



CRCOG Weekly Legislative Report

2019 Legislative Session

May 2, 2019

Weekly Legislative Feature Issues:

It has been a very busy week in Hartford with both the Appropriations Committee and the Finance, Revenue, & Bonding Committee releasing their expenditure and revenue budget proposals on April 30th and May 1st, respectively. The release of these proposals comes just days before the final committee deadlines with the Finance, Revenue, & Bonding Committee concluding their business today, May 2nd and the Appropriations Committee wrapping up on Friday, May 3rd.

Appropriations Committee Budget Proposal:

The Appropriations Committee released its budget proposal, which contained a \$43.3 billion biennial plan that largely tracked Governor Lamont's budget proposal that was released in February. In a unique turn, the Appropriations Committee's leadership decided to release their budget proposal containing only proposed expenditures a day before the Finance, Revenue, & Bonding Committee released their revenue proposal.

The Appropriations Committee proposal includes:

- Nearly \$60 million more than Governor Lamont's plan for the Education Cost Sharing grants to municipalities for public education.
- Reduces the Governor's emphasis on privatizing mental health and substance abuse treatment programs.
- Paid Family Leave is also included at the same rate as the Governor's budget proposal.
- \$1 million for a public option health insurance program.
- Re-opening 7 highway welcome centers.
- *Shifting teachers' pension costs to towns

*Note: There was an error in the Appropriations Committee's budget proposal that said such a shift was not recommended. The co-chairs of the committee made clear that this was an error and that it is very likely the shift will be included in the final agreement.

Finance, Revenue, & Bonding Budget Proposal:

The Finance Revenue and Bonding Committee released their revenue proposal on May 1st. There are a number of changes that the committee is making to the bill. Some notable changes include:

- The revenue package voted on today largely rejects the governor's proposed sales tax expansions and preserves the existing exemptions in most cases.
- The proposal uses \$50 million each year from the Budget Reserve Fund (rainy day fund)
- Toll revenue is not contemplated for the biennium because even if tolls were to pass this year, revenue associated with them would not be collected before the end of the biennium.
- The legislative budget estimates approximately \$46 million annually in revenue from the legalization of recreational marijuana.
- Legislative budget halts the proposed 0.25% increase in real estate conveyance tax.
- Capital Stock Tax is proposed to be phased out, which the Governor did not propose adjusting.

The combination of the Appropriations Committee and the Finance, Revenue, & Bonding Committee's proposals yields the complete legislative budget proposal, which will continue to be negotiated until a final agreement is reached and brought before both the House and Senate for a vote. We will be sure to keep you updated as more details emerge.

This past week has revealed new developments of particular interest to you:

After Rocky Start, Gov. Lamont's Lobbying Team Pushes to Make Tolls More Appealing to Legislators

Legislators are trying to settle on a draft of highway-toll legislation that is specific enough to gain votes but flexible enough to enable appropriate negotiation with the Federal Highway Administration. In order to receive federal funding, the state must establish a proper price differential for peak and off-peak travelers. Lamont's lobbying team is trying to find other ways to make the legislation appealing to constituents, including: a small reduction in the gasoline tax, cheaper inner-city bus fares, finding ways to provide discounts to Connecticut drivers who cannot financially obtain an E-ZPass, funding specific transportation projects, and limits on toll pricing.

Lamont's new lobbying team promoting tolls includes Marc Bradley, now overseer of external and constituent services, and former state Sen. Jonathan Harris, now an undersecretary at the Office of Policy and Management. Members of Lamont's administration expressed interest in trying to reduce the impact of toll costs on lower-income commuters, but no specific solutions have been given. Sen. Looney and Rep. Aresimowicz have said the first vote by the House or Senate on tolls must come no later than June 3. The session ends two days later.

[Hartford Courant: After Rocky Start, Gov. Lamont's Lobbying Team Pushes to Make Tolls More Appealing to Legislators](#)

Tolls Would Take Toll on Tourism Industry, Some Say

With 40 percent of potential toll revenue projected to come from out-of-state drivers, many are wondering how Connecticut's tolling plan could affect tourism. "If it's going to cost people an extra \$10 or \$15 to get to the (Mystic) Seaport, the aquarium, the casinos, they're just going to go elsewhere," remarked Rep. Doug Dubitsky. The Chamber of Commerce of Eastern Connecticut nevertheless supports an electronic tolling system to raise money for the state's transportation infrastructure. Stephen Tagliatela, chairman of the Connecticut Tourism Coalition, sees tolling as 'just another tax' on the tourism industry. Tagliatela thinks pointed tolling at specific locations to fund specific projects is okay, but he believes that "facing a gauntlet [of tolls] every six miles makes no sense at all." The Shoreline Chamber of Commerce has yet to officially adopt a stance on the issue.

[The Day: Tolls Would Take Toll on Tourism Industry, Some Say](#)

Fonfara Rebels at Lamont's 'Debt Diet'

Sen. John Fonfara raised a controversial bill last Wednesday that seeks to transfer control of the Bond Commission away from the governor's Office of Policy and Management and give it to the legislature's Office of Fiscal Analysis. The Bond Commission gets final approval of all borrowing for capital projects authorized by the legislature. This bill is in protest to Lamont's 'debt diet,' which Fonfara defiantly called

just a “catchy phrase.” Fonfara believes the ‘arbitrary’ debt diet will limit necessary borrowing and force cutbacks in housing, economic development, and school construction. Ryan Drajewicz, chief of staff to the governor, proclaimed Fonfara’s proposed bill “absurd” and called for a more civil discussion. Fonfara disagrees. “We print the dollars, but somebody else decides how they are spent,” he said, adding that legislators have become far too passive. Democratic colleagues were polite when discussing the bill, but Fonfara still stands alone in support of his bill. Rep. Jason Rojas, Fonfara’s co-chair on the finance committee, said he raised the concept as a bill “for purposes of a debate.”

[CT Mirror: Fonfara Rebels at Lamont’s ‘Debt Diet’](#)

For Whom the Highway Tolls

Finances are a constant discussion in the Connecticut legislature. Republicans are still advocating for their ‘Prioritize Progress’ bonding plan to pay for transportation improvements, while Democrats are working to pass their all-vehicle tolling plan. In the chaos of this discussion, the governor has yet to weigh in on a number of other budgetary options; this includes the expiring tax on hospitals and the issue of raises for Connecticut nursing home employees. Lamont has stood staunchly against a Democrat-driven plan to raise the sales tax by a half-penny in order to help low-income communities, saying it works against the state’s ‘debt diet.’

Other non-finance issues are also on the docket at the capitol. Lamont has started his campaign to make Connecticut “one of the nation’s most cost-efficient, data-informed, results-driven states.” Lamont has yet to replace Thomas Kruger, who resigned from the University of Connecticut Board of Trustees, but he did nominate Superior Court Judge Robert Devlin for the state’s Appellate Court. The House has managed to get a few non-controversial bills through—such as bills to regulate e-scooters, to allow early voting, and to authorize the use of Penfield Reef Lighthouse to store cremated human remains—but more controversial bills are being saved for later in the session. Meanwhile, the state Senate approved a bill authorizing a pilot program for commercial growing of hemp. We will have to wait and see if the more controversial bills will be able to successfully run the legislative gauntlet.

[CT Mirror: For Whom the Highway Tolls](#)

Legislature’s Finance Committee Rejects Plan to Tax Investment Income of Wealthy Residents

This Tuesday, the state finance committee voted against increasing taxes on investment income, a reportedly ‘progressive’ tax targeted at Connecticut’s wealthiest residents. Democrats settled instead for a study on the tax proposal, House Bill 7415; Republicans found even that unpalatable. The proposal would subject investment-based income to an additional 2 percent surcharge, resulting in a capital gains tax rate of 8.99 percent. Lamont spoke disapprovingly of the proposal, worrying that the tax could drive Connecticut’s big-spenders away to neighboring states. Lamont has long stood firm against increasing

tax rates in Connecticut. His proposed budget would however rely heavily on expanding the breadth of the sales tax to items that are currently tax-free.

[Hartford Courant: Legislature's Finance Committee Rejects Plan to Tax Investment Income of Wealthy Residents](#)

Connecticut's Rainy Day Fund Could Grow to Almost \$2.7B This Fall According to New Revenue Report

According to a revenue report released this Tuesday, the state's \$1.2 billion budget reserve—colloquially called our “rainy day fund”—could grow to an unprecedented \$2.65 billion this coming fall. Some worry this de facto piggy bank may tempt Democratic legislators looking to find funding in the era of Lamont's ‘debt diet.’ But Lamont has been adamant about protecting this fund. He is supported in this effort by Comptroller Kevin P. Lembo. Connecticut's 2018 reserves of \$1.2 billion are enough to cover 6 percent of annual operating expenses, but Lembo recommends a reserve of 15 percent. This is a step in that direction.

The Office of Fiscal Analysis announced this Tuesday that projected revenues from the overall General Fund have come in \$357 million higher this fiscal year than expected. This is likely a result of less unemployment and more business tax payments in Connecticut. With revenue coming in and money in the bank, legislators are tempted to ditch controversial “sin taxes” and instead turn to the reserve. Speaker of the House Joe Aresimowicz, who isn't against the idea of pulling from the reserve, believes the governor and legislature can find a middle ground. The Lamont administration has yet to comment on the reserve.

[Hartford Courant: Connecticut's Rainy Day Fund Could Grow to Almost \\$2.7B This Fall According to New Revenue Report](#)

Democrats Back Off Capital Gain Tax Increase

With Lamont and Republican lawmakers speaking in opposition to a tax increase on capital gains income, the Finance, Revenue and Bonding Committee recently backed down from the tax increase and instead voted to simply study the proposal. Some see this as a win for centrist Democrats, and it's definitely a win for Lamont. Lamont has been long opposed to increasing taxes on investment income, preaching for the legislature to hold tax rates steady. Progressive Democrats saw the tax proposal as a way to share the states' tax burden more equally across tax brackets. With five weeks left in the session, there's no guarantee language won't be slipped in to once again allow the bill to increase taxes on capital gains income. Regardless of whether it's a study or an actual increase, some Republicans will remain opposed. “I don't want to even study the idea of surcharges on capital gains,” said Republican Rep. Chris Davis.

[CT Post: Democrats Back Off Capital Gain Tax Increase](#)

Democratic Committee Approves \$43 Billion Budget

Along strict party lines, the General Assembly's budget-writing panel voted in support of a two-year, \$43.26 billion budget. The budget's first year would be a 1.9% increase from the current level of spending—an increase of \$395 million—while the second year would be a 3.6% increase from the current level of spending—an increase of \$768 million. Republicans, unhappy with the ambiguous tax increase, rejected the budget. Senate Minority Leader Len Fasano anticipates a statewide tax increase of at least \$1 billion if the current package were approved.

The passing of this budget does not guarantee the fate of several key issues. Paid family and medical leave, raising the minimum wage to \$15/hour, and higher pay for nonprofit social service workers still need to be negotiated with Governor Lamont, but references to these unpassed bills can be found in the budget. Details on payment for teachers' pensions are also still being discussed. The new budget will be negotiated behind closed doors between lawmakers and Lamont. The statutory deadline for the General Assembly is midnight June 5.

[CT Post: Democratic Committee Approves \\$43 Billion Budget](#)

Tracked Bills:

Please see attached document.