



STATE OF CONNECTICUT
OFFICE OF POLICY AND MANAGEMENT

TESTIMONY PRESENTED TO THE APPROPRIATIONS COMMITTEE
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Melissa McCaw
Secretary
Office of Policy and Management

Testimony Supporting Senate Bill No. 885

**AN ACT IMPLEMENTING THE GOVERNOR'S BUDGET RECOMMENDATIONS FOR
GENERAL GOVERNMENT**

Senator Osten, Representative Walker and distinguished members of Appropriations Committee, thank you for the opportunity to offer testimony on Senate Bill 885, An Act Implementing the Governor's Budget Recommendations for General Government.

This bill implements Governor Lamont's budget recommendations for general government. A section-by-section summary of the bill follows.

Section 1 allows state agencies to contract directly with other states. This change is recommended by the Attorney General's office.

Section 2 modifies the greenhouse gas reduction fee to reflect the change in registrations from biennial to triennial. Currently, a person registering a new passenger, motor home, combination or antique vehicle pays a fee of \$10 for a biennial period. As new registration will now be for a triennial period, the fee is changed to \$15, which maintains the same \$5 per year registration fee. Also, currently a person renewing or registering a passenger, motor home, combination, or antique vehicle, except a new motor vehicle, pays a fee of \$5 for a biennial period. Section 2 adds a fee of \$7.50 for triennial registrations, which maintains the same \$2.50 fee per registration year. The first \$3 million dollars received from the payment of these fees are deposited into the Connecticut hydrogen and electric automobile purchase rebate (CHEAPR) program account which is used to offer incentives for Connecticut residents who purchase or lease a new eligible battery electric, plug-in hybrid electric or fuel cell electric vehicle.

Section 3 provides clarification that the 50% reduction in the lump sum death benefit for members of the Teachers' Retirement System does not apply to current retirees or current teachers who were eligible to receive a retirement benefit prior to July 1, 2019. The intent of section 87 in Public Act 19-117 was to not impact retirees or spouses of retirees who were currently receiving this benefit. This fix is necessary to clarify that the change only impacts teachers who retire after the effective date of July 1, 2019.

Section 4 clarifies the Governor's authority regarding command and control of the Connecticut State Guard. This revision is necessary to facilitate effective military operations during times of emergencies or unforeseen circumstances by codifying the state's practice of utilizing the State Guard to execute military operations, which is supported by the Attorney General's Formal Opinion 2017-09.

Section 5 eliminates the requirement that OPM produce a monthly deficiency letter. This letter duplicates the report that OPM issues monthly pursuant to CGS Sec. 4-66, so there would be no loss of transparency or information upon which the legislature could act.

Section 6 requires that any over-collection of State Employees Retirement System funds be returned to the retirement fund as an additional employer contribution. Currently, over-collection of pension funding is deposited as General Fund revenue, while under-collections reduce available pension funding. This proposal would treat both over-collections and under-collections the same. In FYs 2018 through 2020 over-collections totaling \$77 million could have been deposited in the pension fund to help offset unfunded liabilities.

Section 7 delays the start of the Connecticut Municipal Redevelopment Authority to July 1, 2022 by delaying the appointments of the board members to such date. The Governor's recommended budget includes a reduced appropriation of \$100,000 in FYs 2022 and 2023 for the Authority, compared to the original \$500,000 appropriation in FY 2021, in recognition of the delayed appointments of board members.

Section 8 authorizes a \$30 million set aside in the debt limit for tax exempt leases for improvements in state buildings that reduce energy consumption or environmental impacts as part of Governor Lamont's Greener Gov. Initiative under Executive Order #1. Tax exempt lease-purchase agreements for energy efficiency projects, as well as for waste reduction, water reduction, renewables, are a common and cost-effective way for state and local governments to finance upgrades and then use the energy savings to pay for the financing cost.

Section 9 clarifies that bond authorizations allocated to the Paid Family and Medical Leave Authority ("CT Paid Leave") be repaid by the Authority to the General Fund. Section 31-49g of the General Statutes specifically requires repayment of moneys expended from the

General Fund for administering the Paid Family and Medical Leave (PFML) program in Connecticut, so this language makes clear that bond funds, the debt service on which is supported by the General Fund, must also be repaid. The Authority began collecting employee contributions on January 1, 2021, to support payment of benefits beginning January 1, 2022, as well as for the administrative costs of the Authority. In order to provide startup funding to the Authority in advance of employee contribution collections, the PFML enabling legislation included a transfer of \$5.1 million from the General Fund to the Authority, and this startup funding must, pursuant to section 31-49g, be repaid by October 1, 2022. Bond funds support the development of a system to collect employee contributions as well as the capability to administer PFML benefits. To ensure that the Authority can remain stable and solvent over the long-term, the proposed language allows the Secretary of OPM, in consultation with the Treasurer, to establish an amortization schedule for repaying principal and interest on bond funds allocated to the Authority. The Authority may, if it chooses, repay such sums earlier than the schedule to be developed by OPM. It is anticipated that repayment will be over a 10 to 12-year timeframe at an interest rate to be specified by the Treasurer. This timeframe will enable the Authority to plan and budget the repayment and ensure that the repayment period does not stretch beyond the expected useful life of the information technology systems supported through bonding.

Section 10 defers the Tax Incidence Report, prepared by the Department of Revenue Services, to 2024. The estimated cost of the report is \$375,000, which pays for engaging a consultant to assist the agency in preparing the report. To date, there has only been one tax incidence report issued, in December 2014, for which the total cost was \$312,728; \$267,701 paid to the vendor, with the balance covering set up (security) and equipment.

Sections 11 through 54 create the Office of Workforce Strategy (OWS), housed within the Department of Economic Development (DECD) for administrative purposes only. As proposed in the bill, OWS will be responsible for coordinating the state's implementation of Workforce Innovation and Opportunity Act (WIOA) and will staff the Governor's Workforce Council.

OWS will be headed by the state's Chief Workforce Officer. The Chief Workforce Officer will work horizontally across agencies to coordinate on policy, grant writing, etc. Specifically, the Chief Workforce Officer will:

- be the Governor's principal advisor on workforce policy/strategy/coordination
- set a unified state strategy on workforce
- represent the Governor and the needs of the workforce system on state boards and commissions
- support DECD to help meet the workforce needs of the state's businesses or potential businesses that may move to the state
- use workforce data to improve outcomes in the workforce system

- convene and align members of workforce ecosystem, including state agencies, educational institutions, and private employers

Total recommended funding included in the Governor's Budget for OWS is \$1,035,907 in both FY 2022 and FY 2023. Of this amount, \$244,493 is reallocated from existing funds within DECD and the Department of Labor (DOL) into the new OWS, \$291,414 is new funding, and the remaining \$500,000 comes from the 15% Governor's WIOA Reserve, which remains in DOL for federal reporting purposes.

The OWS has already been launched, pursuant to the Governor's Executive Order (EO) 4. This bill formalizes the Governor's EO.

Thank you for the opportunity to provide testimony in support of the Governor's recommended budget and associated implementing legislation.