

OFFICE OF LEGISLATIVE RESEARCH
PUBLIC ACT SUMMARY



PA 23-1—HB 6671

Emergency Certification

AN ACT CONCERNING FUNDING FOR SCHOOL LUNCHES AND A CENTER FOR SUSTAINABLE AVIATION, SPECIAL EDUCATION FUNDING, CERTAIN BOTTLE DEPOSITS, CERTAIN STATE POSITIONS AND THE POSTING OF STATE JOB OPENINGS AND BOND COVENANT RESTRICTIONS AND THE BUDGET RESERVE FUND

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Requires the state treasurer to include a pledge to bondholders in GO and credit revenue bonds issued from July 1, 2023, to June 30, 2025, that the state will comply with specified fiscal controls, except under limited circumstances; generally requires that the pledge apply through FY 33 unless the General Assembly adopts a resolution by June 30, 2028, not to continue it beyond FY 28

§ 15 — BUDGET RESERVE FUND

Beginning July 1, 2024, increases the BRF's maximum balance from 15% to 18% of net General Fund appropriations and specifies how surplus funds must be diverted when the BRF's balance is at least 15% but less than the 18% maximum

§ 16 — CAP ON GENERAL FUND AND STF APPROPRIATIONS

Freezes the cap on General Fund and STF appropriations at 98.75% of estimated revenues (i.e., the "revenue cap") beginning in FY 24

§§ 17 & 18 — BONDING CAPS

Beginning in FY 24, requires that the bond allocation cap be calculated on a fiscal year, rather than calendar year, basis and sets the cap amount at \$2.4 billion for FY 24; aligns the bond issuance cap to the allocation cap by increasing it to \$2.4 billion for FY 24; eliminates the bond allotment cap but replaces it with a similar cap; excludes specified debt from the state's debt limit and certain bond cap calculations

§§ 17-19 — GO BONDS FOR TRANSPORTATION PROJECTS

Eliminates an obsolete law authorizing the State Bond Commission to allocate up to \$500 million in state GO bonds for transportation projects in 2018 and 2019

§ 1 — ARPA ALLOCATION ADJUSTMENTS

Reallocates \$60 million in FY 23 ARPA funds allocated to OPM for Invest Connecticut to SDE for free school meals for students

The act adjusts federal American Rescue Plan Act (ARPA) funding allocations for FY 23 by reducing the allocation to the Office of Policy and Management (OPM) for Invest Connecticut by \$60 million (decreasing the allocation from \$122.7 to \$62.7 million) and reallocating these funds to the State Department of Education (SDE) for free school meals for students (increasing the allocation from \$30 million to \$90 million).

EFFECTIVE DATE: Upon passage

§§ 2-5 — CENTER FOR SUSTAINABLE AVIATION AT UCONN

Requires (1) UConn to participate in an application for federal funding under the U.S. DOE's Regional Clean Hydrogen Hubs program to create and operate a center for sustainable aviation and (2) DECD to provide UConn with a maximum \$20 million grant for this purpose if the university is awarded, and accepts, the federal funding

Application for Federal Funding

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The act requires UConn to submit, or participate in submitting, a proposal for federal funding under the U.S. Department of Energy's (U.S. DOE's) Regional Clean Hydrogen Hubs program (see *Background — Regional Clean Hydrogen Hubs Program (H2Hubs)*) to establish, develop, and operate a center for sustainable aviation. If UConn is awarded, and accepts, this funding, the act requires it to (1) notify the Department of Economic and Community Development (DECD) and (2) establish the center, including at least one facility on the Storrs campus. The act requires UConn to consult with DECD in completing these requirements.

DECD Funding

The act reduces the Department of Social Services's FY 23 Medicaid appropriation by \$12 million and correspondingly increases DECD's FY 23 appropriation for "other expenses" by \$12 million. Under the act, DECD must make the additional \$12 million available for UConn's center for sustainable aviation. The act specifies that any unexpended balance of this funding will not lapse at the end of FY 23 and must be available for expenditure toward the center during FY 24. Additionally, the act earmarks \$8 million in previously authorized Manufacturing Assistance Act bond funds for a DECD grant to UConn for establishing, developing, and operating the center.

Under the act, DECD must provide a grant to UConn within 90 days after receiving notice from the university that it was awarded, and has accepted, federal funding to establish the center for sustainable aviation. The grant must be equal to the lesser of (1) the state's share of the center's capital costs, as determined by the DECD commissioner and pursuant to the proposal and final award, or (2) \$20 million.

EFFECTIVE DATE: Upon passage

Background — Regional Clean Hydrogen Hubs Program (H2Hubs)

The U.S. DOE's Office of Clean Energy Demonstrations' Regional Clean Hydrogen Hubs program will provide up to \$7 billion to establish six to 10 regional clean hydrogen hubs across the United States. The program will fund projects that demonstrate the production, processing, delivery, storage, and end-use of clean hydrogen through regional clean hydrogen hubs.

§§ 6 & 7 — UCONN 2000 INFRASTRUCTURE PROGRAM

Reduces the bond authorization for UConn 2000 by \$12 million

The act reduces the total bond authorization for the UConn 2000 infrastructure program by \$12 million. It makes a corresponding change to reduce the FY 25 bond cap for the program by the same amount.

EFFECTIVE DATE: Upon passage

§§ 8-10 — DISTRIBUTION OF SPECIAL EDUCATION EXCESS COST GRANT AND STATE-AGENCY PLACEMENT EXCESS COST GRANTS

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Raises the state grant reimbursement for each of the three tiers for towns in the special education excess cost grant; places two other grants related to state agency-placed students under the same tiered method; and creates a method for distributing the special education excess cost grant when the existing tier method is used but results in unspent appropriations

By law, local and regional boards of education may apply to the state for a special education “excess cost grant,” which reimburses them for the cost of special education services that exceed four-and-a-half times the average cost of educating a student in the district during the prior fiscal year.

When the state’s fiscal year appropriation for the special education excess cost grant is less than the amount needed to completely fund the payable grants according to the calculation, the law triggers a reduced excess cost grant reimbursement formula. This formula groups towns in three tiers depending upon their respective adjusted equalized net grand list per capita (AENGLPC). Generally, the formula calculates reduced grants for local boards of education using these three tiers as follows: boards from towns in the group that have (1) the lowest AENGLPC receive a higher percentage of their full excess cost grant, (2) a mid-range AENGLPC receive a slightly lower percentage, and (3) the highest AENGLPC receive the lowest percentage.

The act increases the reimbursement percentage for each of the tiers, bringing each board’s excess cost grant amount closer to the fully funded amount determined by law.

The act also expands the tiered grant formula to apply to two additional grants when state appropriations are insufficient: (1) excess special education costs for state agency-placed students under a temporary custody order (CGS § 10-76d(e)(2)) and (2) excess regular education costs for state-placed children educated at private residential facilities (CGS § 10-253(b)(3)).

Finally, it creates an additional method for distributing the special education excess cost grant when there are excess state-appropriated funds remaining after the tiered formula is used. The act also applies this new excess fund distribution method to the two categories of grants for state-agency placed students identified above.

The act also makes technical and conforming changes.
EFFECTIVE DATE: Upon passage

Excess Cost Grants

The law establishes the reimbursement formula for boards of education when the state appropriation does not fully fund the excess cost grants as they are determined under statute. It creates three reimbursement tiers based on each town’s AENGLPC. (Prior to FY 23, the law proportionately reduced the grant for all towns.)

The law requires the State Board of Education (SBE) to rank the towns in descending order from one to 169 according to each town’s AENGLPC. It then groups the ranked towns into three tiers by the highest, middle, and lowest AENGLPC. SBE must pay the grants to each eligible town’s operating local school district based on the reimbursement percentage assigned to its respective tier.

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Tiered Reimbursement Percentages Increased. The act increases each tier’s reimbursement percentage to give school boards at each tier a larger grant. The table below shows prior law’s and the act’s percentages.

Excess Cost Grant Reimbursement Rates for Three Tiers of Towns by AENGLPC

<i>Tier Group Based on AENGLPC Ranking</i>	<i>Town’s Eligible Excess Cost Reimbursement Percentage</i>	
	<i>Prior Law</i>	<i>Act</i>
1 to 58 (highest)	70.00	85.00
59 to 114 (middle)	73.00	88.00
115 to 169 (lowest)	76.25	91.00

Additionally, if the grants payable to school boards calculated under the tiered formula still exceed the state-appropriated amount available, then the act requires the payable amount to be reduced proportionally.

By law and unchanged by the act, the ranking for regional boards of education is determined by a process that considers the total population of each town in the regional district and each member town’s AENGLPC ranking.

Additional Grants Brought Under Tiered Reimbursement Formula. The act also expands the tiered method to apply to two additional grants: (1) special education costs for state agency-placed students under a temporary custody order and (2) excess regular education costs for state-placed children educated at private residential facilities. Under prior law, if the appropriation for these grants was not enough to meet the amount payable to school boards by law, then the grant amounts were reduced proportionately.

New Grant Mechanism. The act creates an additional four-step formula to apply when, after the grants are reduced as described above, money remains appropriated (i.e., is left over). Under the act, the remaining state-appropriated funds must be distributed to school boards through the following steps:

1. Subtract the sum of all the grants paid to school boards in the fiscal year under the three-tiered method from the sum of all the following grants calculated by law for (a) special education excess cost; (b) state agency-placed students under a temporary custody order; (c) excess regular education costs for state-placed children educated at private residential facilities; and (d) students receiving special education services from a private residential institution for whom no responsible school board can be determined by law (i.e., “no-nexus students”).
2. Subtract the sum of all grants paid to school boards in the fiscal year under the excess cost grant from the total amount appropriated for the same grant.
3. Divide the amount calculated under step (2) by the amount calculated under step (1).
4. To determine the amount of the excess to distribute to each school board, multiply the amount calculated under step (1) that is attributable to the school board by the percentage calculated under step (3).

The act specifies that any grant paid in accordance with a no-nexus student in a

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public agency placement does not count toward this calculation (conforming with the excess cost grant that also does not count grants for those placements). Generally, the state pays for all the special education costs for these students.

§ 11 — BOTTLE BILL EXEMPTIONS

Exempts certain beverage products from the state's beverage container redemption law

The act exempts certain beverage products from the state's beverage container redemption law ("bottle bill"). The state's bottle bill generally requires a deposit to be charged on each covered beverage container at the time of purchase, which is then refunded to the consumer when the empty container is returned to the retailer or a redemption center.

Under the act, the following beverage products are exempt from the bottle bill: (1) carbonated and non-carbonated products with wine or spirits and (2) non-carbonated food for special dietary use and medical food, as defined under federal law.

Under federal law, "food for special dietary use" includes food that supplies a (1) special dietary need due to a physical, physiological, pathological, or other condition (e.g., disease, convalescence, pregnancy, infancy, weight); (2) vitamin, mineral, or other ingredient to supplement a person's diet; or (3) special dietary need due to a food being the diet's only item (21 U.S.C. § 350(c)(3)). "Medical food" is food that is (1) formulated to be consumed or administered enterally (i.e., via the gastrointestinal tract) under a doctor's supervision and (2) intended for the specific dietary management of a disease or condition (21 U.S.C. § 360ee(b)(3)).

EFFECTIVE DATE: Upon passage

§ 12 — LIMIT ON EXECUTIVE ASSISTANTS

Prohibits appointing more than two executive assistants for each deputy department head in departments that have at least two deputies

The act prohibits the Department of Administrative Services (DAS) commissioner and OPM secretary from approving more than two executive assistants for each deputy for any department that has at least two deputies. Existing law, unchanged by the act, (1) exempts executive assistants to department heads from the state classified service (i.e., they are not subject to various statutory civil service procedures and requirements) and (2) prohibits the commissioner and secretary from approving more than four executive assistants for each department head.

EFFECTIVE DATE: Upon passage

§ 13 — STATE EMPLOYEE CANDIDATE LISTS FOR THE CLASSIFIED SERVICE

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Allows the DAS commissioner, under certain circumstances, to place people on candidate lists for state employee classified service positions regardless of statutory requirements that might otherwise apply

The law generally requires the DAS commissioner to hold civil service exams to establish candidate lists of people qualified for positions in the state employee classified service. Regardless of this or any other state statutes, the act allows the commissioner to place people on a candidate list for the various classified service position classes if she finds that posting job openings is warranted to provide regular, updated candidate pools for specific examined and non-examined positions.

EFFECTIVE DATE: Upon passage

Background — Related Act

PA 23-194, among other things, allows an appointing authority to (1) immediately fill a position with someone on a candidate list, if doing so would maintain operational efficiency and productivity, and complete any pre-employment checks during the new employee's working test period; (2) fill a position, under certain circumstances, with someone on a candidate list for a comparable position class; and (3) begin the screening process as soon as the applicable job opening is posted.

§ 14 — BOND COVENANT TIED TO STATE FISCAL CONTROLS

Requires the state treasurer to include a pledge to bondholders in GO and credit revenue bonds issued from July 1, 2023, to June 30, 2025, that the state will comply with specified fiscal controls, except under limited circumstances; generally requires that the pledge apply through FY 33 unless the General Assembly adopts a resolution by June 30, 2028, not to continue it beyond FY 28

The act requires the state treasurer to include a pledge to bondholders in general obligation (GO) and credit revenue bonds issued from July 1, 2023, to June 30, 2025 (i.e., FYs 24 and 25), that the state will comply with specified fiscal controls except under limited circumstances. Under the act, this pledge applies through FY 33 unless the General Assembly adopts, by June 30, 2028, a resolution not to continue it beyond FY 28. It does not apply to refunding bonds issued to pay the original bonds.

By law, a similar five-year pledge (i.e., "bond lock") applies to bonds issued from May 15, 2018, to June 30, 2020 (see *Background*).

EFFECTIVE DATE: July 1, 2023

Applicable Laws

The act expressly requires the state to comply with the following laws during each fiscal year to which the pledge applies:

1. Budget Reserve Fund (BRF) law, as amended by the act (see § 15), including the volatility cap (see *Background*);
2. statutory spending cap (see *Background*);

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3. cap on General Fund and Special Transportation Fund appropriations, as amended by the act (i.e., the “revenue cap”) (see § 16);
4. bond allocation cap, as amended by the act (see § 17);
5. specified procedural requirements under the GO bond act (see *Background*);
6. the debt limit law, as amended by the act, including provisions requiring that bond bills and Bond Commission resolutions have debt certifications attached to them certifying that the bonds will not cause the state to exceed the debt limit (see § 18);
7. the bond issuance cap, as amended by the act (see § 18); and
8. the act’s bond allotment limit (see § 18).

Pledge and Exceptions

For GO and credit revenue bonds issued in FYs 24 and 25, the act pledges to bondholders that the state will not enact any laws taking effect from (1) July 1, 2023, to June 30, 2028, and (2) except as described below, July 1, 2028, to June 30, 2033, that change the state’s obligation to comply with the above laws unless the following requirements are met:

1. bondholders are protected in another way or
2. (a) the governor declares an emergency or the existence of extraordinary circumstances in which he invokes his statutory authority to reduce appropriated accounts (CGS § 4-85), (b) at least three-fifths of the members of each house of the General Assembly approve the change, and (c) the change is limited to the fiscal year in progress.

For the second five-year period described above (i.e., July 1, 2028, to June 30, 2033), the pledge applies to laws taking effect during this timeframe unless the General Assembly adopts by June 30, 2028, a resolution not to continue the pledge beyond that date.

Background

Bond Lock. For state GO or credit revenue bonds issued from May 15, 2018, to June 30, 2020, the state treasurer has pledged to bondholders that the state will not enact any laws taking effect from May 15, 2018, to June 30, 2023, that change the state’s obligation to comply with the (1) BRF law, including the volatility cap; (2) revenue cap; (3) statutory spending cap; (4) debt limit law; (5) caps on GO and credit revenue bond allocations, issuances, and allotments; and (6) specified procedural requirements under the GO bond act. The pledge applies for five years from the bonds’ first issuance date but not to refunding bonds issued to pay the original bonds (CGS § 3-20(aa)).

Volatility Cap. The law requires the treasurer to transfer to the BRF any revenue the state receives each fiscal year in excess of \$3.15 billion (annually adjusted for the five-year average growth in personal income) from personal income tax estimated and final payments (generated from taxpayers who make estimated income tax payments on a quarterly basis) and the pass-through entity tax.

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The legislature may amend the threshold amount, by a vote of three-fifths of the members of each house, due to changes in state or federal tax law or policy or significant adjustments to economic growth or tax collections (CGS § 4-30a(a)).

Spending Cap. The statutory spending cap prohibits the legislature from authorizing an increase in “general budget expenditures” for any fiscal year that exceeds the greater of the percentage increase in (1) personal income over the preceding five calendar years or (2) inflation over the previous calendar year, unless the governor declares an emergency or the existence of extraordinary circumstances and at least three-fifths of the members of each house approve the extra expenditure for those purposes

GO Bond Act. The GO Bond Act sets various procedural requirements for the state’s issuance of GO bonds. The pledge that the state treasurer must issue under the act applies to requirements that, among other things, (1) the State Bond Commission authorize bonds by resolutions adopted by a majority vote, (2) these bond resolutions be accompanied by specified information and filings and not exceed the allocation cap, (3) Bond Commission agendas be made available to members at least five days in advance, and (4) bonds allocated by the Bond Commission be deemed an appropriation and allocation of the amount authorized and subject to allotment by the governor and any authorization otherwise required (CGS § 3-20(g)).

§ 15 — BUDGET RESERVE FUND

Beginning July 1, 2024, increases the BRF’s maximum balance from 15% to 18% of net General Fund appropriations and specifies how surplus funds must be diverted when the BRF’s balance is at least 15% but less than the 18% maximum

Existing law establishes the BRF and requires that it contain any (1) unappropriated General Fund surplus at the end of each fiscal year and (2) revenue exceeding the volatility cap.

Prior law capped the BRF’s maximum balance at 15% of net General Fund appropriations for the current fiscal year and required the state treasurer to transfer any remaining General Fund surplus, as he determined to be in the state’s best interests, to reduce either the State Employee Retirement System’s (SERS) or Teachers’ Retirement System’s (TRS) unfunded liability by up to 5%. Beginning July 1, 2024, the act (1) increases the BRF’s maximum balance to 18% of net General Fund appropriations for the current fiscal year and (2) requires that surplus funds be handled as follows when the BRF’s balance equals or exceeds 15% but is less than the 18% cap:

1. half must be transferred to the BRF, up to the 18% cap, and
2. half must be deemed appropriated to SERS or TRS, as described above.

Under the act, once the BRF reaches the 18% cap, any remaining General Fund surplus is deemed appropriated to SERS and TRS, as under prior law. By law, unchanged by the act, any surplus that remains after the maximum appropriation to SERS and TRS (i.e., 5% of each system’s unfunded liability) is deemed appropriated, as the treasurer determines to be in the state’s best interests, for additional payments to either retirement system or to paying off other specified

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forms of outstanding state debt.
EFFECTIVE DATE: July 1, 2023

§ 16 — CAP ON GENERAL FUND AND STF APPROPRIATIONS

Freezes the cap on General Fund and STF appropriations at 98.75% of estimated revenues (i.e., the “revenue cap”) beginning in FY 24

Existing law prohibits the legislature from authorizing General Fund and Special Transportation Fund (STF) appropriations for any fiscal year that, in the aggregate, exceed a specified percentage of the estimated revenues included in the budget act (i.e., the statement of estimated revenues, supplied by the Finance, Revenue and Bonding Committee, that is based on the most recent consensus revenue estimates). Under prior law, the percentage decreased in steps of 0.25 percentage points from 99.5% in FY 20 to 98% in FY 26 and thereafter (for FY 23, it was 98.75%). The act freezes the percentage at 98.75% beginning in FY 24.

By law, unchanged by the act, the legislature may authorize appropriations that exceed the applicable percentage if either of the following conditions is met:

1. the governor declares an emergency or the existence of extraordinary circumstances, at least three-fifths of the members of each legislative chamber vote to exceed the percentage, and the appropriation is limited to the fiscal year in progress or
2. the General Assembly approves the appropriation, by majority vote, for an adjusted appropriation and revenue plan.

EFFECTIVE DATE: July 1, 2023

§§ 17 & 18 — BONDING CAPS

Beginning in FY 24, requires that the bond allocation cap be calculated on a fiscal year, rather than calendar year, basis and sets the cap amount at \$2.4 billion for FY 24; aligns the bond issuance cap to the allocation cap by increasing it to \$2.4 billion for FY 24; eliminates the bond allotment cap but replaces it with a similar cap; excludes specified debt from the state’s debt limit and certain bond cap calculations

Bond Allocation Cap (§ 17)

Prior law capped the amount of GO and credit revenue bonds the State Bond Commission could authorize (i.e., allocate) in any calendar year at \$2 billion, annually adjusted for inflation. (The inflation-adjusted cap was \$2.377 billion for 2023.) The act instead (1) requires that the cap be calculated on a fiscal year basis, beginning in FY 24; (2) sets the cap at \$2.4 billion for FY 24; and (3) specifies that the prior calendar year cap applies through June 30, 2023. As under prior law, the act requires that the cap be annually adjusted for inflation based on the change in the Bureau of Labor Statistics’ consumer price index for all urban consumers for the preceding calendar year, less food and energy.

Bond Issuance Cap (§ 18)

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Prior law capped the amount of GO and credit revenue bonds the state treasurer could issue in any fiscal year at \$1.9 billion, annually adjusted for inflation. (The inflation-adjusted cap was \$2.09 billion for FY 23.) The act increases the cap to \$2.4 billion beginning in FY 24, aligning it with the \$2.4 billion allocation cap set by the act (see above). As under prior law, the act requires that the cap be annually adjusted for inflation using the same index described above for the allocation cap.

Additionally, the act excludes from the issuance cap calculation any debt issued to fund state budget deficits for any fiscal year. By law, unchanged by the act, the calculation already excludes specified debt (e.g., bonds issued as part of the CSCU 2020 (Connecticut State Colleges and Universities) or UConn 2000 infrastructure programs and refunding bonds), as well as debt issued to meet cash flow needs or cover natural disaster emergencies.

Bond Allotment Cap (§ 18)

The act eliminates the cap on the amount of GO and credit revenue bonds for which the governor may approve allotment requisitions (i.e., expenditures) in any fiscal year. Instead, it prohibits the governor from approving GO or credit revenue bond allotments that exceed the act's \$2.4 billion issuance cap described above. It excludes from the allotment calculation any debt issued to fund state budget deficits for any fiscal year. Under prior law, the cap was \$1.9 billion, annually adjusted for inflation, with the same exclusions as the issuance cap.

The act also eliminates related provisions requiring the:

1. state treasurer to annually give the governor a list of allocated but unissued bonds (i.e., bonds authorized by the legislature and allocated by the State Bond Commission but not yet issued by the treasurer);
2. governor to annually give the treasurer a list of GO and credit revenue bond expenditures of up to \$1.9 billion, annually adjusted for inflation, that may be made on the following July 1; and
3. governor to post both lists on his office's website.

Debt Limit (§ 18)

The law prohibits the legislature from authorizing General Fund-supported debt that exceeds 1.6 times the estimated net General Fund tax receipts for the fiscal year of authorization, with certain exclusions. The act additionally excludes the following from the state's debt limit calculation:

1. any debt authorized and issued to fund any state budget deficits for any fiscal year,
2. any accumulated deficit determined on the basis of generally accepting accounting principles (GAAP) set by the Governmental Accounting Standards Board,
3. debt authorized under any statute or public or special act that, by its terms, is not effective until a future date (but it must be included once the applicable provisions take effect), and
4. debt authorized and issued under an emergency or extraordinary

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circumstances declaration issued by the governor if at least three-fifths of the members of each legislative chamber vote to authorize the debt.

Under prior law, debt issued to finance specified budget deficits (e.g., the 2009 Economic Recovery Notes) was already excluded from the debt limit calculation. The act eliminates these specific exclusions to conform with the broader exclusion described above.

By law, the debt limit calculation already excludes certain types of debt, including debt incurred in anticipation of receiving revenue and bonds issued for the Teachers' Retirement System's unfunded liability.

The act also makes technical changes.

EFFECTIVE DATE: July 1, 2023

§§ 17-19 — GO BONDS FOR TRANSPORTATION PROJECTS

Eliminates an obsolete law authorizing the State Bond Commission to allocate up to \$500 million in state GO bonds for transportation projects in 2018 and 2019

The act eliminates an obsolete law authorizing the State Bond Commission to allocate up to \$500 million in state GO bonds for transportation projects in 2018 and 2019. (The Bond Commission never allocated these bonds.) It also eliminates related provisions (1) exempting these transportation GO bonds from the state's debt limit and bond allocation and issuance cap calculations and (2) deeming any bond authorizations for GO or special tax obligation (STO) bonds to have authorized these bonds to be issued as either GO or STO bonds.

EFFECTIVE DATE: July 1, 2023