



# House of Representatives

General Assembly

**File No. 154**

January Session, 2023

Substitute House Bill No. 6479

*House of Representatives, March 22, 2023*

The Committee on Environment reported through REP. GRESKO of the 121st Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

## **AN ACT CONCERNING CLIMATE RESILIENCY FUNDS AND PROJECTS.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (c) of section 7-159d of the general statutes is  
2 repealed and the following is substituted in lieu thereof (*Effective from*  
3 *passage*):

4 (c) (1) The budget-making authority of such municipality may, from  
5 time to time, direct the treasurer to invest a portion of such Climate  
6 Change and Coastal Resiliency Reserve Fund as in the opinion of such  
7 authority is advisable, including in any trust fund administered, held or  
8 invested by the State Treasurer pursuant to chapter 32 and for which the  
9 State Treasurer may adopt regulations, in accordance with chapter 54,  
10 to allow for the investment of moneys held in any such reserve fund,  
11 provided: [(1)] (A) Not more than forty per cent, or with respect to such  
12 a reserve fund for which the budget-making authority has adopted an  
13 asset allocation and investment policy, fifty per cent, of the total amount  
14 of such reserve fund shall be invested in equity securities, and [(2)] (B)

15 any portion of such reserve fund not invested pursuant to subparagraph  
16 (A) of this subdivision [(1) of this subsection] may be invested in: [(A)]  
17 (i) Bonds or obligations of, or guaranteed by, the state or the United  
18 States, or agencies or instrumentalities of the United States, [(B)] (ii)  
19 certificates of deposit, commercial paper, savings accounts and bank  
20 acceptances, [(C)] (iii) the obligations of any state of the United States or  
21 any political subdivision thereof or the obligations of any  
22 instrumentality, authority or agency of any state or political subdivision  
23 thereof, if, at the time of investment, such obligations are rated in the  
24 top rating categories of any nationally recognized rating service or of  
25 any rating service recognized by the Banking Commissioner, and  
26 applicable to such obligations, [(D)] (iv) the obligations of any regional  
27 school district in this state, of any municipality in this state or any  
28 metropolitan district in this state, if, at the time of investment, such  
29 obligations of such government entity are rated in one of the top two  
30 rating categories of any nationally recognized rating service or of any  
31 rating service recognized by the Banking Commissioner, and applicable  
32 to such obligations, [(E)] (v) in any fund in which a trustee may invest  
33 pursuant to section 36a-353, [(F)] (vi) investment agreements with  
34 financial institutions whose long-term obligations are rated in the top  
35 two rating categories of any nationally recognized rating service or of  
36 any rating service recognized by the Banking Commissioner or whose  
37 short-term obligations are rated in the top rating category of any  
38 nationally recognized rating service or of any rating service recognized  
39 by the Banking Commissioner, or [(G)] (vii) investment agreements  
40 fully secured by obligations of, or guaranteed by, the United States or  
41 agencies or instrumentalities of the United States.

42 (2) Notwithstanding the provisions of subdivision (1) of this  
43 subsection, if such reserve fund is invested in any trust fund  
44 administered, held or invested by the State Treasurer pursuant to  
45 chapter 32, the asset allocation of such reserve fund shall be determined  
46 in accordance with the provisions of section 3-13d.

47 Sec. 2. Section 3-13c of the general statutes is repealed and the  
48 following is substituted in lieu thereof (*Effective from passage*):

49 Trust funds as used in sections 3-13 to 3-13e, inclusive, and 3-31b shall  
50 be construed to include Connecticut Municipal Employees' Retirement  
51 Fund A, Connecticut Municipal Employees' Retirement Fund B,  
52 Soldiers, Sailors and Marines Fund, Family and Medical Leave  
53 Insurance Trust Fund, State's Attorneys' Retirement Fund, Teachers'  
54 Annuity Fund, Teachers' Pension Fund, Teachers' Survivorship and  
55 Dependency Fund, School Fund, State Employees Retirement Fund, the  
56 Hospital Insurance Fund, Policemen and Firemen Survivor's Benefit  
57 Fund, any trust fund described in subdivision (1) of subsection (b) of  
58 section 7-450 that is administered, held or invested by the State  
59 Treasurer, any Climate Change and Coastal Resiliency Reserve Fund  
60 created pursuant to section 7-159d, as amended by this act, that is  
61 administered, held or invested by the State Treasurer and all other trust  
62 funds administered, held or invested by the State Treasurer.

63 Sec. 3. (NEW) (*Effective from passage*) The Commissioner of Energy  
64 and Environmental Protection shall maximize the state's receipt of any  
65 federal funds designated for state and municipal projects intended to  
66 increase resiliency to the effects of climate change, including, but not  
67 limited to, coastal resiliency projects. Such maximization shall include,  
68 but not be limited to, the identification of any such federal funds and  
69 the provision of assistance to any municipality in the application process  
70 for such federal funds, including, but not limited to, notification to any  
71 municipality eligible for any such funds identified pursuant to this  
72 section. Not later than January 1, 2024, and biennially thereafter, the  
73 commissioner shall submit a report, in accordance with section 11-4a of  
74 the general statutes, to the joint standing committee of the General  
75 Assembly having cognizance of matters relating to the environment that  
76 details the commissioner's efforts undertaken pursuant to this section,  
77 including any federal funds identified, any application or request for  
78 such funds that the commissioner submitted, any such funds received  
79 by the state or any municipality and any resiliency project funded, in  
80 whole or in part, by such federal funds. Such report shall include any  
81 recommendations for the state and municipalities to be able to maximize  
82 receipt of any such federal funds.

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>from passage</i>	7-159d(c)
Sec. 2	<i>from passage</i>	3-13c
Sec. 3	<i>from passage</i>	New section

**ENV**      *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

**OFA Fiscal Note**

**State Impact:**

Agency Affected	Fund-Effect	FY 24 \$	FY 25 \$
Department of Energy and Environmental Protection	GF - Cost	299,498	306,585
State Comptroller - Fringe Benefits <sup>1</sup>	GF - Cost	121,394	131,280
Treasurer	Climate Change and Coastal Resiliency Reserve Fund - See Below	See Below	See Below

Note: GF=General Fund

**Municipal Impact:** None

**Explanation**

The bill: (1) authorizes the Treasurer to invest municipal Climate Change and Coastal Resiliency Reserve Funds, and (2) requires the Department of Energy and Environmental Protection (DEEP) to maximize the receipt of federal funds for state and municipal climate change resiliency projects. The bill is anticipated to result in costs beginning in FY 24.

The bill is expected to result in ongoing administrative and investment costs to the Treasurer associated with the Climate Change and Coastal Resiliency Reserve Fund. Revenues accrued to the fund would depend on levels of municipal opt-in and subsequent investment

<sup>1</sup>The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 42.82% of payroll in FY 24.

return within the fund. The associated costs would be paid using a portion of the investment return.

Additionally, the bill results in personnel related costs to the General Fund totaling \$420,892 in FY 24 and \$437,865 in FY 25. The expected costs of hiring four additional Research Analysts to apply for federal grants on behalf of municipalities within DEEP are \$299,498 FY 24 and \$306,585 in FY 25 to DEEP, plus fringe benefits within the Office of the State Comptroller of \$121,394 in FY 24 and \$131,280 in FY 25. The cost components are: (1) salary costs of \$283,498 (\$70,875 for each analyst) in FY 24 and \$290,585 in FY 25; (2) fringe benefits costs described above; and (3) anticipated other expenses of \$16,000 annually. Currently, one Environmental Analyst 3 manages the Climate Resiliency Program, and this is not the staff person's sole job duty.

### ***The Out Years***

The annualized ongoing fiscal impact identified above would continue into the future subject to and changes in state employee wages and benefits.

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**OLR Bill Analysis**

**sHB 6479**

***AN ACT CONCERNING CLIMATE RESILIENCY FUNDS AND PROJECTS.***

**SUMMARY**

By law, a municipality may establish a Climate Change and Coastal Resiliency Reserve Fund to pay for property losses, capital projects, and studies related to climate change mitigation. The municipality's budget-making authority may direct the municipal treasurer to invest the reserve funds in specified ways. This bill also authorizes the municipal treasurer to invest the reserve fund in any trust fund the state treasurer administers, holds, or invests.

The bill authorizes the state treasurer to (1) invest municipal Climate Change and Coastal Resiliency Reserve Funds and (2) adopt regulations to do so. It generally subjects the treasurer's investments to the same oversight that the law establishes for other treasurer-administered trust funds. And it requires these investments to follow the asset allocation outlined for treasurer-administered funds, instead of that for municipal investments, meaning that up to 60% of the investments may be in equities, rather than 40%.

Additionally, the bill requires the Department of Energy and Environmental Protection (DEEP) commissioner to maximize the state's receipt of federal funds designated for state and municipal climate change resiliency projects, including coastal resiliency projects. Under the bill, this maximization must include (1) identifying federal funds and (2) helping municipalities apply for federal funds, including notifying them of their eligibility.

Beginning by January 1, 2024, the bill requires the DEEP

commissioner to report biennially to the Environment Committee on her maximization efforts. The report must include federal funds identified, applications or requests for funding that DEEP submitted, funds the state or municipalities received, projects funded (in whole or in part), and recommendations for the state and municipalities to maximize receiving federal funds.

EFFECTIVE DATE: Upon passage

**COMMITTEE ACTION**

Environment Committee

Joint Favorable Substitute

Yea 32 Nay 0 (03/03/2023)