



General Assembly

Amendment

February Session, 2024

LCO No. 5772



Offered by:

REP. KAVROS DEGRAW, 17th Dist.

To: Subst. House Bill No. 5273

File No. 227

Cal. No. 168

"AN ACT CONCERNING THE RECOMMENDATIONS OF THE INTERGOVERNMENTAL POLICY AND PLANNING DIVISION WITHIN THE OFFICE OF POLICY AND MANAGEMENT."

1 After the last section, add the following and renumber sections and
2 internal references accordingly:

3 "Sec. 501. Section 4-231 of the general statutes is repealed and the
4 following is substituted in lieu thereof (*Effective July 1, 2024*):

5 (a) (1) Each nonstate entity [which] that expends a total amount of
6 state financial assistance equal to or in excess of [three] five hundred
7 thousand dollars in any fiscal year of such nonstate entity beginning on
8 or after July 1, [2009] 2024, shall have either a single audit or a program-
9 specific audit made for such fiscal year, in accordance with the
10 provisions of subdivision (2) or (3) of this subsection, as applicable, and
11 the requirements of regulations adopted pursuant to section 4-236.

12 (2) If the total amount of state financial assistance expended in any
13 such fiscal year is for a single program, such nonstate entity may elect

14 to have a program-specific audit made in lieu of a single audit, provided
15 [a] no grant agreement or [a] statutory or regulatory provision
16 governing the program of state financial assistance [does not require]
17 requires a financial statement audit of such nonstate entity.

18 (3) If the total amount of state financial assistance expended in any
19 such fiscal year is for more than one program, such entity shall have a
20 single audit made for such fiscal year.

21 (b) Notwithstanding any provision of the general statutes or any
22 regulation adopted under any provision of the general statutes, each
23 nonstate entity that expends total state financial assistance of less than
24 [three] five hundred thousand dollars in any fiscal year of such nonstate
25 entity beginning on or after July 1, [2009] 2024, shall be exempt with
26 respect to such fiscal year from complying with any statutory or
27 regulatory requirements concerning financial or financial and
28 compliance audits that would otherwise [be applicable] apply to such
29 nonstate entity.

30 (c) No provision of this section shall be deemed to exempt a nonstate
31 entity from complying with any statutory or regulatory provision
32 requiring [the] such nonstate entity to (1) maintain records concerning
33 state financial assistance, or (2) provide access to such records to a state
34 agency.

35 Sec. 502. Section 4-232 of the general statutes is repealed and the
36 following is substituted in lieu thereof (*Effective July 1, 2024*):

37 (a) Each nonstate entity [which] that is required to be audited
38 pursuant to sections 4-230 to 4-236, inclusive, shall designate an
39 independent auditor to conduct such audit. Not later than thirty days
40 before the end of the fiscal period for which the audit is required, the
41 nonstate entity shall file the name of such auditor with the cognizant
42 agency designated pursuant to section 4-235. If a nonstate entity fails to
43 make such filing, the cognizant agency may designate an independent
44 auditor to conduct the audit. A nonstate entity shall be responsible for
45 paying the costs of any audit conducted by an independent auditor

46 designated by a cognizant agency.

47 (b) (1) Upon the completion of [the] an audit [,] pursuant to sections
48 4-230 to 4-236, inclusive, [the] each nonstate entity shall file a copy of the
49 audit report with the cognizant agency designated pursuant to section
50 4-235 and, if applicable, state grantor agencies and pass-through
51 entities. Once filed, such report shall be made available by the nonstate
52 entity for public inspection. Copies of the report shall be filed not later
53 than thirty days after completion of such report, if possible, but not later
54 than six months after the end of the audit period. The cognizant agency
55 may grant an extension of not more than thirty days, if the auditor
56 conducting the audit and the chief executive officer of the nonstate
57 entity jointly submit a request in writing to the cognizant agency that
58 includes the reasons for such extension and an estimate of the time
59 needed for completion of such audit, [at least] not less than thirty days
60 prior to the end of such six-month period. If the reason for the extension
61 relates to deficiencies in the accounting system of the nonstate entity,
62 the request shall be accompanied by a corrective action plan. The
63 auditor or chief executive officer shall promptly provide any additional
64 information the cognizant agency may require. Before determining
65 whether to grant an extension request, the cognizant agency may
66 require the auditor and officials of the nonstate entity to meet with
67 representatives of the cognizant agency. No extension granted pursuant
68 to this subdivision shall extend beyond twelve months after the last day
69 of the fiscal year to which such audit applies.

70 (2) Any nonstate entity, or the auditor of such nonstate entity, [which]
71 that fails to have [the] an audit report filed on its behalf [within] not later
72 than six months after the end of the fiscal year or within the time granted
73 by the cognizant agency, may be assessed [,] by the Secretary of the
74 Office of Policy and Management [,] a civil penalty of not less than one
75 thousand dollars [but not more than] and not to exceed ten thousand
76 dollars. In addition to, or in lieu of such penalty, the cognizant agency
77 may assign an auditor to perform [the] an audit of such nonstate entity.
78 In such case, [the] such nonstate entity shall be responsible for paying
79 the costs related to [the] such audit. The secretary may, upon receipt of

80 a written request from an official of the nonstate entity or its auditor,
81 waive all such penalties if the secretary determines that there [appears
82 to be] is reasonable cause for the entity not having completed or
83 provided [the] a required audit report.

84 Sec. 503. Section 7-576a of the general statutes is repealed and the
85 following is substituted in lieu thereof (*Effective July 1, 2024*):

86 [(a) Any] The Municipal Finance Advisory Commission may
87 designate any municipality referred to said commission pursuant to
88 subsection (d) of section 7-395 [to the Municipal Finance Advisory
89 Commission shall be designated] as a tier I municipality. The chief
90 elected official of any municipality that does not meet the conditions
91 identified under subsection (d) of section 7-395 may apply to the
92 Municipal Finance Advisory Commission for designation as a tier I
93 municipality, provided such official (1) expects that such municipality
94 will meet one or more such conditions in the following twenty-four
95 month period, and (2) submits a report to the Municipal Finance
96 Advisory Commission, in a form and manner prescribed by the
97 commission, that confirms that such condition or conditions will be met
98 in such period. Each decision to designate a municipality as a tier I
99 municipality pursuant to this section shall be based on an evaluation of
100 such municipality's financial condition and financial practices. In
101 addition to the requirements of section 7-394b, each municipality
102 designated as a tier I municipality shall prepare and present a five-year
103 financial plan to the Municipal Finance Advisory Commission for its
104 review and approval.

105 [(b) The secretary shall refer any municipality designated as a tier I
106 municipality to the Municipal Finance Advisory Commission, pursuant
107 to the provisions of section 7-395. In addition to the requirements of
108 section 7-394b, such municipality shall prepare and present a five-year
109 financial plan to the Municipal Finance Advisory Commission for its
110 review and approval.]

111 Sec. 504. Section 7-576f of the general statutes is repealed and the

112 following is substituted in lieu thereof (*Effective July 1, 2024*):

113 (a) (1) A municipality designated as a tier I municipality in
114 accordance with section 7-576a, as amended by this act, shall retain such
115 designation, notwithstanding any positive changes in the factors
116 leading to its current designation, until the Municipal Finance Advisory
117 Commission, by unanimous vote, terminates such designation based on
118 an evaluation of such municipality's financial condition and financial
119 practices.

120 [(a)] (2) A municipality designated as a [tier I municipality in
121 accordance with section 7-576a,] tier II municipality in accordance with
122 section 7-576b, tier III municipality in accordance with section 7-576c, or
123 tier IV municipality in accordance with section 7-576e, as amended by
124 this act, shall retain such designation, notwithstanding any positive
125 changes in the factors leading to its current designation, until, in the
126 fiscal years following such designation, [(1)] the Municipal
127 Accountability Review Board determines that (A) there have been no
128 audited operating deficits in the general fund of the municipality for
129 two consecutive fiscal years, [(2)] (B) the [municipality's] municipality
130 has a long-term bond rating from one or more bond rating agencies that
131 is investment grade or higher and such bond rating has either improved
132 or remained unchanged since its most current designation, [(3)] (C) the
133 municipality has presented and the [commission or] board has
134 approved a financial plan that projects a positive fund balance for the
135 three succeeding consecutive fiscal years covered by such financial plan,
136 [where] provided (i) each fiscal year of such plan is based upon
137 recurring revenue and expenses, (ii) a positive fund balance of at least
138 five per cent is projected in the third such fiscal year, [and (4)] and (iii)
139 such plan does not include funding received pursuant to section 7-576i,
140 as amended by this act, or 7-576j, (D) the municipality's audits for such
141 consecutive fiscal years have been completed and [contain no general
142 fund deficit] the general fund reports an audited fund balance of at least
143 five per cent, and (E) there is no evidence that the municipality has
144 engaged in unsound or irregular financial practices in relation to
145 commonly accepted standards in municipal finance. The board may

146 undertake the determination described in this subdivision at its
147 discretion or upon the request of a municipality.

148 (b) [Notwithstanding subsection (a) of this section, the Municipal
149 Finance Advisory Commission may, by unanimous vote, end the
150 designation of a municipality designated as a tier I municipality, based
151 on an evaluation of such municipality's financial condition.] (1) If the
152 Municipal Accountability Review Board determines that a municipality
153 has satisfied the criteria listed in subdivision (2) of subsection (a) of this
154 section, the secretary shall, at the secretary's discretion and in
155 consideration of the fiscal condition of the municipality and best
156 interests of the state, terminate such municipality's tier designation or
157 redesignate such municipality to a lower tier, provided no such
158 municipality shall be redesignated as a tier I municipality. Not later than
159 sixty days after the board makes such determination, the secretary shall
160 notify the municipality of the secretary's decision to terminate such
161 municipality's tier designation or redesignate such municipality to a
162 lower tier. A municipality shall retain its existing tier designation until
163 such notice is received. If the secretary fails to provide such notice prior
164 to the expiration of said sixty-day period, the municipality's tier
165 designation shall be deemed terminated on the sixty-first day following
166 such determination.

167 (2) A municipality redesignated to a lower tier pursuant to
168 subdivision (1) of this subsection shall (A) meet the requirements of this
169 chapter pertaining to such lower tier, and (B) not request a
170 determination from the Municipal Accountability Review Board
171 pursuant to subdivision (2) of subsection (a) of this section during the
172 one-year period following such redesignation.

173 Sec. 505. Section 7-576i of the general statutes is repealed and the
174 following is substituted in lieu thereof (*Effective July 1, 2024*):

175 (a) Any designated tier II, III, or IV municipality shall be eligible to
176 receive funding from the Municipal Restructuring Fund, which fund
177 shall be nonlapsing. A designated tier II, III or IV municipality seeking

178 such funds shall submit, for approval by the Secretary of the Office of
179 Policy and Management, a plan detailing its overall restructuring plan,
180 including local actions to be taken and its proposed use of such funds.
181 Notwithstanding section 10-262j, a municipality may, as part of such
182 plan and in consultation with its local board of education, submit a
183 proposed reduction in the minimum budget requirement related to its
184 education budget. The secretary shall consult with the Commissioner of
185 Education in approving or rejecting such proposed reduction. The
186 secretary shall consult with the [municipal accountability review board]
187 Municipal Accountability Review Board in making distribution
188 decisions and attaching appropriate conditions thereto, including the
189 timing of any such distributions and whether such funds shall be
190 distributed in the form of a municipal restructuring fund loan subject to
191 repayment by the municipality. The distribution of such assistance
192 funds shall be based on the relative fiscal needs of the requesting
193 municipalities. The secretary may approve all, none or a portion of the
194 funds requested by a municipality. In attaching conditions to such
195 funding, the secretary shall consider the impact of such conditions on
196 the ability of a municipality to meet legal and other obligations. The
197 board shall monitor and report to the secretary on the use of such funds
198 and adherence to the conditions attached thereto. The secretary shall
199 develop and issue guidance on the (1) administration of the [municipal
200 restructuring fund] Municipal Restructuring Fund, (2) criteria for
201 participation by municipalities and requirements for plan submission,
202 and (3) prioritization for the awarding of assistance funds pursuant to
203 this section. Any municipality that receives funding from the [municipal
204 restructuring fund] Municipal Restructuring Fund, in addition to the
205 other responsibilities and authority given to the board with respect to
206 designated tiers II, III and IV municipalities, shall be required to receive
207 board approval of its annual budgets.

208 (b) The secretary may distribute funds from the Municipal
209 Restructuring Fund to a third party on behalf of a designated tier II, tier
210 III or tier IV municipality. Funds received by a municipality pursuant to
211 this section may be used, in part, to pay an arbitrator selected pursuant

212 to clause (v) of subdivision (3) of subsection (a) of section 7-576e, as
213 amended by this act.

214 [(b)] (c) Notwithstanding the provisions of subsection (a) of this
215 section, in making distributions from the Municipal Restructuring
216 Fund, the board shall give immediate consideration to any municipality
217 that shall default on debt obligations by January 1, 2018, without an
218 immediate distribution of such funds.

219 Sec. 506. Subdivision (2) of subsection (a) of section 7-576e of the
220 general statutes is repealed and the following is substituted in lieu
221 thereof (*Effective July 1, 2024*):

222 (2) The Municipal Accountability Review Board may designate a tier
223 III municipality as a tier IV municipality based on a finding by the board
224 that the fiscal condition of such municipality warrants such a
225 designation based upon an evaluation of the following criteria: (A) The
226 balance in the municipal reserve fund; (B) the short and long-term
227 liabilities of the municipality, including, but not limited to, the
228 municipality's ability to meet minimum funding levels required by law,
229 contract or court order; (C) the initial budgeted revenue for the
230 municipality for the past five fiscal years as compared to the actual
231 revenue received by the municipality for such fiscal years; (D) budget
232 projections for the following five fiscal years; (E) the economic outlook
233 for the municipality; [and] (F) the municipality's access to capital
234 markets; and (G) evidence of unsound or irregular financial practices in
235 relation to commonly accepted standards in municipal finance that the
236 board believes may materially affect the municipality's financial
237 condition. For the purpose of determining whether to make a finding
238 pursuant to this subdivision, the membership of the board shall
239 additionally include the chief elected official of such municipality, the
240 treasurer of such municipality and a member of the legislative body of
241 such municipality, as selected by such body. In conducting a vote on
242 any such determination, the treasurer of such municipality shall be a
243 non-voting member of the board. The board shall submit such finding
244 and recommended designation to the secretary, who shall provide for a

245 thirty-day notice and public comment period related to such finding
246 and recommendation. Following the public notice and comment period,
247 the secretary shall forward the board's finding and recommended
248 designation and a report regarding the comments received in this regard
249 to the Governor. Following the receipt of such documentation from the
250 secretary, the Governor may approve or disapprove the board's
251 recommended designation.

252 Sec. 507. Section 7-393 of the general statutes is repealed and the
253 following is substituted in lieu thereof (*Effective July 1, 2024*):

254 Upon the completion of an audit, the independent auditor shall file
255 certified copies of the audit report with (1) the appointing authority, (2)
256 in the case of a town, city or borough, with the clerk of such town, city
257 or borough, (3) in the case of a regional school district, with the clerks of
258 the towns, cities or boroughs in which such regional school district is
259 located and with the board of education, (4) in the case of an audited
260 agency, with the clerks of the towns, cities or boroughs in which such
261 audited agency is located, and (5) in each case, with the Secretary of the
262 Office of Policy and Management. Such copies shall be filed within six
263 months from the end of the fiscal year of the municipality, regional
264 school district or audited agency, but the secretary may grant an
265 extension of not more than thirty days, provided the auditor making the
266 audit and the chief executive officer of the municipality, regional school
267 district or audited agency shall jointly submit a request in writing to the
268 secretary stating the reasons for such extension at least thirty days prior
269 to the end of such six-month period. If the reason for the extension
270 relates to deficiencies in the accounting system of the municipality,
271 regional school district or audited agency the request must be
272 accompanied by a corrective action plan. The secretary may, after a
273 hearing with the auditor and officials of the municipality, regional
274 school district or audited agency, grant an additional extension if
275 conditions warrant, provided such extension shall not exceed six
276 months from the date the auditor was required to file such copies. Said
277 auditor shall preserve all of his or her working papers employed in the
278 preparation of any such audit until the expiration of [three] five years

279 from the date of filing a certified copy of the audit with the secretary
 280 and such working papers shall be available, upon written request and
 281 upon reasonable notice from the secretary, during such time for
 282 inspection by the secretary or his authorized representative, at the office
 283 or place of business of the auditor, during usual business hours. Any
 284 municipality, regional school district, audited agency or auditor who
 285 fails to have the audit report filed on its behalf within six months from
 286 the end of the fiscal year or within the time granted by the secretary shall
 287 be referred by the secretary to the Municipal Finance Advisory
 288 Commission established pursuant to section 7-394b, assessed a civil
 289 penalty of not less than one thousand dollars but not more than [ten]
 290 fifty thousand dollars or both, except that the secretary may waive such
 291 penalties if, in the secretary's opinion, there appears to be reasonable
 292 cause for not having completed or provided the required audit report,
 293 provided an official of the municipality, regional school district or
 294 audited agency or the auditor submits a written request for such waiver.
 295 The secretary may impose any civil penalty assessed pursuant to this
 296 section against a municipality, regional school district or audited agency
 297 in the form of a reduction in the amount of one or more grants awarded
 298 by the secretary, including, but not limited to, any grant payable
 299 pursuant to section 12-18b."

This act shall take effect as follows and shall amend the following sections:		
Sec. 501	July 1, 2024	4-231
Sec. 502	July 1, 2024	4-232
Sec. 503	July 1, 2024	7-576a
Sec. 504	July 1, 2024	7-576f
Sec. 505	July 1, 2024	7-576i
Sec. 506	July 1, 2024	7-576e(a)(2)
Sec. 507	July 1, 2024	7-393