
OLR Bill Analysis

sSB 1235

AN ACT IMPLEMENTING THE TREASURER'S RECOMMENDATIONS CONCERNING THE INVESTMENT ADVISORY COUNCIL AND RELATED STATUTES AND CONCERNING THE BABY BOND TRUST PROGRAM.

SUMMARY

This bill makes the following changes concerning the state treasurer and Investment Advisory Council (IAC):

1. expands the investment-related job titles for which the state treasurer, in consultation with the IAC, may set compensation;
2. eliminates a prohibition against the IAC's public members and their business organizations or affiliates contracting with or providing investment services for state trust funds while they serve on the council and for one year after, but requires that they recuse themselves from discussions or votes related to these contracts (§ 2); and
3. eliminates the requirement that the IAC review contracts for investment-related services before the treasurer may award them, but authorizes the IAC to review any of these contracts that deviate from the investment policy statement that sets standards for investing state trust funds.

It also makes various changes to the Connecticut Baby Bond Trust program (see BACKGROUND). Principally, the bill:

1. allows the program's implementation expenses to be added to the capped amount of bonds authorized for each year of the program;
2. subjects the bonds to standard statutory general obligation bond procedures and repayment requirements;

3. exempts disbursements from the trust, rather than the trust's property and earnings, from all state and local taxes (§ 5);
4. requires that the disbursements, rather than funds invested in the trust, be disregarded as assets or income for state assistance programs and need-based educational aid;
5. eliminates the requirement that the state treasurer establish an accounting for each designated beneficiary and makes conforming changes;
6. exempts the trust's property from the law for determining when property held by a fiduciary is presumed abandoned (§ 4);
7. explicitly subjects the treasurer's trust investments to the same oversight and requirements that the law establishes for other treasurer-administered funds, such as the Teachers' Pension Fund, the State Employee Retirement Fund, and the Connecticut Municipal Employees' Retirement Fund (e.g., investment review by the Investment Advisory Council) (§ 10); and
8. makes various minor, technical, and conforming changes and corrections.

EFFECTIVE DATE: Upon passage

§ 1 — INVESTMENT OFFICER AND PERSONNEL SALARIES

Existing law authorizes the treasurer to set the salary ranges for the chief, deputy, and principal investment officers, in consultation with the IAC. The bill additionally authorizes him to do so for investment officers and other personnel that assist the chief investment officer. In doing so, it exempts these officers and personnel from the requirement that executive branch employee salaries not set by law must be set by the administrative services commissioner and approved by the Office of Policy and Management secretary.

By law, unchanged by the bill, the cost of operating the investment department, including personnel costs and professional investment counsel, is paid from state trust funds' income.

§ 3 — INVESTMENT-RELATED SERVICE CONTRACTS

The bill eliminates the requirement that all investment-related service contracts be reviewed by the IAC before the treasurer may award them and limits the IAC's review to contracts that deviate from the IAC-approved investment policy statement. In doing so, it allows the treasurer to award contracts that conform to the state's investment policy statement without IAC review. For contracts that deviate from the policy statement, it (1) requires the treasurer to notify the IAC at a council meeting of his recommendation for a provider and (2) authorizes the IAC to review the treasurer's recommendation.

Under the bill, after the council meeting during which it receives this notice from the treasurer, the council has 45 days within which it may file a written review of the treasurer's recommendation. After the 45-day period expires, the treasurer may award the contract. The same notification process and 45-day waiting period applies under current law for the IAC's required review of all investment-related service contracts. As under current law, any written review by the IAC must be available for public inspection.

The bill also requires the treasurer to submit quarterly reports to the IAC on investment-related service contracts awarded each quarter. The first report must cover the quarter ending September 30, 2023, and include contracts awarded and in effect on July 1, 2023. Each report must include the name of the contracted service provider and contract's value.

§§ 6-9 — CONNECTICUT BABY BONDS TRUST PROGRAM***Implementation Costs and Bond Procedures (§ 9)***

Existing law authorizes the treasurer to issue up to \$600 million in state general obligation bonds for the program, in amounts of up to \$50 million per year from FYs 25-36. The bill authorizes the program's implementation expenses to be added to the capped amount of bonds authorized for each year of the program.

Current law requires the Baby Bonds program to be funded with bonds from a specific bond issuance and incorporates certain provisions

relating to this issuance, including the treasurer's powers in connection with the bond sale and certain legal actions related to the bonds. The bill instead subjects the bonds authorized under the program to standard statutory bond procedures and repayment requirements.

Impact on Assistance Programs and Need-Based Aid (§ 6)

The bill prohibits disbursements from the trust from being considered assets or income when determining an individual's eligibility for (1) state-administered assistance programs, to the extent allowed by federal law, or (2) need-based, institutional aid grants offered at the state's public eligible educational institutions. In doing so, it eliminates similar provisions in current law that applied to funds invested in the trust.

Amounts Transferred for Designated Beneficiaries (§§ 7-9)

Under current law, the state treasurer must establish an accounting for each designated beneficiary and may transfer up to \$3,200 from the program's bond proceeds to the trust to be credited to the beneficiary's accounting at birth. The bill eliminates the requirement that (1) each designated beneficiary have an accounting and (2) the transferred funds come from these bond proceeds. It also allows the transfer to be made after the designated beneficiary's birth, rather than at birth.

Under current law, if a designated beneficiary fails to submit a valid claim before his or her 30th birthday or dies before doing so, the amount of his or her accounting is credited back to the trust's assets. The bill instead requires that this amount be retained by the trust to credit to designated beneficiaries born in subsequent years.

Existing law requires the treasurer to proportionately reduce the transfer amount for any year in which the bond funds are insufficient to provide the \$3,200 transfer to each beneficiary. The bill also requires, for any year in which these funds exceed the amount required to provide the transfer, that any excess be kept by the trust to credit to designated beneficiaries born in subsequent years. It also makes technical and conforming changes.

BACKGROUND

Connecticut Baby Bond Trust Program

Administered by the state treasurer, the program authorizes up to \$600 million in bonds to give designated beneficiaries (i.e., babies born on or after July 1, 2023, whose births were covered under HUSKY) up to \$3,200 in a state trust. Once they reach age 18, designated beneficiaries that meet the program’s eligibility requirements may receive the funds, including any investment earnings, to be used for an eligible expenditure (e.g., education, buying a home or investing in a business in Connecticut, or personal financial investments).

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 34 Nay 17 (04/18/2023)