



Senate Bill No. 1502

June Special Session, Public Act No. 17-2

AN ACT CONCERNING THE STATE BUDGET FOR THE BIENNIUM ENDING JUNE 30, 2019, MAKING APPROPRIATIONS THEREFOR, AUTHORIZING AND ADJUSTING BONDS OF THE STATE AND IMPLEMENTING PROVISIONS OF THE BUDGET.

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

(Sections 1 to 348 and 377 to 732 are removed for the purposes of this document)

NOTE: BELOW ARE THE DISTRESSED MUNICIPAL ASSISTANCE AND ACCOUNTABILITY PROVISIONS (SECTIONS 349 TO 376) OF PUBLIC ACT 17-2, JUNE SPECIAL SESSION

Sec. 349. Section 7-560 of the general statutes, as amended by section 49 of public act 17-147, is repealed and the following is substituted in lieu thereof (*Effective from passage*):

Whenever used in subsection (a) of section 7-394b, [and] sections 7-560 to 7-579, inclusive, as amended by this act, sections 360, 363, 366 to 372, inclusive, and 376 of this act, the following definitions shall apply:

- (1) "Attorney General" means the Attorney General of the state of Connecticut.
- (2) "Certified municipality" means a municipality that has been certified as a tier I or tier II municipality by the secretary.
- (3) "Chief executive officer" means the officer described in section 7-193.
- (4) "Debt service payment fund" means the fund into which the proceeds of the property tax intercept procedure are deposited and from which debt service on all outstanding general obligations of a municipality which have a term of more than one

year and additionally all outstanding general obligations which the municipality determines are to be supported by the tax intercept procedure shall be paid as provided in subsection (a) of section 7-394b and sections 7-560 to 7-579, inclusive, as amended by this act.

(5) "Debt service payment fund requirement" means an amount at least equal to the aggregate amount of principal, sinking fund installments, if any, and interest during the then current fiscal year as the same become due and payable on all outstanding general obligations of the municipality which have a term of more than one year and additionally all outstanding general obligations which the municipality determines are to be supported by the tax intercept procedure.

(6) "Deficit" means with respect to the general fund of any municipality, any cumulative excess of expenditures, encumbrances, or other uses of funds for any fiscal year and all prior fiscal years over revenues of the municipality for such period and the prior year's unassigned fund balance, as reflected in the most recent audited financial statements of such municipality. For purposes of determining such excess, revenues shall not include the proceeds of tax anticipation notes and expenditures shall not include any principal payment of tax anticipation notes.

(7) "Deficit obligation" means any general obligation with a term of more than one year or any bond or any note issued in anticipation thereof, issued by a municipality either for the purpose of or having the effect of reducing, eliminating or preventing a general fund, special revenue fund or enterprise fund deficiency, other than any obligation issued pursuant to chapter 110.

(8) "Designated tier I municipality" means a municipality designated as a tier I municipality in accordance with the provisions of section 360 of this act.

(9) "Designated tier II municipality" means a municipality designated as a tier II municipality in accordance with the provisions of section 363 of this act.

(10) "Designated tier III municipality" means a municipality designated as a tier III municipality in accordance with the provisions of section 366 of this act.

(11) "Designated tier IV municipality" means a municipality designated as a tier IV municipality in accordance with the provisions of section 368 of this act.

(12) "Equalized mill rate" means the tax rate derived from the most recent available grand levy of a municipality divided by the equalized net grand list on which such levy is based, as determined by the secretary in accordance with section 10-261a.

(13) "Fund balance" means the amount that assets and deferred outflow of resources of a municipality's general fund exceeds the liabilities and deferred inflow of resources of

the general fund of the municipality, as of the fiscal year ended as reflected in the municipality's most recent audited financial statements presented in accordance with generally accepted accounting principles.

(14) "Fund balance percentage" means the fund balance of the general fund of a municipality as of the fiscal year ended in the municipality's most recent audited financial statements and presented in accordance with generally accepted accounting principles, divided by the sum of revenues of the general fund and operating transfers into the general fund for the fiscal year.

[(8)] (15) "General fund deficiency" means a deficit or a projected fiscal year deficit, or both.

[(9)] (16) "General obligation" means an obligation issued by a municipality and secured by the full faith and credit and taxing power of such municipality including any contingent obligation which is payable from the general fund and is subject to annual appropriation.

[(10)] (17) "Maximum required capital reserve" means the maximum aggregate amount of principal, interest and other amounts due and owing during any succeeding fiscal year, excluding any sinking fund installments payable in a prior fiscal year on outstanding general obligations of a certified municipality supported by a special capital reserve fund issued pursuant to subsection (a) of section 7-394b and sections 7-568 to 7-579, inclusive, as amended by this act.

[(11)] (18) "Minimum required capital reserve" means the aggregate amount of principal, sinking fund installments, interest and other amounts due and owing during the next succeeding fiscal year on outstanding general obligations of a certified municipality supported by a special capital reserve fund pursuant to subsection (a) of section 7-394b and sections 7-560 to 7-579, inclusive, as amended by this act.

(19) "Municipal Accountability Review Board" means the Municipal Accountability Review Board established pursuant to section 367 of this act.

(20) "Municipal aid" means formula grants, grants, payments in lieu of taxes, reimbursements, payments and other funding provided by the state to municipalities and used to fund municipal general fund budgets, including education budgets.

[(12)] (21) "Municipal Finance Advisory Commission" means the Municipal Finance Advisory Commission established in section 7-394b.

(22) "Municipal revenue increase in fiscal year ending June 30, 2018, as a per cent of revenues" means the net difference in estimated municipal revenues from state sources and new municipal taxing authority as compiled by the secretary pursuant to section 4-

71b for the fiscal year ending June 30, 2018, as compared to the estimated municipal revenues from such sources compiled by the secretary pursuant to section 4-71b for the fiscal year ending June 30, 2017, divided by the sum of revenues of the general fund and operating transfers into the general fund as reported in the municipality's audited financial statements for the fiscal year ending June 30, 2016.

[(13)] (23) "Municipality" means any town, city, borough, consolidated town and city, consolidated city and borough, any metropolitan district, any district, as defined in section 7-324, and any other political subdivision of the state having the power to levy taxes and to issue bonds, notes or other obligations.

[(14)] (24) "Obligation" means any bond, bond anticipation note or other interim funding obligation, certificate of participation, security, financing lease, installment purchase agreements, capital lease, receivable or other asset sale, refinancing covered by this definition and any other transaction which constitutes debt in accordance with both municipal reporting standards in section 7-394a and the regulations prescribing municipal financial reporting adopted by the secretary.

[(15)] (25) "Outstanding obligation" means any obligation with respect to which a principal or interest payment, sinking fund installment or other payment or deposit is, or will be, due in the future and for which moneys or defeasance securities have not been deposited in escrow.

[(16)] (26) "Projected fiscal year deficit" means, with respect to the general fund of any municipality during any fiscal year, the excess of estimated expenditures and uses of funds for the fiscal year over estimated revenues and any cumulative unassigned general fund balance from the prior fiscal year. For purposes of determining such excess, estimated revenues shall not include the proceeds of tax anticipation notes and estimated expenditures shall not include any principal payment of tax anticipation notes.

[(17)] (27) "Property taxes" means all taxes on real and personal property levied by the municipality in accordance with the general statutes including any interest, penalties and other related charges, and shall not mean any rent, rate, fee, special assessment or other charge based on benefit or use.

[(18)] (28) "Property tax intercept procedure" means a procedure where a municipality provides for the collection and deposit in a debt service payment fund maintained with a trustee of all property taxes needed to meet the debt service payment fund requirement and which meets all the requirements of section 7-562, as amended by this act.

(29) "Property tax levy" means the mill rate of the municipality multiplied by the net taxable grand list of the municipality.

[(19)] (30) "Revenues" means, with respect to the general fund for any municipality for any fiscal year, property taxes and other moneys that are generally available for, accounted for and deposited in the municipality's general fund.

[(20)] (31) "Secretary" means the Secretary of the Office of Policy and Management.

[(21)] (32) "Special capital reserve fund" means the fund established pursuant to section 7-571, as amended by this act, to secure the timely payment of principal and interest on general obligations issued by a certified municipality approved by the Treasurer pursuant to section 7-573, as amended by this act.

[(22)] (33) "State" means the state of Connecticut.

[(23)] (34) "Tier I municipality" means any municipality which has applied to and been certified by the secretary as a tier I municipality.

[(24)] (35) "Tier II municipality" means any municipality which has applied to and been certified by the secretary as a tier II municipality.

[(25)] (36) "Treasurer" means the Treasurer of the state of Connecticut.

[(26)] (37) "Trustee" means any trust company or bank having the powers of a trust company within or without the state, appointed by the municipality as trustee for the municipality's tax intercept procedure or special capital reserve fund and approved by the Treasurer, as well as any successor trust company or bank having the powers of a trust company within or without the state succeeding a prior trust company or bank as trustee, so appointed and approved.

Sec. 350. Section 7-561 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

Any municipality may establish a property tax intercept procedure and a debt service payment fund, as provided in sections 7-562 to 7-564, inclusive, as amended by this act. The municipal officer or body empowered to issue general obligations or to determine the details of general obligations authorized by the municipality may establish such tax intercept procedure and such debt service payment fund, may determine the details and approve the terms of all indentures and agreements and other instruments necessary or appropriate to establish and implement a tax intercept procedure and a debt service payment fund as provided in [subsection (a) of section 7-394b and] sections 7-560 to 7-579, inclusive, as amended by this act, and may bind the municipality, pursuant to any such indenture or agreement, with the requirements of [subsection (a)

of section 7-394b and] sections 7-560 to 7-579, inclusive, as amended by this act, and of any ordinance or resolution authorizing the issuance of such general obligations of the municipality.

Sec. 351. Section 7-562 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(a) Any municipality which proposes to issue general obligations supported by a tax intercept procedure shall deliver to the secretary, together with the notice described in this section, documentation demonstrating that: (1) Such municipality has authorized the issuance of such obligations in accordance with the general statutes, charter, special act or home rule ordinance or the provisions of [subsection (a) of section 7-394b and] sections 7-560 to 7-579, inclusive, as amended by this act; (2) such municipality has established a property tax intercept procedure and a debt service payment fund with a trustee in accordance with the provisions of [subsection (a) of section 7-394b and] sections 7-560 to 7-579, inclusive, as amended by this act; and (3) such property tax intercept procedure shall assure that the property tax receipts transferred to the trustee and deposited in the debt service payment fund shall be in an amount at least equal to and deposited by such dates so as to satisfy the debt service payment fund requirement.

(b) Each such property tax intercept procedure and debt service payment fund shall: (1) Take effect immediately upon the issuance of such obligations; (2) provide that all outstanding general obligations of the municipality which have a term of more than one year shall be supported by and paid from debt service payment fund and that property taxes collected by the tax collector of such municipality shall be deposited in such debt service payment fund as provided in subsection (a) of this section; and (3) provide that the tax intercept procedure, the debt service payment fund, any indenture or agreement establishing them, may be amended by the municipality without the consent of any holder of any obligation of the municipality if such amendment does not impair the rights of the holders and is requested by the secretary or the Treasurer.

(c) Prior to the issuance of any general obligation and on or prior to the first day of each fiscal year thereafter, a municipality pursuant to its tax intercept procedure shall determine the percentage or amounts of property taxes to be deposited in such debt service payment fund, the time that such taxes shall be deposited therein and such other terms, conditions and requirements as such municipality shall determine to be in the best interest of the municipality, provided such terms, conditions and requirements shall assure that the debt service payment fund shall have money deposited therein by such dates so as to satisfy, and in amounts equal to or in excess of, the debt service payment requirement. Pursuant to the tax intercept procedure, the chief executive officer of such municipality shall certify to both the tax collector of such municipality and the trustee of the debt service payment requirement, the percentage or amount and the time for deposit of the property taxes therein and such other matters with respect to

the operations of the fund as may be required by the tax intercept procedure. Such percentage, amount and time shall be sufficient to assure that the debt service payment fund shall at all times have sufficient moneys available to meet the debt service payment fund requirement. The tax collector shall, immediately upon receipt, remit such property taxes in the percentage or amount and at the time set forth in such certificate to the trustee for deposit in the debt service payment fund. Nothing shall preclude the municipality or its duly authorized officers from causing additional amounts of municipal taxes or other funds to be deposited in the fund.

(d) If the percentage or amount and the time for deposit of the property taxes and such other matters with respect to the operations of the fund as may be required by the tax intercept procedure are not sufficient to meet the debt service payment fund requirement, the trustee and the chief executive officer shall notify the secretary and the Treasurer and thereafter all property taxes of such municipality shall be intercepted by the tax collector and tendered to the trustee for deposit in the debt service payment fund until the moneys deposited therein shall be at least equal to the debt service payment fund requirement.

(e) Funds in the debt service payment fund shall be applied only to pay the outstanding general obligations of the municipality as and when the same shall become due, provided if at any time during any fiscal year, the moneys in the debt service payment fund exceed the debt service payment fund requirement for such fiscal year, the municipality, may instruct the trustee to, and the trustee shall, subject to any restrictions in the tax intercept procedures, pay over to such municipality the amount of such excess for use by the municipality in any manner allowed by law.

(f) The trustee shall from time to time withdraw from the debt service payment fund all amounts required for the payment of debt service on all general obligations of the municipality, as the same shall become due, and shall cause the amounts so withdrawn and disbursed to the paying agents for such general obligations to be applied to such payment.

(g) The debt service payment fund and all moneys or securities therein or payable thereto are hereby declared to be property of the depositing municipality devoted to essential governmental purposes and accordingly shall not be applied to any purpose other than as provided in [subsection (a) of section 7-394b and] sections 7-560 to 7-579, inclusive, as amended by this act, and shall not be subject to any order, judgment, lien, execution, attachment, set-off or counterclaim by any creditor of the municipality, except the trustee.

Sec. 352. Section 7-563 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

The tax intercept procedure and the debt service payment fund shall be established pursuant to an indenture or other agreement between the municipality and the trustee. Such indenture or agreement shall include all the terms, conditions and requirements pertaining to the tax intercept procedure and the debt service payment fund in accordance with the requirements of [subsection (a) of section 7-394b and] sections 7-560 to 7-579, inclusive, as amended by this act, and the municipality shall agree to comply with all such terms, conditions and requirements for the benefit of the holders of any general obligations supported by such tax intercept procedure. Such indenture or agreement may also include covenants to pay the fees and expenses of the trustee and to indemnify the trustee from claims against the trustee, covenants of the municipality to protect and safeguard the security and rights of the holders of the obligations issued and sold subject thereto and inclusion of such covenants in the contract of the municipality with such holders and for the benefit of any holders of outstanding general obligations, provided such benefit conferred thereon shall not be deemed to restrict, preclude or otherwise impair any rights that such holders currently may assert and, without limiting said rights, such indenture or agreement shall contain covenants as to: (1) Establishment, maintenance and implementation of both the property tax intercept procedure and the debt service payment fund in a manner such that the municipality can transfer to the trustee for deposit in the debt service payment fund amounts at least equal to the debt service payment fund requirement, and the temporary investment of proceeds of such funds pending their use in accordance with [subsection (a) of section 7-394b and] sections 7-560 to 7-579, inclusive, as amended by this act, and subject to such limitations on investment of public funds otherwise provided for by the general statutes; (2) the appointment, rights, powers and duties of the trustee including limiting or abrogating the rights of the holders of such general obligations to appoint any other trustee and vesting in the trustee all or any such rights, duties and powers; and (3) conditions which would give rise to an event of default under the terms and conditions of such general obligations and actions and remedies which the trustee may take and assert on behalf of such holders. Any requirement set forth in [subsection (a) of section 7-394b and] sections 7-560 to 7-579, inclusive, as amended by this act, pertaining to the tax intercept procedure and debt service payment fund may be modified to the extent necessary to comply with any covenant of the municipality necessary to ensure the exclusion of interest on such obligations from gross income for federal income tax purposes.

Sec. 353. Section 7-564 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

The holders of general obligations for the benefit of whom the property tax intercept procedure and debt service payment fund is established shall have, in addition to all other rights and remedies under law, the following rights and remedies subject to the terms and conditions of the applicable indenture or agreement with the trustee:

(1) In the event the municipality shall fail or refuse to comply with the indenture or agreement with the trustee or shall default in any contract made with the holders of such general obligations, the holders of twenty-five per cent in aggregate principal amounts of such then outstanding obligations, by instrument or instruments filed with the trustee and proved or acknowledged to the satisfaction of the trustee may cause the trustee to take action for the purposes provided for in [subsection (a) of section 7-394b and] sections 7-560 to 7-579, inclusive, as amended by this act.

(2) Such trustee may, upon written request of the holders of twenty-five per cent in principal amount of such general obligations then outstanding, in its own name, exercise all or any of the powers of any such holders including: (A) By mandamus or other suit, action or proceeding at law or in equity, enforce all rights of the holders of such general obligations, including requiring the municipality to carry out the provisions of any contract with the holders or any indenture or agreement with the trustee and to perform its duty thereunder; (B) bring suit upon such general obligations; and (C) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the holders of such obligations.

(3) Such trustee shall have and possess all of the powers necessary or appropriate for the exercise of any functions specifically set forth in [subsection (a) of section 7-394b and] sections 7-560 to 7-579, inclusive, as amended by this act, or incident to the general representation of the holders of such general obligations of such issue in the enforcement and protection of their rights.

(4) The Superior Court shall have jurisdiction of any suit, action or proceeding by or on behalf of the holders of obligations. The venue of such suit, action or proceeding shall be the judicial district in which such municipality is located.

Sec. 354. Section 7-565 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

The state does hereby pledge to and agree with the holders of any general obligations issued under [subsection (a) of section 7-394b and] sections 7-560 to 7-579, inclusive, as amended by this act, and with those parties who may enter into contracts with a municipality pursuant to the provisions of [subsection (a) of section 7-394b and] sections 7-560 to 7-579, inclusive, as amended by this act, that the state will not limit or alter the rights hereby vested in a municipality until such obligations, together with the interest thereon, are fully met and discharged and such contracts are fully performed on the part of the municipality, provided nothing in [subsection (a) of section 7-394b and] sections 7-560 to 7-579, inclusive, as amended by this act, shall preclude limitation or alteration if and when adequate provision shall be made by law for the protection of the holders of such general obligations of a municipality or those entering into such

contracts with a municipality. A municipality as agent for the state is authorized to include this pledge and undertaking by the state in such general obligations.

Sec. 355. Section 7-568 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(a) Except as expressly provided in [subsection (a) of section 7-394b and] sections 7-560 to 7-579, inclusive, as amended by this act, no municipality shall issue any deficit obligation to fund a general fund deficiency.

(b) Notwithstanding any charter, special act or home-rule ordinance to the contrary, any municipality which has no outstanding deficit obligation and which has not issued a deficit obligation in the past five years, is authorized and empowered to issue deficit obligations to fund a deficit, provided such municipality shall, within the time and in the manner prescribed by regulations adopted by the secretary, in consultation with the Treasurer: (1) Notify the secretary of its intent to issue such deficit obligations, (2) provide the secretary with the documentation required under [subsection (a) of section 7-394b and] sections 7-560 to 7-579, inclusive, as amended by this act, (3) establish a property tax intercept procedure, and (4) establish and covenant to maintain with a trustee a debt service payment fund into which the property tax receipts shall be deposited pursuant to the property tax intercept procedure in an amount at least equal to the debt service payment requirement and from which the trustee shall disburse funds to pay debt service on all general obligations of such municipality which have a term of over one year as and when the same shall become due. [The secretary shall refer to the Municipal Finance Advisory Commission, pursuant to the provisions of section 7-395, any municipality which notifies the secretary that it intends to issue deficit obligations under this section.] Notwithstanding any other provisions of sections 7-560 to 7-565, inclusive, as amended by this act, sections 7-568 to 7-579, inclusive, as amended by this act, and sections 360, 363 and 366 to 371, inclusive, of this act, any municipality that issues a deficit obligation pursuant to this section or in the five years preceding July 1, 2017, shall be designated a tier III municipality by the secretary.

Sec. 356. Section 7-569 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

No municipality, including any certified or designated municipality, shall issue any obligation for which there is a special capital reserve fund of any kind which is in any way contributed to or guaranteed by the state unless and until such obligation, and the indenture or agreement establishing such special capital reserve fund, is approved by the Treasurer. The approval of the Treasurer shall be based on documentation provided and certified by such municipality demonstrating to the Treasurer's satisfaction that (1) (A) the secretary has certified the municipality, (B) the municipality has requested designation as a tier I, II or III municipality, or (C) the secretary has designated the

municipality as a tier III or IV municipality, (2) the Municipal Finance Advisory Commission, in the case of a certified municipality or designated tier I municipality, or the Municipal Accountability Review Board, in the case of a designated tier II, III or IV municipality, has approved the obligation to be issued under [subsection (a) of section 7-394b and] sections 7-560 to 7-579, inclusive, as amended by this act, (3) the municipality is not in default on any general obligation after giving effect to an obligation approved under this section, (4) the municipality has funded or made due provision to fund the special capital reserve fund, (5) the financing is in the public interest, and (6) the secretary and the Treasurer have approved the property tax intercept procedure authorized by [subsection (a) of section 7-394b and] sections 7-560 to 7-579, inclusive, as amended by this act.

Sec. 357. Section 7-570 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

Any certified or designated municipality which has authorized the issue of its general obligations and proposed to issue and secure such general obligations by a special capital reserve fund is hereby empowered to authorize and issue additional general obligations in the manner described in this section, solely for the purposes and in such amounts as are necessary (1) to fund all or a portion of such special capital reserve fund and (2) to pay all or a portion of the costs of issuing such authorized general obligations and such additional general obligations. Such additional general obligations and the appropriation of the proceeds thereof shall be authorized by a resolution adopted by a majority of all the members of the legislative body of the municipality, which for purposes of this section shall mean the body described below, notwithstanding the provisions of any general statute, special act, charter, special act charter, home-rule ordinance, local ordinance or local law governing the authorization of bonds or other obligations of such municipality or the appropriation of the proceeds thereof, all of which provisions are hereby superseded solely for the purposes of this section, including, but not limited to, any public hearing requirement, referendum approval requirement, referendum petition requirement, or recommendation or approval by any official, board, commission, agency, town meeting, representative town meeting, board of finance or other entity. The legislative body of the municipality empowered to authorize such additional obligations shall mean (A) the board of selectmen in any town without a charter, (B) the board of selectmen, council, board of directors, board of aldermen or board of burgesses in any municipality with a charter, (C) the board of education in any regional school district, (D) the city council in any unconsolidated city, (E) the board of burgesses in any unconsolidated borough, and (F) the board of directors or similar body in any other municipality. Notwithstanding any provision of a local law, ordinance, charter, special act charter, home-rule ordinance or the provisions of any bond authorizing ordinance or resolution, a certified or designated municipality's obligations may be sold at public sale on sealed proposal, by negotiation or by private placement in such manner at such price or prices, at such time or times

and on such terms or conditions as the Treasurer determines to be in the best interest of the municipality and the state. Any certified or designated municipality which issues general obligations under [subsection (a) of section 7-394b and] sections 7-560 to 7-579, inclusive, as amended by this act, shall transfer bond proceeds and such other funds to the special capital reserve fund in the amount necessary to cause the amount of money in the special capital reserve fund to equal the maximum required capital reserve and to maintain therein an amount equal to the maximum required capital reserve.

Sec. 358. Section 7-571 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(a) Any certified or designated municipality may establish a special capital reserve fund to secure general obligations with a term of more than one year issued pursuant to [subsection (a) of section 7-394b and] sections 7-560 to 7-579, inclusive, as amended by this act. The special capital reserve fund shall be established pursuant to an indenture or other agreement between the municipality and the trustee. Such indenture or agreement shall include all the terms, conditions and requirements pertaining to the special capital reserve fund in accordance with the requirements of [subsection (a) of section 7-394b and] sections 7-560 to 7-579, inclusive, as amended by this act, any requirements imposed by the secretary or the Treasurer, and any requirements imposed by the ordinance or resolution authorizing the issuance of such general obligations, and the municipality shall agree to comply with all such terms, conditions and requirements for the benefit of the holders of any general obligations supported by such special capital reserve fund and for the benefit of the state. Such indenture or agreement may also include covenants to pay the fees and expenses of the trustee and to indemnify the trustee against claims against the trustee and any other provisions which the municipality determines are necessary or appropriate to secure general obligations. The municipal officer or body empowered to issue such general obligations or to determine the details of such general obligations authorized by the municipality may establish such capital reserve fund and may determine the details and approve the terms of all indentures and agreements and other instruments necessary or appropriate to establish and implement such special capital reserve fund as provided in [subsection (a) of section 7-394b and] sections 7-560 to 7-579, inclusive, as amended by this act, and may bind the municipality pursuant to any such indenture or agreement.

(b) The special capital reserve fund shall consist of (1) bond proceeds and other moneys of the municipality available to be deposited therein and (2) any money made available therefor by the state in accordance with this section. All moneys held in the special capital reserve fund, except as hereinafter provided, shall be used to pay interest due and owing in respect of general obligations of the municipality secured by such special capital reserve fund and for the redemption and retirement of such general obligations as they mature or become due pursuant to any sinking fund redemption provisions, or for the redemption and retirement of such general obligations pursuant to any

refinancing or refunding provided any such refinancing or refunding obligations are not supported by any special capital reserve fund and any amounts in such special capital reserve fund are first applied to repay to the state any amounts which the state has paid or deposited in the special capital reserve fund and which the municipality has not repaid to the state. Income and interest from the investment of moneys in the special capital reserve fund shall be retained therein to meet any deficiencies in the maximum required capital reserve. Any amounts in excess of the maximum required capital reserve may be transferred first to the state in an amount equal to the aggregate amount transferred by the state for deposit in the special capital payment fund minus the aggregate amount of all previous reimbursements to the state, second to the debt service payment fund until the moneys in the debt service reserve fund equal or exceed the debt service payment requirement, and third to the municipality. Notwithstanding any provisions of this section, no municipality shall issue an obligation secured by a special capital reserve fund unless and until there is in the special capital reserve fund moneys and investments in an aggregate amount equal to the maximum required capital reserve, after giving effect to such obligations being issued. Any municipality may appropriate and deposit bond proceeds into the special capital reserve fund to bring the amount of money and investments therein to the maximum required capital reserve. Any requirement set forth in [subsection (a) of section 7-394b and] sections 7-560 to 7-579, inclusive, as amended by this act, pertaining to the special capital reserve fund may be modified to the extent necessary to comply with any covenant of the municipality necessary to ensure the exclusion of interest on general obligations of the municipality supported by the special capital reserve fund from gross income for federal income tax purposes. On or before December first of each year, there is deemed to be appropriated from the state General Fund such sums, if any, as shall be certified by the chief executive officer of a certified or designated municipality to the secretary, the Treasurer and the Municipal Finance Advisory Commission for a certified municipality or a designated tier I municipality, or the Municipal Accountability Review Board, for a designated tier II, III or IV municipality, as necessary to restore special capital reserve fund to an amount equal to the minimum required capital reserve, and such amounts shall be allotted and paid from the General Fund of the state to the trustee for deposit in the special capital reserve fund. Such amounts, if any, shall be repaid by the municipality to the state and credited to the General Fund as soon as possible, from any moneys available therefor. For purposes of valuation of the special capital reserve fund, securities acquired as an investment for such fund shall be valued at par, actual cost to the certified or designated municipality or market value, whichever value is lower.

Sec. 359. Section 7-572 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

Any municipality that desires to issue general obligations under section 7-573, as amended by this act, shall apply to the secretary for certification or designation. The

secretary may certify as a [Tier] tier I municipality any municipality which applies to be certified, provided such municipality (1) has a long-term bond rating from at least one bond rating agency which is investment grade or higher, (2) is unable to secure municipal bond insurance from any bond insurance company on reasonable terms and conditions on the date the secretary certifies such municipality, and (3) otherwise meets the standards established by the secretary. Such standards shall be [adopted as regulations] established in writing by the secretary, [in consultation] after consulting with the Treasurer, [and] shall provide for a level of supervision over such municipality which the secretary deems to be sufficient to minimize the risk of a draw upon the special capital reserve fund and a transfer from the state General Fund and shall be posted on the Internet web site of the Office of Policy and Management. The secretary may recertify and decertify any municipality then certified, provided the secretary shall not automatically decertify any municipality which is able to secure bond insurance after it has been certified by the secretary.

Sec. 360. (NEW) (*Effective from passage*) (a) The chief elected official of a municipality may apply to the secretary to request designation as a tier I municipality if any of the following conditions exist: (1) The municipality has no bond rating, or its highest bond rating is A or above, provided the municipality has no rating that is not investment grade, receives less than thirty per cent of its current fiscal year general fund budget revenues in the form of municipal aid from the state, has a positive fund balance percentage, and has a municipal revenue increase in fiscal year ending June 30, 2018, as a per cent of revenues of two per cent or more, (2) the municipality has no bond rating or its highest bond rating is A, provided the municipality has no rating that is not investment grade, receives less than thirty per cent of its current fiscal year general fund budget revenues in the form of municipal aid from the state, and had a positive fund balance percentage of less than five per cent, or (3) the municipality's highest bond rating is AA or above, provided the municipality has no rating that is not investment grade, receives thirty per cent or more of its current fiscal year general fund budget revenues in the form of municipal aid from the state, has an equalized mill rate of less than thirty, has a positive fund balance percentage, and has a municipal revenue increase in the fiscal year ending June 30, 2018, as a per cent of revenues of two per cent or more.

(b) The secretary shall refer any municipality which has requested designation as a tier I municipality to the Municipal Finance Advisory Commission, pursuant to the provisions of section 7-395 of the general statutes. In addition to the requirements of section 7-394b of the general statutes, such municipality shall prepare and present a three-year financial plan to the Municipal Finance Advisory Commission for its review and approval.

Sec. 361. Section 7-573 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

Any [Tier I] tier I certified municipality or designated tier I municipality that meets the eligibility requirements of subdivisions (1) to (3), inclusive, of section 7-572, as amended by this act, may issue general obligations with a term of more than one year which are supported by a special capital reserve fund, but not general obligations to fund a general fund deficiency, as provided in [subsection (a) of section 7-394b and] sections 7-560 to 7-579, inclusive, as amended by this act. Any such [Tier] tier I municipality shall, within the time and in the manner prescribed by [regulations] written procedures adopted by the secretary, in consultation with the Treasurer: (1) Notify the secretary of its intent to issue such obligations, (2) provide the secretary with the documentation required under [subsection (a) of section 7-394b and] sections 7-560 to 7-579, inclusive, as amended by this act, (3) establish a property tax intercept procedure and debt service payment fund in accordance with the provisions of [subsection (a) of section 7-394b and] sections 7-560 to 7-579, inclusive, as amended by this act, and (4) comply with sections 7-569 to 7-571, inclusive, as amended by this act. The secretary shall refer to the Municipal Finance Advisory Commission, pursuant to the provisions of section 7-395, any tier I certified municipality which notifies the secretary that it intends to issue obligations under this section.

Sec. 362. Section 7-574 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

Any municipality that desires to issue general obligations under section 7-575, as amended by this act, shall apply to the secretary for certification. The secretary may certify as a tier II municipality any municipality which applies to be certified to issue a general obligation authorized by [subsection (a) of section 7-394b and] sections 7-560 to 7-579, inclusive, as amended by this act, provided such municipality (1) has a long-term bond rating from at least one bond rating agency which is investment grade or higher, (2) is unable to obtain municipal bond insurance from any bond insurance company on reasonable terms and conditions on the date the secretary certifies such municipality, (3) has not issued a deficit obligation in the last five years, (4) has no deficit obligations outstanding, and (5) otherwise meets the standards established by the secretary. Such standards shall be [adopted as regulations] established in writing by the secretary, [in consultation] after consulting with the Treasurer, [and] shall provide for a level of supervision over such municipality which the secretary deems to be sufficient to minimize the risk of a draw upon the special capital reserve fund and a transfer from the state General Fund and shall be posted on the Internet web site of the Office of Policy and Management. The secretary may recertify and decertify any municipality then certified, provided the secretary shall not automatically decertify any municipality which is able to secure bond insurance after it has been certified by the secretary.

Sec. 363. (NEW) (*Effective from passage*) (a) The chief elected official of a municipality may apply to the secretary to request designation as a tier II municipality if any of the following conditions exist: (1) The municipality has no bond rating from a bond rating

agency, or, if its highest bond rating is A, provided the municipality has no rating that is not investment grade, receives thirty per cent or more of its current or prior fiscal year general fund budget revenues were or are in the form of municipal aid from the state, has a positive fund balance percentage of five per cent or more, has an equalized mill rate of less than thirty, and has a municipal revenue increase in fiscal year ending June 30, 2018, as a per cent of revenues of two per cent or more, (2) the municipality has no bond rating from a bond rating agency, or, if its highest bond rating is A, provided the municipality has no rating that is not investment grade, receives thirty per cent or more of its current or prior fiscal year general fund budget revenues were or are in the form of municipal aid from the state, has an equalized mill rate of less than thirty, and has a positive fund balance percentage of less than five per cent, (3) the municipality's highest bond rating is AA or higher, provided the municipality has no rating that is not investment grade, receives thirty per cent or more of its current or prior fiscal year general fund budget revenues were or are in the form of municipal aid from the state, and has an equalized mill rate of thirty or more, (4) the municipality's highest bond rating is AA or higher, provided the municipality has no rating that is not investment grade, and has a negative fund balance percentage, or (5) the municipality's highest bond rating is Baa or BBB, provided the municipality has no rating that is not investment grade, has a positive fund balance percentage and an equalized mill rate of less than thirty.

(b) The secretary shall refer any municipality which has requested designation as a tier II municipality to the Municipal Accountability Review Board established pursuant to section 367 of this act. Said board shall have the same authority and responsibilities possessed by the Municipal Finance Advisory Commission with respect to tier II certified municipalities referred to it, including, but not limited to, requiring that such municipalities prepare and present to said board for its review and approval a three-year financial plan and monthly financial reports, in a manner prescribed by said board. In preparing and adopting its annual budgets, such municipality shall only include assumptions respecting state revenues and property tax revenues as approved by such board and such board shall approve or disapprove all obligations issued by a designated tier II municipality pursuant to section 7-575 of the general statutes, as amended by this act, and this section, provided it shall only approve such obligations which in its judgment improve the financial condition of such municipality.

Sec. 364. Section 7-575 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

Any tier II certified municipality or any designated tier II, III or IV municipality that meets the eligibility requirements of subdivisions (1) to (5), inclusive, of section 7-574, as amended by this act, or any designated tier IV municipality that does not meet such eligibility requirements but receives approval by the Municipal Accountability Review Board pursuant to subdivision (7) of subsection (a) of section 368 of this act, may issue

general obligations with a term of more than one year which are supported by a special capital reserve fund, including general obligations to fund a deficit, as provided in [subsection (a) of section 7-394b and] sections 7-560 to 7-579, inclusive, as amended by this act, provided no municipality shall issue an obligation with a term of more than one year to fund a projected fiscal year deficit. Any such certified or designated tier II municipality shall, within the time and in the manner prescribed by [regulations adopted] written standards established by the secretary, [in consultation] after consulting with the Treasurer: (1) Notify the secretary of its intent to issue such obligations, (2) provide the secretary with the documentation required under [subsection (a) of section 7-394b and] sections 7-560 to 7-579, inclusive, as amended by this act, (3) establish a property tax intercept procedure and debt service payment fund in accordance with the provisions of [subsection (a) of section 7-394b and] sections 7-560 to 7-579, inclusive, as amended by this act, and (4) comply with sections 7-569 to 7-571, inclusive, as amended by this act. The secretary shall refer to the Municipal Finance Advisory Commission, pursuant to the provisions of section 7-395, any certified tier II municipality which notifies the secretary that it intends to issue obligations under this section. A municipality that issues a deficit obligation pursuant to this section shall be a designated tier III municipality.

Sec. 365. Section 7-576 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

Each tier II certified municipality shall work with and report to the Municipal Finance Advisory Commission as provided for in this section. The secretary shall refer to the Municipal Finance Advisory Commission any tier II certified municipality for the purpose of improving the fiscal condition of such municipality. Such municipality shall prepare and present to the Municipal Finance Advisory Commission for its review and approval a three-year financial plan and monthly financial report in the manner prescribed by the Municipal Finance Advisory Commission. In addition, in preparing and adopting its annual budgets, such municipality shall include assumptions respecting state revenues and property tax revenues as approved by the Municipal Finance Advisory Commission. The Municipal Finance Advisory Commission shall approve or disapprove all obligations issued by a tier II certified municipality pursuant to section 7-575, as amended by this act, and this section, [inclusive,] provided it shall only approve such obligations which in its judgment improve the financial condition of such municipality.

Sec. 366. (NEW) (*Effective from passage*) (a) The chief elected official of a municipality, or the legislative body of such municipality, by majority vote, may apply to the secretary to request designation as a tier III municipality if any of the following conditions exist: (1) The municipality has at least one bond rating from a bond rating agency that is below investment grade, or (2) the municipality has no bond rating from a bond rating agency, or, if its highest bond rating is A, Baa or BBB, provided the municipality has no

rating that is not investment grade, and it has either (A) a negative fund balance percentage, or (B) an equalized mill rate that is thirty or more and it receives thirty per cent or more of its current or prior fiscal year general fund budget revenues were or are in the form of municipal aid from the state. Prior to submission of such request by a chief elected official, such official shall provide notice of intent to apply for such designation to the legislative body of such municipality. Such legislative body shall have thirty days from receipt of such notice to approve or reject the chief elected official's decision to submit such a request. If such legislative body does not approve or reject such decision during such thirty-day period, the chief elected official's decision to submit such request shall be deemed approved by such legislative body. The secretary shall designate a municipality as tier III if: (i) A municipality meets either condition described in subdivision (1) or (2) of this subsection and based on reports and findings of the Municipal Finance Advisory Commission, the secretary finds that the fiscal condition of the municipality warrants such designation, (ii) the municipality issues refunding bonds that (I) have a term of more than twenty-five years, (II) do not achieve net present value savings pursuant to the provisions of section 7-370c of the general statutes, as amended by public act 17-147, and (III) have annual debt service obligations associated with any existing debt and such refunding bonds in any year that are greater than the first full year debt service obligation following the issuance of such refunding bonds, or (iii) the municipality issues a deficit obligation or has issued a deficit obligation in the five years preceding July 1, 2017.

(b) The secretary shall refer any municipality that is a designated tier III municipality to the Municipal Accountability Review Board established pursuant to the provisions of section 367 of this act.

(c) Notwithstanding any provision of this section, no municipality shall be designated a tier III municipality prior to July 1, 2018, by any means other than an application as described in subsection (a) of this section, except a municipality with a population of one hundred twenty thousand or more that has a bond rating of Caa1 or less.

Sec. 367. (NEW) (*Effective from passage*) (a) There is established a Municipal Accountability Review Board, which shall be in the Office of Policy and Management for administrative purposes only and which shall be comprised of the Secretary of the Office of Policy and Management, or the secretary's designee, who shall be the chairperson of such board, the State Treasurer, or the State Treasurer's designee, who shall be the cochairperson of such board, five members appointed by the Governor, one of whom shall be a municipal finance director, one of whom shall be a municipal bond or bankruptcy attorney, one of whom shall be a town manager, one of whom shall have significant experience in representing organized labor and who shall be selected from a list of three recommendations by the American Federation of State, County and Municipal Employees and one of whom shall have significant experience as a teacher or representing a teacher's organization and who shall be selected from a list of three joint

recommendations by the Connecticut Education Association and the American Federation of Teachers-Connecticut, and one member appointed by the president pro tempore of the Senate, one member appointed by the speaker of the House of Representatives, one member appointed by the minority leader of the Senate and one member appointed by the minority leader of the House of Representatives. Each member appointed by the president pro tempore of the Senate, the speaker of the House of Representatives, the minority leader of the Senate and the minority leader of the House of Representatives shall have experience in business, finance or municipal management. All appointed members shall serve for terms of six years and until a successor is appointed except that two of the five initial appointments by the Governor shall each be for a term of three years with all subsequent appointments being for a term of six years. The filling of any vacancy shall be for the remainder of the applicable member's terms. If there are two or more designated tier II, III or IV municipalities, the Governor may appoint alternates for one or more of the appointments made by the Governor pursuant to this section. Such alternates shall have the same qualifications as the member for whom they serve as an alternate and the term of each such alternate shall coincide with the term of such member. The members of the board shall serve without compensation, but shall be reimbursed for expenses incurred in performance of their duties. Expenses of the board related to its work with designated tier III or IV municipalities, including any staff, consultants and other expenses adopted by the board, may, following consultation with such municipalities, be charged to such municipalities by the board and may be paid from the proceeds of any deficit obligation or debt restructuring bonds.

(b) Each designated tier III municipality shall work with the Municipal Accountability Review Board and report to it as provided for in this section. In addition to possessing such powers granted to such board with respect to the designated or certified tier II municipalities referred to it, the following responsibilities and authorities of the board shall apply:

(1) The board shall review and comment on any such municipality's annual budget prior to its adoption by the legislative body of such municipality.

(2) In preparing and adopting its annual budgets, any such municipality shall only include assumptions respecting state revenues and property tax revenues and a mill rate as are approved by the board.

(3) All obligations issued by a tier III municipality that is eligible to issue bonds pursuant to the provisions of section 7-575 of the general statutes, as amended by this act, and the issuance of refunding bonds pursuant to section 7-370c of the general statutes, as amended by public act 17-147, and section 50 of public act 17-147 shall require approval by the board, provided the board, by a vote of five or more of its members, shall only approve such obligations which in its judgment improve the

financial condition of any such municipality. Notwithstanding any provision of the general statutes, the board may approve and authorize the municipality's issuance of bonds with a term of not more than forty years from the date of such issuance.

(4) The board shall review and comment on proposed debt obligations of the municipality not covered by section 7-575 of the general statutes, as amended by this act, prior to their issuance.

(5) The board may require that the municipality or its board of education notify the board of any or all municipal or board of education contracts that exceed: (A) Fifty thousand dollars for municipalities with a resident population under seventy thousand, or (B) one hundred thousand dollars for municipalities with a resident population of seventy thousand or more, not less than thirty days prior to execution of such contract, for board review and comment regarding such proposed contract. The board shall establish policies and procedures, in consultation with any such municipality and such municipality's board of education, to implement the provisions of this subdivision.

(6) With respect to any proposed collective bargaining agreement or amendments negotiated pursuant to sections 7-467 to 7-477, inclusive, of the general statutes or pursuant to section 10-153d of the general statutes, the board shall have the same opportunity and authority to approve or reject, on not more than two occasions, collective bargaining agreements or amendments as is provided to the legislative body of such municipality in said respective sections.

(7) (A) The board shall be provided with the same opportunity and authority to reject, on not more than two occasions, an arbitration award, by a vote of the board, as is provided to the legislative body of the municipality in subdivision (12) of subsection (d) of section 7-473c of the general statutes and to provide a written statement to the State Board of Mediation and Arbitration in accordance with said section.

(B) The board shall be provided with the same opportunity and authority to reject, on not more than two occasions, an arbitration award, by a vote of the board, as is provided to the legislative body of the local school district or municipality in subdivision (7) of subsection (c) of section 10-153f of the general statutes and to provide a written statement to the Commissioner of Education and to the exclusive representative of the administrators unit as is required in said section. The provisions of this subparagraph shall not be construed to apply to an arbitration award to which a teacher's unit is a party.

(8) The board shall monitor compliance with the municipality's three-year financial plan and annual budget and recommend that the municipality make such changes as are necessary to ensure budgetary balance in such plan and budget.

(9) The board shall recommend that the municipality and its board of education implement measures relating to the efficiency and productivity of the municipality's and board of education's operations and management as the board deems appropriate, to reduce costs and improve services so as to advance the purposes of sections 7-560 to 7-565, inclusive, of the general statutes, as amended by this act, sections 7-568 to 7-579, inclusive, of the general statutes, as amended by this act, and sections 360, 363 and 366 to 371, inclusive, of this act. Such recommendations may include, but shall not be limited to, policies and procedures for the responsible use of municipal and board of education credit and purchasing cards, vehicles and other municipal and board of education property and resources.

(10) The board may obtain information on the financial condition and financial needs of any such municipality and board of education of any such municipality.

(11) The board, in consultation with the municipality, may retain such staff and hire consultants experienced in the field of municipal finance, municipal law, governmental operations and administration or governmental accounting as it deems necessary or desirable for accomplishing its purposes.

(12) The board may require the municipality and such municipality's board of education to apply LEAN practices and principles, and to participate in efforts to establish common strategies and goals and to organize around collective impacts for the municipality, such municipality's residents, businesses and employees, to result in an improved fiscal sustainability and municipal vitality.

(13) The board may consult with federal, state, quasi-public and nongovernmental agencies to accomplish its purposes.

(14) The board shall establish such written procedures as the board deems necessary to carry out its responsibilities and meet the purposes of sections 7-560 to 7-565, inclusive, of the general statutes, as amended by this act, sections 7-568 to 7-579, inclusive, of the general statutes, as amended by this act, and sections 360, 363 and 366 to 371, inclusive, of this act.

(c) With respect to any municipality referred to the Municipal Accountability Review Board, such municipality and each of its administrative units, including such municipality's board of education, shall supply the board with such financial reports, data, audits, statements and any other records or documentation as the board may require to exercise its powers and to perform its duties and functions. Such reports may include, but shall not be limited to, (1) proposed budgets, (2) monthly reports of the financial condition of the municipality, (3) the status of the municipality's current annual budget and progress under its financial plan for the then current fiscal year, (4) estimates of the operating results for all funds or accounts to the end of the then current

fiscal year, (5) pension plan and debt projections, (6) statements and projections of general fund cash flow reserves, (7) the number of municipal employees on the municipal payroll, and (8) debt service requirements on all bonds and notes of the municipality for the following month.

(d) With respect to collective bargaining negotiations associated with the municipal or board of education employees of a tier III municipality with a population of one hundred thousand or more, the parties to such negotiations shall request that the Secretary of the Office of Policy and Management designate a staff member and that the local legislative body of such municipality designate one of its members to meet with the parties for the purpose of providing mediation assistance associated with such negotiations. Such mediation may include, but shall not be limited to, assisting the parties in resolving any differences associated with projecting the benefits and costs of the proposals made by the parties. Such mediation assistance shall have a duration of not longer than sixty days.

Sec. 368. (NEW) (*Effective from passage*) (a) (1) The chief elected official of a tier III municipality or the legislative body of such municipality, by a majority vote, may apply to the secretary to request designation as a tier IV municipality. The secretary may approve the request if the secretary determines that such designation is necessary to ensure the fiscal sustainability of the municipality and is in the best interests of the state. Prior to submission of any such request by the chief elected official, such official shall provide notice of intent to apply for such designation to the legislative body of such municipality. Such legislative body shall have thirty days from receipt of such notice to approve or reject the chief elected official's decision to submit such a request. If such legislative body does not approve or reject such decision to seek such designation during such thirty-day period, the chief elected official's decision to submit such request shall be deemed approved by such legislative body.

(2) The Municipal Accountability Review Board may designate a tier III municipality as a tier IV municipality based on a finding by the board that the fiscal condition of such municipality warrants such a designation based upon an evaluation of the following criteria: (A) the balance in the municipal reserve fund; (B) the short and long-term liabilities of the municipality, including, but not limited to, the municipality's ability to meet minimum funding levels required by law, contract or court order; (C) the initial budgeted revenue for the municipality for the past five fiscal years as compared to the actual revenue received by the municipality for such fiscal years; (D) budget projections for the following three fiscal years; (E) the economic outlook for the municipality; and (F) the municipality's access to capital markets. For the purpose of determining whether to make a finding pursuant to this subdivision, the membership of the board shall additionally include the chief elected official of such municipality, the treasurer of such municipality and a member of the legislative body of such municipality, as selected by such body. In conducting a vote on any such determination, the treasurer of such

municipality shall be a non-voting member of the board. The board shall submit such finding and recommended designation to the secretary, who shall provide for a thirty-day notice and public comment period related to such finding and recommendation. Following the public notice and comment period, the secretary shall forward the board's finding and recommended designation and a report regarding the comments received in this regard to the Governor. Following the receipt of such documentation from the secretary, the Governor may approve or disapprove the board's recommended designation.

(3) If any municipality is designated as a tier IV municipality, the following individuals shall serve as ex-officio, nonvoting members of the Municipal Accountability Review Board, provided such additional members shall only serve for purposes of the tier IV municipality that they represent: (A) The chief elected official of such municipality, or the chief elected official's designee, (B) an elected member of the local legislative body of such municipality, or such member's designee, as selected by a majority vote of the local legislative body of such municipality, (C) in the case where the municipality has an elected treasurer, the municipal treasurer or other municipal official responsible for the issuance of bonds, and (D) a member of the minority party of the municipality's legislative body as elected by such minority party members. Notwithstanding the provisions of sections 7-568 to 7-575, inclusive, of the general statutes, as amended by this act, and sections 360 and 363 of this act, a municipality designated as a tier IV municipality pursuant to this section shall retain such designation following the issuance of a deficit obligation subsequent to such municipality's designation as a tier IV municipality. With respect to a designated tier IV municipality, the Municipal Accountability Review Board shall have the same powers and responsibilities as it has with respect to designated tier III municipalities in addition to which it shall have the following additional or superseding authority and responsibilities:

(i) To review and approve or disapprove the municipality's annual budget, including, but not limited to, the general fund, other governmental funds, enterprise funds and internal service funds. No annual budget, annual tax levy or user fee for the municipality shall become operative until it has been approved by the board. If the board disapproves any annual budget, not later than the May twenty-first prior to the beginning of the new fiscal year, the board shall specify the reasons for such disapproval and shall provide the legislative body until the June fifteenth prior to the beginning of the new fiscal year to resubmit the annual budget in accordance with this section. If the legislative body has not adopted a budget by such June fifteenth date or its resubmitted annual budget is not approved by the board, the board shall adopt an interim budget and establish a tax rate and user fees. Such interim budget shall take effect at the commencement of the fiscal year and shall remain in effect until the municipality submits and the board approves a modified budget. Notwithstanding any provision of the general statutes, or any public or special act, local law, charter or

ordinance or resolution, a municipality may approve a modified budget pursuant to this section after any applicable deadline for such adoption has passed.

(ii) To review and approve all bond ordinances and bond resolutions of the municipality.

(iii) To monitor compliance with the municipality's three-year financial plan and annual budget and require that the municipality make such changes as are necessary to ensure budgetary balance in such plan and budget.

(iv) To approve or reject all collective bargaining agreements for a new term, other than modifications, amendments or reopening of an agreement, to be entered into by the municipality or any of its agencies or administrative units, including the board of education. If it rejects an agreement, the board shall indicate the specific provisions of the proposed agreement present or missing which caused the rejection, as well as its rationale for the rejection. The board may indicate the total cost impact or savings that are acceptable in a new agreement. At any time during negotiations and prior to reaching any agreement, or a modified agreement, the parties, by mutual agreement, may request guidance from the board as to the level and areas of savings that may be acceptable to the board in a new agreement. Following any rejection of a proposed collective bargaining agreement, the parties to the agreement shall have ten days from the date of the board's rejection to consider the board's concerns and propose a modified agreement. After the expiration of such ten-day period, the board shall approve or reject any such modified agreement. If the parties have been unable to reach a modified agreement or the board rejects such modified agreement, the board shall impose binding arbitration on the parties, in accordance with clause (v) of this subdivision, to arbitrate issues identified by the board as the cause for such inability or rejection. In establishing the issues to be arbitrated, as well as in making a determination to reject a proposed agreement, the board shall not be limited to matters raised or negotiated by the parties. Also, to approve or reject all modifications, amendments or reopeners to collective bargaining agreements entered into by the municipality or any of its agencies or administrative units, including the board of education. If it rejects a modification, amendment or reopener to an agreement, the board shall indicate the specific provisions of the proposed modification, amendment or reopener which caused the rejection, as well as its rationale for the rejection. The board may indicate the total cost impact or savings acceptable in a new modification, amendment or reopener. If the board rejects a proposed amendment or reopener to a collective bargaining agreement, the parties to the agreement shall have ten days from the date of the board's rejection to consider the board's concerns and put forth a revised modification, amendment or reopener. After the expiration of such ten-day period, the board shall approve or reject any revised modification, amendment or reopener amendment. If the parties are unable to reach a revised modification, amendment or reopener or the board rejects such revised modification, amendment or reopener, the

board shall impose binding arbitration upon the parties in accordance with clause (v) of this subdivision. The issues to be arbitrated shall be those identified by the board as causing such inability or rejection. Prior to the board taking action on any such modification, amendment or reopener, the parties shall have an opportunity to make a presentation to the board.

(v) Except as otherwise provided in this subdivision, with respect to collective bargaining agreements of the municipality or any of its agencies or administrative units, including, but not limited to, the board of education, that are in or are subject to binding arbitration, the board shall have the power to impose binding arbitration upon the parties any time after the seventy-fifth day following the commencement of negotiations or to reject any arbitration award pending municipal or board of education action pursuant to section 7-473c or 10-153f of the general statutes on the date the board is established. If, upon the date of a municipality's designation as a tier IV municipality, the parties are in binding arbitration, or if the board rejects a pending arbitration award, the board shall immediately replace any established binding arbitration panel with an arbitrator selected in accordance with this section. If the board imposes binding arbitration or replaces an existing binding arbitration panel, it shall do so with an arbitrator selected by the Governor from a list of three potential arbitrators approved by and submitted to the Governor by the board. Such list of potential arbitrators shall include former judges of the state or federal judicial systems or other persons who have experience with arbitration or similar proceedings. Prior to the Governor's selection of an arbitrator, the parties may provide recommendations for such selection to the board. The board shall not be limited to selecting arbitrators from those recommended by the parties. The board may reduce the time limits in the applicable provisions of the general statutes or any public or special acts governing binding arbitration by one-half. In imposing such arbitration or in replacing an arbitration panel, the board shall not be limited to consideration and inclusion in the collective bargaining agreement of the last best offers or the matters raised by or negotiated by the parties provided the board shall indicate reasons for raising any matters not negotiated by the parties. The board shall be given the opportunity to make a presentation before the arbitrator. In addition to any statutory factors that shall be considered by the arbitrator with respect to proposed municipal or board of education collective bargaining agreements, the arbitrator shall give highest priority to the short and long-term fiscal exigencies that resulted in the municipality's designation as a tier IV municipality. Not later than ten days after the issuance of any of the arbitrator's decisions on the matters subject to such binding arbitration, the board may request reconsideration of one or more of such decisions and state its position as to the impact of such decisions on the short and long-term fiscal sustainability of the municipality. Not later than five days after the board's request for such reconsideration, the parties may submit comments to the arbitrator in response to the board's stated position. Not later than thirty days following the board's request for such reconsideration, the arbitrator, based on the record of the arbitration, may either modify or maintain the original arbitration decisions. The arbitrator's decisions shall be

binding upon the parties. With respect to collective bargaining agreements negotiated pursuant to section 10-153d of the general statutes and arbitration awards issued pursuant to section 10-153f of the general statutes, the provisions of this subdivision shall not apply until the board has rejected such agreement or award pursuant to subdivision (7) of subsection (b) of section 367 of this act on two occasions.

(4) (A) To require its approval of proposed transfers of a municipality's appropriations in excess of fifty thousand dollars, (B) to require its review, approval, disapproval or modification of the budget of the board of education for the municipality on a line-item basis and to require the board of education to submit to it any budget transfers, or (C) to appoint a financial manager and delegate to such manager, in writing, such powers as the board deems necessary or appropriate for the purpose of managing the financial and administrative affairs of the municipality for the period of time during which the municipality is subject to the powers of the board provided the board may override any actions taken by such manager at any time and shall not delegate the powers enumerated under subdivisions (2), (3) and (5) to (7), inclusive, and (11) to (13), inclusive, of subsection (b) of section 367 of this act, or subdivisions (1), (2) and (4) to (6), inclusive of this subsection. The board shall consult with such municipality and the board of education of such municipality, as applicable, to establish policies and procedures for the implementation of the provisions of subparagraphs (A) and (B) of this subdivision.

(5) The board may require that the municipality or its board of education notify and submit to the board any or all municipal or board of education contracts that exceed (A) fifty thousand dollars for municipalities with a resident population under seventy thousand, or (B) one hundred thousand dollars for municipalities with a resident population of seventy thousand or more, not less than thirty days prior to execution of such contract, for the purpose of the board's review and approval of such contracts. The board shall establish policies and procedures, in consultation with any such municipality and such municipality's board of education, to implement the provisions of this subdivision.

(6) To approve and authorize the issuance of obligations under section 7-575 of the general statutes, as amended by this act, including, with regard to a designated tier IV municipality otherwise ineligible to issue such obligations, for the purposes of issuing general obligations for purposes of deficit financing, addressing pension liabilities in accordance with section 7-374c of the general statutes, debt restructuring and other purposes allowed for which municipal obligations are authorized by the general statutes.

(b) Notwithstanding the provisions of section 7-370c of the general statutes, or any other public or special act, local law or charter, or ordinance or resolution, which limits or imposes conditions on the date of the first maturity of, or the due date of the first

sinking fund payment for, or on the amount of any principal or any principal and interest installments on, or sinking fund payment deposit for, refunding bonds issued by any municipality, the board may authorize a designated tier IV municipality to issue refunding bonds for which the provisions of section 7-371 of the general statutes regarding such limitations shall not apply, regardless of whether or not such refunding bonds achieve net present value savings, as described in section 7-370c of the general statutes, with respect to the refunded bonds. The board shall only approve the issue of such refunding bonds upon a determination that, in its judgment, the issue of such bonds will improve the financial condition of such municipality.

(c) Notwithstanding the provisions of section 7-370c or 7-371 of the general statutes, or any other public or special act, local law or charter, or ordinance or resolution, which limits or imposes conditions on the final maturity of, or the due date of the last sinking fund payment for, bonds issued by any municipality, the board may authorize a designated tier IV municipality to issue bonds for which the last installment of any series of such bonds shall mature, or the last sinking fund payment for such series of bonds shall be due, not later than forty years from the date of issue of such bonds. The board shall only approve the issuance of such bonds upon a determination that, in its judgment, such issuance will improve the financial condition of such municipality.

(d) Notwithstanding any provision of the section, no municipality shall be designated a tier IV municipality, by any means other than that provided in subdivision (1) of subsection (a) of this section, until April 1, 2018.

Sec. 369. (NEW) (*Effective from passage*) A municipality designated as a tier I municipality in accordance with section 360 of this act or designated as a tier II municipality in accordance with section 363 of this act shall retain such designation, notwithstanding any positive changes in the factors leading to its current designation, or until, in the fiscal years following such designation, (1) there have been no annual operating budgetary deficits in the general fund of the municipality for two consecutive fiscal years, (2) the municipality's bond rating has either improved or remained unchanged since its most current designation, (3) the municipality has presented and the commission or board has approved a financial plan that projects a positive unreserved fund for the three succeeding consecutive fiscal years covered by such financial plan, and (4) the municipality's audits for such consecutive fiscal years have been completed and contain no general fund deficit. Notwithstanding any other provisions of sections 7-560 to 7-575, inclusive, of the general statutes, as amended by this act, sections 7-568 to 7-579, inclusive, of the general statutes, as amended by this act, and sections 360, 363 and 366 to 371, inclusive, of this act, the municipality shall remain undesignated for purposes of a tier designation, unless circumstances would result in the municipality being designated as a tier numerically higher than its most recent designation.

Sec. 370. (NEW) (*Effective from passage*) (a) Any designated tier II, III, or IV municipality shall be eligible to receive funding from the Municipal Restructuring Fund, which fund shall be nonlapsing. A designated tier II, III or IV municipality seeking such funds shall submit, for approval by the Secretary of the Office of Policy and Management, a plan detailing its overall restructuring plan, including local actions to be taken and its proposed use of such funds. Notwithstanding section 10-262j of the general statutes, a municipality may, as part of such plan and in consultation with its local board of education, submit a proposed reduction in the minimum budget requirement related to its education budget. The secretary shall consult with the Commissioner of Education in approving or rejecting such proposed reduction. The secretary shall consult with the municipal accountability review board in making distribution decisions and attaching appropriate conditions thereto, including the timing of any such distributions. The distribution of such assistance funds shall be based on the relative fiscal needs of the requesting municipalities. The secretary may approve all, none or a portion of the funds requested by a municipality. In attaching conditions to such funding, the secretary shall consider the impact of such conditions on the ability of a municipality to meet legal and other obligations. The board shall monitor and report to the secretary on the use of such funds and adherence to the conditions attached thereto. The secretary shall develop and issue guidance on the (1) administration of the municipal restructuring fund, (2) criteria for participation by municipalities and requirements for plan submission, and (3) prioritization for the awarding of assistance funds pursuant to this section. Any municipality that receives funding from the municipal restructuring fund, in addition to the other responsibilities and authority given to the board with respect to designated tiers II, III and IV municipalities, shall be required to receive board approval of its annual budgets.

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

Sec. 371. (NEW) (*Effective from passage*) (a) A municipality designated as a tier III municipality in accordance with section 366 of this act or designated as a tier IV municipality in accordance with section 368 of this act shall retain such designation, notwithstanding any positive changes in the factors leading to its current designation, or until, in the fiscal years following its most current designation: (1) There have been no annual operating budgetary deficits in the general fund of the municipality for three consecutive fiscal years, (2) the municipality's bond rating has either improved or remained unchanged since its most current designation, provided it has no bond ratings that are below investment grade, (3) the municipality has presented and the board has approved a financial plan that projects a positive unreserved fund balance for the three succeeding consecutive fiscal years covered by such financial plan, and (4) the audits for the aforementioned consecutive fiscal years have been completed and contain no

general fund deficit. The board may give consideration to the fiscal year preceding the municipality's designation in determining the number of sufficient fiscal years pursuant to subdivision (1) of this subsection.

(b) Notwithstanding any other provisions of sections 7-560 to 7-565, inclusive, of the general statutes, as amended by this act, sections 7-568 to 7-579, inclusive, of the general statutes, as amended by this act, and sections 360, 363 and 366 to 371, inclusive, of this act, the municipality shall remain undesignated for purposes of a tier designation, unless it has an annual operating budgetary deficit in its general fund equal to one per cent or more of its most recently completed annual general fund budget or if it experiences an annual operating budgetary deficit in its general fund in consecutive years of any amount or if it has one or more bond ratings that are below investment grade.

Sec. 372. (NEW) (*Effective from passage*) A designated tier IV municipality shall not enact a property tax levy in its annual budget that is more than three per cent greater than the property tax levy contained in its annual budget for the prior fiscal year. The secretary shall develop such procedures and guidelines as may be needed to assist in the implementation of such property tax levy limitation. Any designated tier II, III or IV municipality may apply to the Municipal Accountability Review Board for exceptions to such property tax levy limitation. Factors to be considered by such board in approving or disapproving such exception shall include the need to address critical matters impacting the health and welfare of the citizens, funding needed to reduce a municipality's long-term obligations and the implementation of court orders or legal settlements.

Sec. 373. Section 7-577 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(a) The Attorney General may apply for a writ of mandamus on behalf of the [commission, acting through its chairperson] Municipal Finance Advisory Commission or the Municipal Accountability Review Board, requiring any official, employee or agent of the municipality to carry out and give effect to any determination of [the] such commission or board authorized by [subsection (a) of section 7-394b and] sections 7-560 to 7-579, inclusive, as amended by this act, or section 367 of this act and any obligation by a municipality to repay to the state any amounts the state pays into a special capital reserve fund and compliance by a municipality with any agreements or indenture pertaining to a special capital reserve fund or tax intercept procedure or debt service payment fund related thereto. Each such application shall be filed in superior court for the judicial district of Hartford.

(b) The superior court for the judicial district of Hartford may, by application of the secretary, the commission, the board or the Attorney General, enforce, by appropriate

decree or process, any provisions of [subsection (a) of section 7-394b and] sections 7-560 to 7-579, inclusive, as amended by this act, or sections 360, 363 and 366 to 371, inclusive, of this act, or any act or determination of the commission or board rendered pursuant to [subsection (a) of section 7-394b and] sections 7-560 to 7-579, inclusive, as amended by this act, or section 367 of this act, as applicable.

Sec. 374. Section 7-578 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

Within one year of initial participation [in] as a certified tier I or tier II municipality, a participating municipality may develop a comprehensive economic development plan designed to increase the tax base of the municipality to a level that will allow the municipality to provide an adequate level of municipal services. The plan shall be approved by the legislative authority of the municipality. If at any time after the comprehensive economic development plan has been completed and the municipality fails to show substantial progress in meeting the goals of the plan, the state may suspend further assistance to the municipality. The secretary, in consultation with the Commissioner of Economic and Community Development, shall evaluate the comprehensive economic development plan annually. The secretary may provide qualified staff and financial assistance to the qualifying municipality for purposes of developing a comprehensive economic development plan.

Sec. 375. Section 7-579 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

For the purposes of [subsection (a) of section 7-394b and] sections 7-560 to 7-578, inclusive, as amended by this act, deficit obligation, as defined in section 7-560, as amended by this act, with respect to the town and city of New Haven, means such obligation issued on or after July 1, 1993.

Sec. 376. (NEW) (*Effective from passage*) (a) The Secretary of the Office of Policy and Management and the State Treasurer may enter the state into a contract with any designated tier III or tier IV municipality for the provision of contract assistance to such municipality in accordance with the provisions of this section. Any such contract assistance shall be limited to an amount equal to (1) the annual debt service on the outstanding amount of (A) refunding bonds to be issued by such municipality pursuant to section 7-370c of the general statutes, or (B) any other bonds or notes issued by such municipality, provided such refunding bonds or other bonds or notes are for payment, funding, refunding, redemption, replacement or substitution of bonds, notes or other obligations previously issued by such municipality, plus (2) costs of issuance on any such refunding bonds and any other costs or expenses, including, but not limited to, any tax payments, that result directly from the refunding of debt.

(b) Any contract described in subsection (a) of this section may provide that such contract assistance that is necessary to make debt service payments on behalf of such municipality shall be paid directly by the state to the municipality, trustee, paying agent or holder of the refunding bonds, other bonds or notes that are the subject of such contract.

(c) Notwithstanding the provisions of subsection (a) of this section, no such contract shall be entered into by the secretary and the Treasurer unless such designated tier III or tier IV municipality files a certificate with the secretary and the Treasurer that sets forth the amount of debt service and costs of issuance expected to be paid on any such refunding bonds to be secured by such state assistance contract.

(d) In making any requisite finding or determination for the purpose of entering into or executing any contract described in subsection (a) of this section, the secretary and the Treasurer may rely upon any reports or estimates of experts, as appropriate, to evaluate the feasibility of any such refunding of debt.

(e) Any provision of a contract described in subsection (a) of this section shall constitute a full faith and credit obligation of the state and as part of any such contractual obligation of the state to such municipality, trustee, paying agent or holder of any such refunding bonds, other bonds or notes, as applicable, appropriation of all amounts necessary to timely meet the terms of such contractual obligation is hereby made and the State Treasurer shall pay such amounts as the same become due to such municipality, trustee, paying agent or holder, as applicable.

(f) Any designated tier III or tier IV municipality that enters into a contract with the state pursuant to subsection (a) of this section may pledge such contract assistance of the state as security for the payment of such refunding bonds issued by such municipality.

(g) In lieu of contract assistance in accordance with subsection (a) of this section, the secretary and the Treasurer may agree to provide other forms of credit support to any designated tier III or tier IV municipality, including, but not limited to, an assumption of all or any portion of any bonds, notes or other obligations of such municipality or issuance of new state obligations in replacement of such bonds, notes or other obligations, provided such credit support shall not exceed the amount of contract assistance that could otherwise be provided by the state to such municipality in accordance with subsection (a) of this section.

(h) Nothing in this section shall be construed to limit the total funds available to a distressed municipality.

(i) The secretary and the Treasurer shall not enter into a contract, as described in subsection (a) of this section, with any municipality that files for bankruptcy.