control debt service, and just like the General Fund, under current law, there are certain things that the Executive Branch has to do. That swallows a great deal of our capacity with regard to this issue and with regard to these funds.

We have discretion over a fairly minor amount of bond authorizations, particularly those bond authorizations that are moved to incent economic community development, enhance quality of life issues.

We do allot those judiciously. We take significant input from legislative leaders and rank in file Legislators in doing that and we think that we have down a responsible growth in balancing the total amount of indebtedness that the state can afford to incur versus the need to assist our municipalities, incent economic development, and the like.

And again, I think, before moving too far along I would invite you or anyone to look over the particular allocations, the requests we've gotten from Legislative leaders, how we've handled those requests and the like.

There are a number of other bills that are on your agenda. I will not comment on all of them. I have submitted written testimony on a variety of them. Let me make the following general observations.

Because I think it applies to a number of them. You have a number of credits and deductions against the personal income tax proposed. They raise concerns for us. They should raise concerns for you for two reasons.

(SB 1442)
(SB 1451)
(HB 7333)

There are two factors that I think you need to consider before progressing on any of these proposals. One, with regard to the Connecticut State Income Tax, it by its nature has been a tax that has historically little in the way of credits and deductions.

There are a variety of laudable goals, purposes, for which folks might appropriately argue that a credit or a deduction would be justified.

We are concerned that there are so many of those laudable arguments that could be made that it could have a significant impact on the revenue stream.

The second concern is of course the revenue stream. And the fact of the matter is that as we increase the amount of credits, whether it is for long-term care or for film tax or for film expenditures it does impact the revenue stream that is generated by the income tax.

The income tax is the major driver of revenues in the State of Connecticut. It does support most of our budgetary needs. Our budgetary needs are growing.

You might want to have a conversation with your friends who are the chairs and ranking members of the Appropriations Committee before you make any final decisions on impacting those revenue streams.

I assure you that they are struggling to meet the needs of the population this year. And I think that conversation, I'm sure you do have those conversations from time to time.

And I'm sure they have expressed to you their concerns about the revenue stream being able to adequately fund the needs that they have before them. That needs to be balanced.

That applies to a variety of these proposals. We think with regard to the film tax credit, I've submitted written testimony. A number of the changes that you're suggesting we are quite supportive of.

Other areas where the credit is being expanded, we would suggest that the credit is already quite generous as compared to that that we have in other states.

One final bill that I wanted to comment on and that was Senate Bill 1452, AN ACT CONCERNING THE MULTISTATE STREAMLINED SALES TAX PROJECT, and this bill as we understand it would actually have us apply to become a streamlined sales tax, a member of the streamlined sales tax agreement.

As you know, the Governor did submit a bill seeking a commission to study what changes would be needed to our sales tax in order for such an application to be effective.

We think an actual application at this time might be premature. To be perfectly clear, we believe that in order to apply and be accepted as a member of the streamlined sales tax agreement, we would have to make significant changes to our sales tax code that would require public policy decisions, which have not yet been debated.

So we get it right out on the table, as we understand the streamlined sales tax agreement, Connecticut would need to either eliminate its sales tax on clothing as an example or eliminate the exemption for clothing purchases below $50 in order to be eligible for that agreement.

That's a major policy change either way. And we think an application before that policy change is judged and determined is premature. We would encourage further action in this area.

We would encourage the Legislature to adopt the commission that we have suggested in order to make recommendations to the body as a whole as to what changes in the sales tax the General Assembly would be willing to support in order for us to make an effective application.

We do think the streamlined sales tax is the way to go eventually because we are losing a fair amount of money as a result of Internet sales and the like. I will end my testimony there and would be happy to answer any questions.

SEN. DAILY: Thank you very much. I have a question about the streamlined sales tax commission. It is my understanding that Massachusetts is part of that group now.

And Massachusetts, on clothing, does have I think theirs is triggered at $200 or $300. But it would seem from that that this claim is incorrect.

SEC. ROBERT GENUARIO: I am unaware of whether Massachusetts is a member of the sales tax, and I'm unaware of the Massachusetts sales tax code but I will check into that and if I'm incorrect I will certainly get back to you.

My understanding is that exemptions to the sales tax are not allowed in order to be a member of the streamlined sales tax agreement. I'll check it.

SEN. DAILY: Thank you. I think it points out a problem that we've been looking at this for over five years and still don't seem to have answers. We don't have them either.

SEC. ROBERT GENUARIO: I'll check into your question. I don't think that heretofore it's been that we haven't had answers.

I think heretofore it's been that the Legislature and the Executive Branch together have, if not conscientiously and expressly to the extent that it's been preliminarily looked at have been unwilling to make the changes to the sales tax code that would be necessary.

I'm looking at a document that says streamlined sales tax programs status regarding the taxation of clothing, I do not see Massachusetts on here, which leads me to believe that they're not a member.

SEN. DAILY: That your crackerjack staff has the answer.

SEC. ROBERT GENUARIO: They are not a member.

SEN. DAILY: Representative Staples.

REP. STAPLES: Thank you, Madam Chair. Secretary Genuario, I think on this sales tax issue you may be right. There are policy choices, I guess I'm not convinced that we can't, before the session is over, determine what those choices are have a discussion in consideration of it.

It's, as you said, your estimates were that if the federal government requires people to participate, which is a critical next step, we could be gaining as much as $500 million in internet sales tax revenue.

So it strikes, I think, at least the two of us that we really shouldn't wait another year. We should be ready if we can make those decisions now as to what we have to trade off.

And start that process in case that the Congress and the President decide to require participation, you know, at the national level. So I guess I would just think, I think we can pull that together in the next three months.

And I would hope that we could set up a time to have a conversation with your staff and our staff about what those choices are then this Committee could evaluate those choices.

SEC. ROBERT GENUARIO: And I would be happy to do that. I think you're right to say that the choices are not that complicated. If I am correct, and it would appear that I am. I guess that's somewhat self-serving.

It would appear that Tom Fiore is, which may have more voracity than anything else. The two changes that come to mind would be the elimination of the exemption on clothing.

And we'll also have a differing rate for acquisition of computer and information technology equipment for businesses. If we could deal with those two major issues we might well be eligible and it might well provide a vehicle for moving forward. I certainly would be happy to sit with you on that.

REP. STAPLES: Thank you. On the film tax credit bill, the one section that I just wanted to make a comment on and we can talk about this further is your comment about providing a credit for out of state activity. HB 1400

I'll tell you what this is in response to. It may be that the way it's drafted isn't crystal clear because an earlier testifier had the same impression.

We've been informed that DRS has made an interpretation that expenditures on out of state products that are used in Connecticut are covered under the current definition of costs incurred in Connecticut.

So they're entirely applied to the production tax credit, out-of-state purchases for in state activity. So what we're suggesting here is that we only cover 50% of that cost.

This is actually a savings from the current interpretation that we've been told that DRS has made on where the costs are incurred when you're buying it out of state and using it in state.

We can obviously discuss this further with you and with DRS. I think our goal is to make sure that we have an incentive for instate purchases and in state activity.

So on that piece, I think, once we get a handle on what our present interpretation is we can perhaps works on that.

SEC. ROBERT GENUARIO: I heard the colloquy earlier. And I think you're right. I think there is room to discuss where we need to go here.

REP. STAPLES: On the other bill, I just want to make a couple of comments on your testimony on the capital investment commission bill. And I understand that you're opposed and why you're opposed. SB 1450

But I guess I just want to make a couple of comments about the statement that in part you mentioned that if there is a constitutional challenge it could adversely affect the state's ability to issue bonds and create potentially significant problems for bond holders.

I think that's an overstatement. I think the bond commission as it sits is not at issue. So I think anything related to the bond commission or bonds that are being issued or have been issued wouldn't be part of any constitutional question.

It would be whether the Urban Act and STEAP bonds as issued by this new commission were legitimate, I suppose, under the authority of the new bond commission.

So I don't think that even if there were a challenge it would have any impact on the state's bonds or the bond commission's activity.

SEC. ROBERT GENUARIO: I agree with that.

REP. STAPLES: Also, just on the issue of the, I know we've had this discussion before about what this would do to the overall debt and your statement says this bill would obliterate any possibility of reducing or even controlling the state's debt.

As you note, the bill limits the amount of bonding that could be done under this municipal commission to what are the present levels of Urban Act and STEAP authorizations.

We could certainly cap the total bonding at the Governor's recommended level of $1.2 billion annually or something like that that would address your issue about spiraling debt, but this commission has a specific limit on its authority.

So I think to say that it would obliterate the ability to control debt is a bit of an overstatement. It just allows, granted it would allow for full authorization of Urban Act and STEAP grants.

Whereas now the bond commission doesn't fully authorize all of those but it would just require a tradeoff perhaps in other areas of bonding to keep within the Governor's stated limit.

And I know you know this, I'm not sure that too many people that we are well below our bond cap. I mean our bond cap is never actually an issue on any of these discussions.

It's really a policy goal that the Governor has established that on an annual basis we shouldn't borrow more than a certain amount. It has nothing to do with the statutory bond cap, which is considerably higher than what we've already borrowed.

SEC. ROBERT GENUARIO: Those are all valid observations but let's flush them out a little bit more. The cap included in this bill would be $100 million.

I would submit that with all of the pressures from all of the Legislators that the likelihood is that we would end up moving $100 million per year.

Everybody would know that $100 million was available to the Legislative leaders. They would be under enormous pressure to move that $100 million.

I would tell you that over the past two years there have been, to a much lower degree, contingency funds available to the legislative leaders and at the end of the year no money is left on the table.

One hundred percent of those funds get spent as a request of various Legislators. You are also correct that we are below our statutory bond cap, which sort of begs the question.

The question really is, is the statutory bond cap sufficient to control debt? What I have said to you on several occasions is that our General Fund, the portion of our General Fund that is taken up by debt services, is approaching 12%.

At the levels that we are borrowing, even now, that number will increase. Borrowing $1.2 billion a year does not bring our debt down to 11 or 10 or 9%.

Borrowing at that level will continue to increase the amount of our general fund that is associated with debt service. That's a problem regardless of whether we approach the statutory debt cap or not.

I think, and we've had this discussion before and I know we're going to continue to have it before this session is over. We need to look generally at what I would call the mandated borrowing.

If the Legislature as a whole thinks that there is not enough Urban Act or STEAP money going out the door but also thinks that as a whole we don't want debt service to increase it's percentage of general fund revenues, those two things can be worked out.

We need to look at the other areas of borrowing, maybe reduce some of that thereby we can accomplish two things. We might be able to borrow less overall.

And at the same time provide more funding for the things that the Legislature evidently believes, or at least some of the Legislature, evidently believe is not being adequately addressed. So there are three legs to this stool, and we have to look at all three legs.

REP. STAPLES: Thank you. And I do agree with that last statement. I honestly do that that we are overdue in examining the growth of costs and the education borrowing because of the fact that such a large portion of our borrowing, as you said, probably close to $800-900 million of the $1.2 is higher end, lower end.

And not because it's not all worth doing, but we don't really examine the costs of those projects very effectively. I mean it's not something we've been equipped to do.

We essentially take bids and then we fund them. So I think you're right. I think you're right. I think in a lot of ways the fight over this very small portion of discretionary bonding could be dealt with if we look at reducing the costs of what is the mandatory bonding.

SEN. DAILY: Senator Nickerson.

SEN. NICKERSON: Thank you very much, Madam Chairman. I do want to ask three questions revolving around the bonding issue. One is, as I understand it, and this is my question.

The provision for the commission in Senate Bill 1450, unlike some of the other bond issuance bills we have had before us, those prior ones dealing with the makeup of the bond commission and the agenda for it.

This bill per word completely override the role of the bond commission and provide a new commission with ten Legislative members and only one executive member.

So on a spectrum of the level of change represented by the earlier proposals and this one, this would be a ten. This would be the most radical of the changes in that it would eliminate the role of the bond commission entirely. I think that's fair to say.

SEC. ROBERT GENUARIO: At least with regard to those two subjects.

SEN. NICKERSON: At least with regard to those areas.

SEC. ROBERT GENUARIO: With regard to those two substantive areas, that is correct. I appreciate being named as a, or having the Secretary of the Office of Policy and Management being named as a one member of the ten, but my guess is.

SEN. NICKERSON: Actually you would be the 11th.

SEC. ROBERT GENUARIO: I would be the 11th. But I think that would probably be a disproportionate amount Executive Branch influence over--

SEN. NICKERSON: So that it's distinct from altering the bond commission process, this would be moving the process completely outside the bond commission.

SEC. ROBERT GENUARIO: I think you're absolutely correct.

SEN. NICKERSON: Okay. Second question. I don't want to be too detailed on this but I believe it was after you testified at a prior hearing with regard to earlier bills, the Speaker testified, Speaker Amann, and said very clearly that the purpose of the bills was to add allocations that would not otherwise be on the bill.

That would not otherwise be expected to be on the agenda. Link that with your testimony earlier that the overwhelming bulk of dollars are education, transportation, clean water, are the overwhelming proportion of dollars and not presumably going to be eliminated by anyone.

The effect of the bills, and probably this bill, overall, would be to increase the bonding levels. Going to your point on where are these concepts heading.

Would it be your observation, that there is no question that with everyone being candid with each other as I'm sure we are, this would increase bonding allocations.

SEC. ROBERT GENUARIO: I believe that's correct.

SEN. NICKERSON: Okay. Final point, with regard to the cap, in here I think we all in the room would agree that observation was made and it's completely correct that the bond cap has not been part of these conversations.

The reason is that the bond cap is so sky high it's never a part of bond issuance and has never provided an effective control on bond issuance.

SEC. ROBERT GENUARIO: Certainly not in recent years. I can't speak to ten years ago but certainly not in recent years.

SEN. NICKERSON: But in recent years, and certainly for the immediate future, the bond cap is so much higher than anyone's projection of what bonds should or should not be issued.

That the fact that any one proposal comes in under the cap doesn't really tell us much about the value of the proposal visa vie total bond issuances because the cap is never part of the conversation.

SEC. ROBERT GENUARIO: I think that's fair to say and I would underscore it this way. Had the bond commission allotted bonds equal to the cap over the last ten years, the debt service component of our General Fund would be significantly higher than what it is today.

SEN. NICKERSON: We'd be through the roof if we even approached the current statutory cap.

SEC. ROBERT GENUARIO: I haven't run the numbers but I think through the roof might be appropriate.

SEN. NICKERSON: We'd be through the attic anyway. Thank you, Mr. Secretary.

SEC. ROBERT GENUARIO: Thank you, Senator.

SEN. DAILY: Representative Moukawsher.

REP. MOUKAWSHER: Thank you, Madam Chair. Good morning. I'm interested in the movie tax credits and I wondered if your office had done an analysis of the net loss of tax revenue we've incurred so far as a result of this program. HB 7400

With that I mean there is a certain amount of tax loss due to credits and because the presumption under this program this would generate tax revenues that would make up for and I wondered if you had been able to take a look at that.

SEC. ROBERT GENUARIO: We have. And my recollection is that if the changes that the Governor had proposed, which curtails the film tax credit were adopted by this Legislature this year, even with that limited film tax credit.

Without the Governor's proposed changes for fiscal year 08, we anticipate a loss of $50 million worth of revenue. With the Governor's changes we believe that we would save $21 million, so that would be a $29 million loss.

We have not yet been able to make a determination of any tax increases. Let me comment. Some folks have said, hey this works, we're bringing business in.

And it does work. I don't want anybody to, first of all the Governor is a supporter of the film tax credit in a modified version. There's no question, and I think Senator LeBeau's comments and questions earlier in the day are right on the mark.

There's no question in my mind that this works, that we will attract the film industry to the state. We'll attract any industry to this state if we agree to pay 30% of their costs.

I can get Microsoft here if I'm going to pay 30% of their costs and that's what this bill does. Or that's what the film tax credit does. And does it in a way different than our other tax credits because there is very little oversight.

So that, for example, it may well be that if we provide certain, that expenses for which we give a credit will generate a lot of economic activity. Certain types of expenses could generate a lot of activity.

I'm not sure that paying $3 million of a star's salary generates a lot of permanent activity in the state. Now, maybe it does because if a lot of them do, we build up a film industry and there is a ripple effect and its trickle down economics.

I'm not sure that it is necessary to be a generous as we are in the current bill in order to provide that type of impact. But, you know, it's a question upon which folks can disagree.

And I think many of the changes that the Committee is suggesting in this Raised Bill are appropriate and are adequate, others of them go further than we would go.

REP. MOUKAWSHER: That interests me. You know, when we came up with this idea I did some looking into the film industry in general, in an overview.

Basically a lot of productions were going overseas because of the costs in our states and a number of, a few states, started the credit program one of them being Louisiana, which had a big increase in film productions, obviously, because they were being underwritten by the state.

In Louisiana the Governor's office commissioned a study of the effect of that on tax revenues and found similar to us, I guess, that even with whatever tax increase there might be from salaries or income earned on these production that they had a net loss of $50 million.

The study didn't say well we don't recommend doing this. It's really a policy decision, but you know, I'm concerned that what we're doing is we're basically using taxpayers to finance. I mean, somebody has to make up the difference in the lost revenue.

If we are selling tax credits, essentially allowing to be transferred to forgive taxes due to the state of others, individuals or corporations, we're basically, our taxpayers are financing this business.

I'm in favor of reigning in the expense we're going to have, in fact, I frankly don't feel that this is something we should be involved in.

And I'm concerned that the proposals, for this session, are being presented are actually going to make our tax laws worse and also I mean there is talk of building film production studios.

We're almost going to be creating an industry which relies on our tax credits to continue those businesses, it's going to make permanent a tax hole or a tax loss that somebody has to make up. I frankly don't think it's a good idea.

I agree that the costs should be curtailed but I think we're going down a road where we're basically, you know, it's going to be a staged subsidy of the movie business and we're not going to get as a result of that real tax revenue increases. We're just going to have a continuous tax hole.

SEC. ROBERT GENUARIO: And we, I think, agree with you. There was a lot there. We certainly think and we have proposed a curtailment in the credit. We think there is an opportunity here to grown an industry. And we think some credit and some assistance is appropriate but we think it needs to be curtailed. Some of the expansions that are being talked about, I think, are beyond where we need to be to continue to incent that industry.

REP. MOUKAWSHER: Thank you very much for your responses to my questions. Thank you, Madam Chair.

SEN. DAILY: Representative Hennessy followed by Senator Nickerson for the second time.

REP. HENNESSY: Thank you, Madam Speaker. Good morning.

SEC. ROBERT GENUARIO: Good morning.

REP. HENNESSY: I would like to direct a comment to your written testimony regarding Raised House Bill 7404, AN ACT CONCERNING PAYMENT IN LIEU OF TAXES.

This would mandate increasing the pilots to 100%. You know, quite frankly I would be delighted if the state were to fund what they have already been committed to funding.

I think that's something that we can all recognize. If we continue to do the same thing, operate business the same way, we're doing it, that things will not change.

I think that this session we're seeking to implement changes that will increase our chances of turning the state in different directions in regards to lowering property taxes, increasing housing, decreasing the amount of loss of people leaving the state because they can't afford to leave here.

I represent Bridgeport. Bridgeport property taxes are the second highest in the country. I think that is an abysmal situation that needs to be addressed.

The people in my district, basically fund the municipal, the money, 40% of Bridgeport is under pilot. It's a serious problem and I'm hoping that we will address it.

Whether the increase is to 100%, I certainly wouldn't hold my breath but there's another provision in this bill that says if there's a reduction of the municipal pilot that any person residing in a municipality may claim an additional $250 credit against the personal income tax.

Testimony goes on to say there's no correlation between the amount of such reduction and the additional credit amount. I would respectfully point out that with the reductions of pilots, people's property taxes go up.

So that is a direct relation to the onerous property tax that not only Bridgeport but all of the urban areas that have standing pilot properties. So that's my comment.

SEC. ROBERT GENUARIO: Well, thank you for your comments and let me make the following observations. First, the Governor agrees very much with your assessment that municipal aide and property taxes are inherently linked.

It was for that reason that she proposed the largest infusion of educational funding for which Bridgeport happens to be the biggest winner in the state's history.

That is municipal aid. Pilot is a form of municipal aid. Education funding is a form of municipal aid. So, she is quite sensitive to the comments that you raise, which is the reason for her proposal.

If you were to look at the increases in municipal aid since Governor Rell has taken office, they far exceed increases that have occurred prior to her tenure and certainly the next two years under her proposal would far exceed what has happened in the past two year, with hopefully the beneficial effect of controlling and impacting positively the property tax burden.

When I said in my written testimony that there was no correlation between the $250 and the pilot, I didn't mean to say that there is no correlation between pilot and property taxes.

What I did mean to say was that you could end up, under the draft the way's it's written, you could end up with a $1 million reduction in pilot payments coupled with a $10 million loss in revenue on the property tax credit.

The property tax credit was not geared towards the specific amount of the reduction of pilot. The second component that raises a concern for me, and I'm sure it's somewhat obvious, is that when we don't fully fund a pilot, we don't do so because the Legislature and the Governor working together have determined either that we don't have enough revenue to fully fund a pilot and do the other things that the state needs to do or have made a conscious decision in their biennial budget process to spend that money on something else.

So what you end up with is in a year where by virtue of conscious decisions by the Legislature there is not enough money to fully fund pilot, you then automatically reduce that revenue even further.

The best way to fully fund a pilot is to acknowledge, for all of us to acknowledge the connection between property taxes and municipal aid.

And to be committed to that progress, which is why the Governor did what she did, albeit not in pilot, but in ECS, which far surpasses the lost money in pilot or the lack of an increase in pilot.

We're not taking money away but we're not increasing it. But I think your general point is well taken. There is a connection. My correlation comment was a specific dollar to dollar correlation not a conceptual problem with the bill.

REP. HENNESSY: Thank you.

SEN. DAILY: Senator Nickerson.

SEN. NICKERSON: Thank you very much. I did have one other question on one other bill. So for the second time and quickly. On House Bill 7399 with regard to the progressive taxation of business entities.

SEC. ROBERT GENUARIO: I knew that was the one you were going to ask about.

SEN. NICKERSON: Do you know the question I am going to ask?

SEC. ROBERT GENUARIO: No I do not. But I'm sure my answer is going to be yes.

SEN. NICKERSON: The bill would seem to me to have two oddities, one is it's widely agreed and I think you and I would agree, virtually everyone would agree the main job generators in Connecticut, such as there are, are at the entrepreneurial level rather than at the corporation level.

Still less at the public corporation level where mergers, acquisitions, layoffs, we all are familiar with, though it doesn't get a lot of headlines the job growth takes place on the entrepreneurial level, which is almost invariably [Gap in testimony. Changing from Tape 1B to Tape 2A.]

--organized as a limited liability partnership or a limited liability corporation. And this would have the odd result of very significantly increasing the tax on the engines of our job generation.

But what's even odder, is while a very significant increase in that tax it would have a net very significant decrease in overall tax revenue by exempting the first $250 of the present tax which applies across the board.

So it's very unusual to have a tax bill which has a very significant increase of job generators while having a net decrease in revenues. I don't know if I've ever seen a bill that does that. Would that be a correct analysis?

SEC. ROBERT GENUARIO: Let me answer it this way. And I'm glad you raised that bill because the bill provides, we have several concerns about the bill.

One concern is that we do believe that it will result in a loss of revenue to the state. You know, consistent with a balanced budget, if that's, if there's a policy determination to eliminate the $250 tax for these entities within the context of the balanced budget that we could talk about.

I think the concern that we have is one, the loss of revenue, two, it doesn't acknowledge that the entities that we are seeking to tax have historically been passed through entities and the income generated by these entities is in fact taxed.

If you have an LLC and you're doing very well, then that income is attributed to the individual and that is taxed consistent with our tax on individual income.

It also, because it is a bit overly simplistic, it will no doubt be significantly inequitable. For example, folks think of LLC's and partnerships as being two or three people.

Well, that's not necessarily the case. You can have an LLC or an LLP with 20 or 30 partners or 20 or 30 members. Just so the math is simple, let's say we have an LLP with 20 members and that LLP does $2 million worth of profit per year.

They would be subject to this tax even though the average member's income would be $100,000 as opposed to another LLP, which might have two members and have $2 million.

The tax on the entity would be the same. So many of our LLP's that look like they're doing well when you spread it across, many of the members are folks out there.

LLC's are your local bakery. Your local barber is an LLC. Now many of them aren't doing a million dollars a year but you have many, many partnerships that are doing $1-2 million a year that have multiple partners and each partner is only doing $100,000 or $80,000 or $150,000 a year and we are taxing them as though they are millionaires.

So there are several concerns that we have about the bill. But it is interesting to note that we think the total, to the state budget there is a total loss under this bill at the same time we are imposing taxes on businesses.

SEN. NICKERSON: Yes. Thank you very much.

SEC. ROBERT GENUARIO: Thank you, Senator Nickerson.

SEN. DAILY: Senator Stillman.

SEN. STILLMAN: Thank you, Madam Chair. Good morning.

SEC. ROBERT GENUARIO: Good morning, Senator, how are you today?

SEN. STILLMAN: I'm okay, thank you. How are you?

SEC. ROBERT GENUARIO: Very well thanks.

SEN. STILLMAN. You're surviving us. Okay. Good. There are two bills in front of us having to do with what you made comment on, long-term care insurance. And I just wanted to touch base on that.

SB1442
HB7333

You're opposed to both of them because you are concerned about a loss in revenue but yet you also state that it's a good idea for people to have it and there should be some way to incentivize people to buy long-term care insurance.

And I agree with you in that regard because we all know that Connecticut's population is aging. We're not growing businesses fast enough.

Of course, we obviously would like to change that trend. I mean we like people to age but we certainly like younger folks to come here and work and participate in Connecticut's economy.

You make a comment in your testimony on House Bill 7333 that you're not opposed to the concept of encouraging residents to plan or pay for long-term care insurance and services and are open to discussing other means to do so.

Could you share with us, other than, we all know that a tax credit of some kind is a very strong incentive for people to purchase long-term care insurance, which I think saves everybody money in the long run as people age and then they're covered for their care.

What other means would you suggest to us that we do other than putting an ad on TV and telling people, everybody out there of a certain age go buy long-term care insurance. Thank you.

SEC. ROBERT GENUARIO: Sure. We do work with insurance companies, insurance agents. We help develop long-term care policies. We do a variety of training sessions currently for those who sell the products.

For those who might sell the products in order to make sure that there is an appropriate network available. In addition, there are ways to bring down the cost of long-term care insurance, whether or not, and I can't say that I thought through every single method that we have.

My concern is here is two-fold. My concern is, and it is a problem that I see developing as a result of last year's action where we created the CHET deduction.

We seem to be going down a road where there is going to be a deduction of the year and anybody is going to have a hard time coming up here and saying look, long-term care, state saves money, good thing.

And ten years from now we're going to have ten good deductions and it could provide a significant change in our tax system. Now if that's what is the will of the General Assembly and we want to look at a different type of tax policy that has multiple deductions at a higher rate versus lower rate and lesser deductions.

I mean I guess that is something that we ought to talk about a little more globally rather than okay this year this is the proposal before us, so let's look at it. It's very difficult for me to come here to say to you, gee I don't think a credit for long-term health insurance is good.

I can understand the arguments for it and it may well save the state some money but I think that we are going down a road where we're talking about over the course of ten years significant changes to our tax policy made piecemeal as opposed to from a more universal and global view.

I think that's a discussion worth having, I don't think we ought to have it on a case by case basis, that's all.

SEN. STILLMAN: Well, I certainly agree with your analysis in terms of not looking at each of them individually. We must look at our overall tax policy and the impact that any of these can have and I would venture to say that's why some people might not have supported the CHET income tax credit.

On the other hand, one of these bills, Senate Bill 1442, just looks at a credit to be capped at $250 or joint filers, two policies in total per year. I certainly haven't seen any fiscal impact on this yet. I haven't seen the fiscal note on either one of these bills.

But I also don't know whether the work that the state is doing with insurance companies, etc. and looking at ways to bring down costs, I don't know how much that's working in terms of encouraging people to purchase that kind of insurance.

I think when people look at it they understand its value the problem is it's costly. It's $3,000, $5,000, $7,000 a year depending on the coverage you're looking for. I mean there are lots of variables in it. I know, because I own it.

I'll use it as a disclaimer in terms of discussing it with you. But I do know that there are people out there that would like to purchase it but find it too expensive. So if there is some way to incentivize it, let's face it, money usually helps to do that.

But I was just wondering if you received any information in terms of how many more people are buying policies and is it because.

SEC. ROBERT GENUARIO: We actually can. I don't have it with me today but I will get it to you. We can actually provide you with some data on the growth of long-term insurance and how it has changed over the course of the last 5-10 years.

We have not had the time to do our own fiscal note on this as well. I would note that between the film tax, the housing tax credit, and the CHET credit that we did last year that there was a significant loss of revenue.

When I was preparing our fiscal accountability study last year, I indicated that we expected our revenues to grow by only about 2%. Now that was impacted, that wasn't because economic activity was going to grow by only 2%.

That was because between the credits and some federal changes, our revenue anticipation had dropped so much that the total growth was only going to be 2%, which is somewhat problematic when our state spending by its nature tends to grow at a significantly faster rate. So it's like anything else, you've got to balance them.

SEN. STILLMAN: I appreciate it.

SEN. DAILY: Thank you. Mr. Secretary, would you comment on information that was given earlier today in terms of the movie tax film credit. And that was they way it's set up now is not all that useful because one project could use up one-quarter of the corporation business tax. Do you know that to be so?

HB 7400

SEC. ROBERT GENUARIO: Well, if memory serves me, our corporate income tax this year will generate about $780 million. I would hope that one production wouldn't use up all of that.

There are, it would be a good movie, I think it may well be that a part of the problem is that while our overall corporate tax credit generates $700-$780 million a year, that's spread amongst all our corporations.

So there may be fewer entities, you've got to market this. You've got a million dollar, or two million dollar or a three million dollar credit, there's not that many entities that have a liability three, four or five million dollars.

The entities who may be able to purchase that credit may be limited. Certainly the total amount of corporate tax income paid would be sufficient to deal, I would hope, with any of these credits.

But there may be a shortage of buyers because you really need to have for a corporation to be interested in buying the credit, and to go through the financial analysis and the complications of the transaction, you need to have a significant corporate liability to make it worthwhile. That may be where they were going.

SEN. DAILY: I think I understood that part of it but that one project would use up a quarter of the revenue seemed pretty astounding and I think in terms of our overall policy, tax credits for businesses are things that we've done year after year after year without sufficiently looking at the policy.

SEC. ROBERT GENUARIO: That's sort of my, you could have, because there is no cap on the film industry tax credit you could have, I don't know, a $100 million production, which all of a sudden the state is liability for $30 million worth of credit.

I think that would be, I don't expect that to happen. I'm not predicting that to happen. But sure, I mean the way the credit is currently structured there is no cap on it. The way it's currently structured there is no cap on star's salaries and there's a lot of exposure hanging out there.

SEN. DAILY: Representative Staples.

REP. STAPLES: Thank you, Madam Chair. I just have a follow up question on that because I think that there's an interesting issue that we're not really looking at here and that is how much outstanding corporate tax liability there is.

Because, as you know, if there is $780 million, a percentage of that, and I don't know how much, but maybe your crackerjack staff knows this off the top of their head. I would be impressed if they did.

But if a percentage of that is the minimum tax required and we don't let credits reduce their liability by more than, I guess down to 30% right? A corporation has to pay a minimum of 30% of their corporate tax liability.

SEC. ROBERT GENUARIO: I believe that's correct. Yes.

REP. STAPLES: So even if they have credits to eliminate all of their tax we still have a minimum they have to pay. So I guess I'm wondering it may be worth us looking, not necessarily right now.

I'm not expecting an answer right now. But looking at, if $600 million or $500 million of that $780 is the minimum then what's left for the credits to. Exactly what are the issues, what's the amount left? I'm glad it was our crackerjack staff who was able to jump in.

SEC. ROBERT GENUARIO: Tax due after credits. Combined filers. Tax due after credits, $388 million dollars. I'll see that your staff gets this to you.

REP. STAPLES: So you're saying $380 million is the, so roughly half.

SEC. ROBERT GENUARIO: This is 2004. 2005, 2006, and 2007 we've seen significant growth in corporate tax revenues. But in 2004 tax due after credits was $380 million. Tax due before credits was $490 million. So I guess it was $102 million worth of credits issued.

REP. STAPLES: So I guess the question, and we can see what we have that's more current than yet, but I guess the question will be for us to evaluate what's the total amount of potential tax liability that could be offset by the film tax credit that doesn't already bring the corporations down to their minimum tax.

And whether that is in fact the only cap we have on the program right now, which I guess it really is. I mean, we have no limit on how much we could otherwise expend except a limit of corporate tax liability that could be offset.

SEC. ROBERT GENUARIO: Sure. And as I understand the limitation on the credit, it's an annual limitation.

So what would happen is that a business might buy a credit even though it could only use 50% of that credit this year and bank it for the following year. There's significant exposure there. I guess that's the message I wanted to leave you with.

REP. STAPLES: Thank you.

SEN. DAILY: Is there not significant exposure from all of our business tax credit, our corporation tax credits?

SEC. ROBERT GENUARIO: The difference between this tax credit and the other tax credits for the most part is that this is automatic. This is like Medicaid, it's an entitlement.

Most of our other tax credits are programs for which businesses can apply and evaluate it. As a matter of fact, in some of our programs if we're going to provide a credit in excess of $10 million we have to come to this Committee.

And this Committee can weigh in and the leadership can weigh in and the like. There is no such mechanism here. So the exposure is more unbridled.

SEN. DAILY: Senator LeBeau.

SEN. LEBEAU: Thank you. Along the same lines. Other testimony given today, we think that credit for star salaries should be prorated to the portion of their salaries that are actually earned in Connecticut. A policy that we know believe is being promoted by the film division. What do you think about that?

SEC. ROBERT GENUARIO: I think that's current law. I think the current law and we're supportive of that component of current law. Current law is that if a star paid $10 million and 50% of the star's time is outside of Connecticut they can apply for a credit of only $5 million of that salary. And we're obviously supportive of that.

SEN. LEBEAU: Thank you.

SEN. DAILY: Thank you. We'll have to work together on these as we move forward.

SEC. ROBERT GENUARIO: I'm looking forward to spending time with you towards the end of this session, Senator.

SEN. DAILY: Thank you. In terms of the tax credits, I mean, like R&D is, you just file your paperwork.

SEC. ROBERT GENUARIO: Yes. In this program?

SEN. DAILY: For R&D tax credits?

SEC. ROBERT GENUARIO: Oh, in the R&D tax credit. Yes. Yes.

SEN. DAILY: Representative Leone.

REP. LEONE: Thank you, Madam Chair. Good morning, Mr. Secretary.

SEC. ROBERT GENUARIO: Good morning, Representative Leone.

REP. LEONE: On the same lines with the film tax credit. It was mentioned before on how some people were leery of the tax credits giving away too much.

But isn't tax credits and tax credits in general meant to lure or incentivize behavior to the benefit of this state as well as the people of it would be looking to tax advantage of the tax credit.

SEC. ROBERT GENUARIO: Absolutely. And we are, and as I've said several times, I want to be careful so I'm not misinterpreted. We are supportive, the Governor is supportive of the film industry tax credit.

But like any other credit, it needs to be balanced. Exposure needs to be capped so that we don't end up paying more than we need to pay in order to incentivize the growth of industry.

Our analysis is that the Connecticut film industry tax credit is more generous than any other state, save one, and that it may not be as necessary to.

We may be giving away more money than we need to give away in order to attract the business that we want to attract. That's the analysis that needs to be done.

Because when we give away money by virtue of a corporate tax credit, it's money that somebody else is going to make up for, some service is going to get cut.

SEN. LEBEAU: Well, even with that though. Given our proximity to New York and so forth, it was stated once before that maybe even without the tax credit this would take route if it so needs to.

But it has never really happened and the tax credit in order for the industry to come here, given that we have all of these other favorable instances and they still have not come.

This tax credit has in fact brought the industry here. It is somewhat of a gamble on the state's behalf in order to take this risk because of the unknown.

But given that we've gone from basically zero dollars, a few hundred thousand here and there to over $50 million in movies that have already come here in only six months.

For me anyway, it sort of indicates that if we do this the right way that the industry will only grow. So I think that's kind of where I'm going.

You know, we're not just trying to attract the company or one business. We're trying to create and industry. And to bring an industry here when we're losing jobs whether its pharmaceuticals or manufacturing, you know, we have to come up with some creative solutions to fill in those gaps.

And I'm wondering, have we gotten to the point where we've seen what the economic impact of the type of businesses that have already come here, the $50 million, and how that might be offsetting the 30% that we're giving up front.

Because I think that as the industry grows and more and more jobs and more salaries, and the income levels and all the ancillary businesses that will reap the benefits of that, I think will over time outweigh that.

And if not, we as a state would be prudent to come back to the drawing board and see where we can make adjustments. But without giving some kind of an incentive, I believe the tax incentive, whether it's the long-term care incentives or the CHET incentives.

These are behaviors that we want our citizens to actually engage in versus other risky behaviors which also give away credits. Do you kind of understand where I'm coming from?

SEC. ROBERT GENUARIO: Sure, which is why we're supportive of the credit. You are supportive, no doubt, of certain state spending, but because you're supportive of certain state spending, because you think it creates a positive behavior, that doesn't mean that you would be supportive of tripling that state spending.

Well, tax credits have to be looked at the same way. We're supportive of the tax credit. We agree that it incents industry to this state but we need to look at precisely at what we're doing.

We need to move cautiously. We are attracting the film industry in this state. Some of the proposals before you expand that credit when we're already seeing industry coming to the state given the credit that we have.

So somebody suggested to me earlier or some weeks ago that once we build the industry we'll be able to get rid of these credits. And I said well, let me make sure I understand this.

We don't have a lot of these folks here in this state now so we're going to provide a credit but when we do have a lot of folks in this state and they have a bigger presence we're going to have the political will to reduce or get rid of the credit. Maybe. Not my experience.

So I think, I don't think you and I philosophically disagree. I think it's just a question of not, when you look at the entire budget there's choices being made in another room right now, you have a variety of choices you have to make here.

I'm ust encourag ng you to alance t ose choices because the decisions you make here are going to impact other decisions that other folks are going to have to make. It's just a balance.

REP. LEONE: And that's fair. I think that would be prudent doing that. But at the same time I just don't want to shortchange ourselves early in the game and lose out on an opportunity.

You mentioned 30% might be a little too lucrative. What would be the magic number from your perspective?

SEC. ROBERT GENUARIO: Well, we haven't suggested reducing the 30%. We have not, the Governor did not introduce a bill to reduce the 30%, the Governor introduced a bill to cap the star salaries at $5 million and a variety of other changes that would reduce the state's exposure.

Those are, you have to look at each proposal individually and decide whether you think it's worthwhile.

REP. LEONE: And I agree.

SEC. ROBERT GENUARIO: And I think you're comments are fair as well.

REP. LEONE: And with the star cap, I think whether it's a $5 million picture or a $10 million picture and the star and so forth, I think the amount of the picture, whether it's a $10 million project or a $100 million project is relevant to the star capability.

So you're not going to get a Tom Cruise picture for $10 million. But if you do get a Tom Cruise picture here, they'll be spending $100 million.

So you want to kind of keep that in perspective, that the star factor is not always a loss in terms of economic activity. It will bring substantial dollars.

One follow-up question. What are your thoughts about the transferability of these tax credits? How many transfers should be allow or should there be a point where we should hold back. What's your perspective?

SEC. ROBERT GENUARIO: I think Senator Daily's questions, we need to take a look at Senator Daily's questions as to the total availability of credits and have a more unified approach with regard to our credits.

Generally speaking, as long as there is expressed language, the state has historically taken the position that tax credits are transferable only once unless the language is expressed that they're transferable more than once.

There's a long history of that. So that's more of a drafting issue. Clearly if we make them transferable more than once it's going to cost, it's a better incentive to bring the industry here, it will in turn cost the state more.

I don't think as a policy point of view we are against multiple transferability provided that it's expressed and clear.

REP. LEONE: In terms of that. I just want to understand this. If the state gives away a credit, 30% on $10 million and then someone purchases those credits and then wants to sell them a second, third, fourth time.

The state's only sold them that one time. By the time it goes to the second and third transfer it's really between these third and fourth parties amongst themselves. So the state is not losing out when there are multiple transfers.

SEC. ROBERT GENUARIO: No. You're absolutely correct.

REP. LEONE: So why wouldn't we allow that for companies that want to engage in the business as they see fit to be profitable for themselves. And if it affects the state in a positive manner, then so be it. That would be beneficial.

SEC. ROBERT GENUARIO: The second sale. Two things are true. The second sale doesn't incent the economic activity. The filmmaker got his benefit, or got its benefit or her, whoever.

The benefit has been gotten, the industry has been incentivized. The second sale does nothing to cause the incentive that we're trying to cause.

But you are correct, the state, it's like anything else. In pricing these things and determining how much it's going to cost the state, you look at whether or not somebody is going to pay for something that they're not going to use and there might be a certain portion of that.

On the other hand, it makes, to the extent that we make the tax credits more marketable because they can be sold several times, it may well provide a better platform for industry incentive even though a particular film maker is not incentivized more.

So it's a close call. I don't philosophically have a problem with multiple transferability as I said so long as it is expressed it' clear.

REP. LEONE: Well, thank you for your answers. I think, you know, overall we're on the right track. We do have to probably fine tune it a little bit but I thank you for your comments. Thank you, Madam Chair.

SEN. DAILY: You're welcome. Representative Minor.

REP. MINOR: Thank you, Madam Chair. Current law requires the credit to be taken by the entity that earned it?

SEC. ROBERT GENUARIO: No. Current law, it depends on who you ask. Current law is not expressed, current law allows the transferability of the credit but it is not expressed or clear as to multiple transferability.

We have many credits and DRS has taken the position that unless it is expressed, and this I long, this has been a position of DRS for many, many years. And unless it's expressed it's only transferable once.

We don't want to undermine that history of interpreting legislation. If the Legislature wants multiple transferability, then the Legislature needs to say that we're going to have multiple transferability.

Because for us to imply multiple transferability on this piece of legislation and not do it in a variety of other credits where we historically have not done it is going to cause an interpretation problem down the road.

We need a basis in the legislation for acknowledging multiple transferability. That's a drafting issue.

REP. MINOR: In terms of that transfer, are those sales taxable?

SEC. ROBERT GENUARIO: I'm sorry?

REP. MINOR: Are the sales of the credit taxable?

SEC. ROBERT GENUARIO: That's a good question. I don't think so. I don't know, Representative Minor, I'll double check that.

REP. MINOR: Thank you.

SEN. DAILY: Representative Mushinsky.

REP. MUSHINSKY: Thank you, Madam Chair. Good morning, Mr. Secretary.

SEC. ROBERT GENUARIO: Good morning, Representative Mushinsky, nice to see you.

REP. MUSHINSKY: And yourself. I wanted to thank you for the very thoughtful comments on House Bill 7402, the regional performance incentive program. You picked up on some flaws in the bill and a timeline problem.

SEC. ROBERT GENUARIO: I have a very good staff.

REP. MUSHINSKY: Yes, you do. No question. Well, anyway, whoever found these holes in the proposal is an excellent testimony and just speaking for myself, I will try to help you fix it up.

SEC. ROBERT GENUARIO: Thank you.

REP. MUSHINSKY: The other thing I wanted to ask you about was the three bills on the long-term care, House Bill 7333, Senate Bill 1451 and Senate Bill 1442.

In all three of these testimonies you say at the end while you don't really like the bills you are not opposed to the concept of encouraging the residents to plan for and pay for long-term care insurance and services and are open to discussing other means to do so. So what are your other means?

SEC. ROBERT GENUARIO: Well, actually Senator Stillman asked me that and I fumbled through that question. The Office of Policy and Management currently has a staff that deals with long-term care insurance and we actually work and network with insurance providers.

Both in terms of educating them so they in turn can educate their clients about the availability of long-term care, its benefits and the like.

There might be other ways that we could talk about bringing down the cost of long-term care insurance. I don't have a five point plan for you today.

My concern about, as I've expressed earlier in the day, my concern about moving down the road of tax deductions and tax credits is that it opens the door for the multiple changes in our tax code that I think over the long-term might not be healthy for the State of Connecticut.

It's very difficult to say I don't want to provide a credit or a deduction for long-term care, I think it's more fundamental than that. Connecticut's Income Tax was enacted and for 15 years has essentially maintained its status as a no deduction, no credit, very, very limited exemptions.

Last year for the first time we did a credit and now this year we have two or three more and I think the road ahead is clear.

REP. MUSHINSKY: No I get you and it's a philosophical argument for you, I understand. Actually if I was being a pure finance person I would probably agree with you.

But my other problem is that the home care services for visiting nurses, at least in my area, were reduced to the point where my VNA was actually teetering on going out of business. It may in fact still do that.

The other way to fix this of course is--

SEC. ROBERT GENUARIO: So you can appreciate my concerns in--

REP. MUSHINSKY: I do appreciate that but we've got to fix it somehow or other. We could fix it this way, which you don't like or we could fix it on the Approps side by, you know. I think you and I are both RBA adherence. Right?

SEC. ROBERT GENUARIO: Yes.

REP. MUSHINSKY: If the VNA can serve somebody in their home and keep them out of a nursing home for another couple of years just by doing that, you know, one daily visit.

SEC. ROBERT GENUARIO: There's no question about it.

REP. MUSHINSKY: And if they can do it for half the cost of what it would cost us to put somebody in institutional care. I don't want these people to go out of business.

I want us to give them the way so they can succeed and keep handling these clients. I mean you're going to benefit, I'm going to benefit and these clients are going to benefit if we can keep them in their homes.

SEC. ROBERT GENUARIO: The home care areas of the budget have grown significantly and appropriately so. It has had a benefit.

As a matter of fact, our nursing home line item over the last five or six years has been more stable than in years before that in large part because of the increase, not to say it's not home care and we need to continue to do that.

REP. MUSHINSKY: Okay. Well, just in this one instance they were down $300,000 in one year because they hadn't gotten cost of living increases for a while for the home care people.

And, for a small agency $300,000 is like a fatal, maybe a fatal blow to them. So I'm just asking you, if you agree with me, and I think you do, that home care is good and it will save us money and it will be better for the people.

SEC. ROBERT GENUARIO: Yes.

REP. MUSHINSKY: Maybe we don't have to do this. If we could help strengthen the home care services maybe we don't have to do this. But we have to do something because otherwise they're all going to end up in institutions and they'll be on Title XIX.

SEC. ROBERT GENUARIO: It's a very important and growing area of the state budget and we'll look in particular about the agency that you mentioned. Generally speaking, we're very supportive of home care services for two reasons.

One, because it's a needed way to provide quality care for folks who need it and two, because it saves the state money in the long run.

REP. MUSHINSKY: Thank you.

SEN. DAILY: Thank you very much, Mr. Secretary. Thanks for all your time. I speak for the entire Committee when I thank you for your willingness to work with us on any of the bills before us.

SEC. ROBERT GENUARIO: Absolutely. Thank you.

SEN. DAILY: We'll now return to the public portion of our public hearing and start again at the beginning of the list. Mr. Bill Brown followed by Herb Rosenthal and then Gian-Carl Casa.

FIRST SELECTMAN WILLIAM BROWN: Madam Chair, Finance Committee Members, thank you for letting me appear before you today. I am the First Selectman in the Town of Stonington and I represent the residents and taxpayers of my town.

The Town of Stonington urges your support for House Bill 7330, AN ACT CONCERNING THE REAL ESTATE CONVEYANCE TAX RATES. This bill extends the increase in the municipal conveyance tax to 2009 to provide much needed revenue to towns and cities across Connecticut.

If the General Assembly fails to extend the increase in the municipal conveyance tax to 2009, Connecticut towns and cities could lose an estimated $40 to $44 million.

This would place an incredible strain on town budgets, which are already faced with cuts in state aid that have not been restored to pre-2003 levels.

The Town of Stonington is projected to lose approximately $300,000 if the state fails to extend the increase in municipal conveyance tax.

This amount is based on what our town receives in fiscal year 05-06. Clearly, the municipal conveyance tax is a significant revenue source for our town as well as other towns and cities across the state.