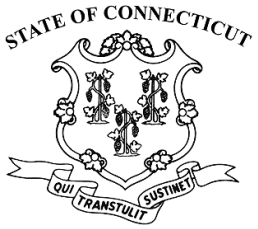

Substitute House Bill No. 5273

Public Act No. 24-132

AN ACT CONCERNING THE RECOMMENDATIONS OF THE INTERGOVERNMENTAL POLICY AND PLANNING DIVISION WITHIN THE OFFICE OF POLICY AND MANAGEMENT, AUDITS AND MUNICIPAL FINANCE.

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

Section 1. Section 12-94a of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

On or before July first, annually, the **[**tax collector**]** assessor of each municipality shall certify to the Secretary of the Office of Policy and Management, on a form furnished by said secretary, the amount of tax revenue which such municipality, except for the provisions of subdivision (55) of section 12-81, would have received, together with such supporting information as said secretary may require, except that for the assessment year commencing October 1, 2003, such certification shall be made to the secretary on or before August 1, 2004. Any municipality which neglects to transmit to said secretary such claim and supporting documentation as required by this section shall forfeit two hundred fifty dollars to the state, provided said secretary may waive such forfeiture in accordance with procedures and standards adopted by regulation in accordance with chapter 54. Said secretary shall review each such claim as provided in section 12-120b. Any claimant aggrieved

by the results of the secretary's review shall have the rights of appeal as set forth in section 12-120b. The secretary shall, on or before December fifteenth, annually, certify to the Comptroller the amount due each municipality under the provisions of this section, including any modification of such claim made prior to December fifteenth, and the Comptroller shall draw an order on the Treasurer on the fifth business day following and the Treasurer shall pay the amount thereof to such municipality on or before the thirty-first day of December following. If any modification is made as the result of the provisions of this section on or after the December fifteenth following the date on which the **[**tax collector**]** assessor has provided the amount of tax revenue in question, any adjustments to the amount due to any municipality for the period for which such modification was made shall be made in the next payment the Treasurer shall make to such municipality pursuant to this section. For the purposes of this section, "municipality" means a town, city, borough, consolidated town and city or consolidated town and borough. The provisions of this section shall not apply to the assessment year commencing on October 1, 2002. In the fiscal year commencing July 1, 2004, and in each fiscal year thereafter, the amount of the grant payable to each municipality in accordance with this section shall be reduced proportionately in the event that the total amount of the grants payable to all municipalities exceeds the amount appropriated.

Sec. 2. Section 12-9 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

[The**]** Not later than July 1, 2024, and annually thereafter, the Secretary of the Office of Policy and Management shall **[**annually**]** cause to be prepared by the tax collector complete statements relating to the mill rate and tax levy **[**during the preceding**]** for the ensuing fiscal year, such statements to be made upon printed blanks to be prepared and furnished by the secretary to all such officers at least thirty days before the date prescribed by the secretary for the filing of such statements.

Any person who neglects to file a true and correct report in the office of the secretary at the time and in the form required by **[**him**]** the secretary or which, in making and filing such report, includes therein any wilful misstatement, shall forfeit one hundred dollars to the state, provided the secretary may waive such forfeiture in accordance with procedures and standards adopted by regulation in accordance with chapter 54.

Sec. 3. Subsection (d) of section 7-325 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(d) Not later than July 1, **[**2022**]** 2024, and annually thereafter, the tax collector of each district shall submit a statement to the Secretary of the Office of Policy and Management on a form prescribed by the secretary. Such statement shall include complete information concerning the mill rate and tax levy in the district for the **[**preceding**]** ensuing fiscal year. Any tax collector who neglects to submit a true and correct statement shall forfeit one hundred dollars to the state.

Sec. 4. (NEW) (*Effective from passage*) Not later than July 1, 2024, and annually thereafter, each special services district established under chapter 105a of the general statutes shall submit a statement to the Secretary of the Office of Policy and Management on a form prescribed by the secretary. Such statement shall include complete information concerning the mill rate and tax levy in the district for the ensuing fiscal year. Any such district that neglects to submit a true and correct statement shall forfeit one hundred dollars to the state.

Sec. 5. Subdivision (1) of subsection (a) of section 12-62c of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2024, and applicable to assessment years commencing on or after October 1, 2024*):

(a) (1) A town implementing a revaluation of all real property may

phase in a real property assessment increase, or a portion of such increase resulting from such revaluation, by requiring the assessor to gradually increase the assessment or the rate of assessment applicable to such property in the assessment year preceding that in which the revaluation is implemented, in accordance with one of the methods set forth in subsection (b) of this section. The legislative body of the town shall approve the decision to provide for such phase-in, the method by which it is accomplished and its term, provided the number of assessment years over which such gradual increases are reflected shall not exceed five assessment years, including the assessment year for which the revaluation is effective. If a town chooses to phase in a portion of the increase in the assessment of each parcel of real property resulting from said revaluation, said legislative body shall establish a factor, which shall be not less than twenty-five per cent <u>in any assessment year commencing prior to October 1, 2024, or twenty per cent in any assessment year commencing on or after October 1, 2024</u>, and shall apply such factor to such increases for all parcels of real property, regardless of property classification. A town choosing to phase in a portion of assessment increase shall multiply such factor by the total assessment increase for each such parcel to determine the amount of such increase that shall not be subject to the phase-in. The assessment increase for each parcel that shall be subject to the gradual increases in amounts or rates of assessment, as provided in subsection (b) of this section, shall be (A) the difference between the result of said multiplication and the total assessment increase for any such parcel, or (B) the result derived when such factor is subtracted from the actual percentage by which the assessment of each such parcel increased as a result of such revaluation, over the assessment of such parcel in the preceding assessment year and said result is multiplied by such parcel's total assessment increase.

Sec. 6. Subsection (a) of section 8-23 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2024*):

(a) (1) At least once every ten years, the commission shall prepare or amend and shall adopt a plan of conservation and development for the municipality. Following adoption, the commission shall regularly review and maintain such plan. The commission may adopt such geographical, functional or other amendments to the plan or parts of the plan, in accordance with the provisions of this section, as it deems necessary. The commission may, at any time, prepare, amend and adopt plans for the redevelopment and improvement of districts or neighborhoods which, in its judgment, contain special problems or opportunities or show a trend toward lower land values.

(2) If a plan is not amended decennially, the chief elected official of the municipality shall submit a letter to the Secretary of the Office of Policy and Management and the Commissioners of Transportation, Energy and Environmental Protection and Economic and Community Development that explains why such plan was not amended. A copy of such letter shall be included in each application by the municipality for discretionary state funding in excess of twenty-five thousand dollars submitted to any state agency.

Sec. 7. Section 4-124s of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2024*):

(a) For purposes of this section:

(1) "Regional council of governments" means any such council organized under the provisions of sections 4-124i to 4-124p, inclusive;

(2) "Municipality" means a town, city or consolidated town and borough;

(3) "Legislative body" means the board of selectmen, town council, city council, board of alderman, board of directors, board of representatives or board of the warden and burgesses of a municipality;

(4) "Secretary" means the Secretary of the Office of Policy and Management or the designee of the secretary;

(5) "Regional educational service center" has the same meaning as provided in section 10-282; and

(6) "Employee organization" means any lawful association, labor organization, federation or council having as a primary purpose the improvement of wages, hours and other conditions of employment.

(b) There is established a regional performance incentive program that shall be administered by the Secretary of the Office of Policy and Management. Any regional council of governments, regional educational service center or a combination thereof may submit a proposal to the secretary for: (1) The provision of any service that **[**one**]** two or more participating municipalities of such council or local or regional board of education of such regional educational service center **[**currently**]** may provide **[**but which is not provided**]** on a regional and ongoing basis, (2) the redistribution of grants awarded pursuant to sections 4-66g, 4-66h, 4-66m and 7-536, according to regional priorities, or (3) regional revenue sharing among such participating municipalities pursuant to section 7-148bb. A copy of said proposal shall be sent to the legislators representing said participating municipalities or local or regional boards of education. Any regional educational service center serving a population greater than one hundred thousand may submit a proposal to the secretary for a regional special education initiative.

(c) (1) A regional council of governments or regional educational service center shall submit each proposal in the form and manner the secretary prescribes and shall, at a minimum, provide the following information for each proposal: (A) Service or initiative description; (B) the explanation of the need for such service or initiative; (C) the method of delivering such service or initiative on a regional basis; (D) the organization that would be responsible for regional service or initiative

delivery; (E) a description of the population that would be served; (F) the manner in which the proposed regional service or initiative delivery will achieve economies of scale for participating municipalities or boards of education; (G) **[**the amount by which participating municipalities will reduce their mill rates as a result of savings realized**]** an estimate of anticipated savings or costs that will not be incurred by participating municipalities during the grant award period and in fiscal years beyond such period; (H) a cost benefit analysis for the provision of the service or initiative by each participating municipality and by the entity or board of education submitting the proposal; (I) a plan of implementation for delivery of the service or initiative on a regional basis that addresses any potential growth or reduction in rates of participation during the grant award period; (J) a resolution endorsing such proposal approved by the governing body of the council or center, which shall include a statement affirming that the council or center shall fund an increasing proportion of the cost of such proposal over the duration of the grant award period, that not less than **[**twenty-five**]** fifty per cent of the total cost of such proposal shall be funded by the council or center **[**in the first year of operation, and that by the fourth year of operation the council or center**]** by the end of the grant award period and that the council or center shall fund one hundred per cent of such cost thereafter; (K) a resolution endorsing such proposal approved by the governing body of the council of each planning region in which the service or initiative is to be provided; (L) a copy of an acknowledgment from any employee organization that may be impacted by such proposal that they have been informed of and consulted about the proposal; and (M) an explanation of the potential legal obstacles, if any, to the regional provision of the service or initiative, and how such obstacles will be resolved.

(2) The secretary shall review each proposal and shall award grants for proposals the secretary determines best satisfy the following criteria: (A) The proposed service or initiative will (i) reduce municipal and state

costs, (ii) enhance capacity in the delivery of services, or (iii) result in an improvement in the level of service provided when compared to the local delivery of such service, (B) the proposed service or initiative will be available to or benefit all participating members of the regional council of governments or regional educational service center regardless of such members' participation in the grant application process; **[**(B) when compared to the existing delivery of services by participating members of the council or center, the proposal demonstrates (i) a positive cost benefit to such members, (ii) increased efficiency and capacity in the delivery of services, (iii) a diminished need for state funding, and (iv) increased cost savings;**]** (C) the proposed service or initiative promotes cooperation among participating members that may lead to a reduction in economic or social inequality; (D) the proposal has been approved by a majority of the members of the council or center; **[**and, pursuant to this subsection, contains a statement that not less than twenty-five per cent of the cost of such proposal shall be funded by the council or center in the first year of operation, and that by the fourth year of operation the council or center shall fund one hundred per cent of such cost;**]** and (E) any employee organizations that may be impacted by such proposal have been informed of and consulted about such proposal, pursuant to this subsection.

(d) Notwithstanding the provisions of sections 7-339a to 7-339*l*, inclusive, or any other provision of the general statutes, no regional council of governments or regional educational service center or any member municipalities or local or regional boards of education of such councils or centers shall be required to execute an interlocal agreement to implement a proposal submitted pursuant to subsection (c) of this section.

(e) Any board of education awarded a grant for a proposal submitted pursuant to subsection (c) of this section may deposit any cost savings realized as a result of the implementation of the proposed service or

initiative into a nonlapsing account pursuant to section 10-248a.

(f) The secretary shall submit to the Governor and the joint standing committee of the General Assembly having cognizance of matters relating to finance, revenue and bonding a report on the grants provided pursuant to this section. Each such report shall (1) include information on the amount of each grant and the potential of each grant for leveraging other public and private investments, and (2) describe any **[**property tax reductions**]** municipal or state cost savings and improved services achieved by means of the program established pursuant to this section. The secretary shall submit a report for the fiscal year commencing July 1, 2011, not later than February 1, 2012, and shall submit a report for each subsequent fiscal year not later than the first day of March in such fiscal year.

Sec. 8. Subsection (a) of section 12-170d of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2024*):

(a) Beginning with the calendar year 1973 and for each calendar year thereafter any renter of real property, or of a mobile manufactured home, as defined in section 12-63a, which such renter occupies as his or her home, who meets the qualifications set forth in this section, shall be entitled to receive in the following year in the form of direct payment from the state, a grant in refund of utility and rent bills actually paid by or for such renter on such real property or mobile manufactured home to the extent set forth in section 12-170e. Such grant by the state shall be made upon receipt by the state of a certificate of grant with a copy of the application therefor attached, as provided in section 12-170f, as amended by this act. **[**, provided such application shall be made within one year from the close of the calendar year for which the grant is requested.**]** If the rental quarters are occupied by more than one person, it shall be assumed for the purposes of this section and sections 12-170e and 12-170f, as amended by this act, that each of such persons pays his

or her proportionate share of the rental and utility expenses levied thereon and grants shall be calculated on that portion of utility and rent bills paid that are applicable to the person making application for grant under said sections. For purposes of this section and sections 12-170e and 12-170f, as amended by this act, a married couple shall constitute one tenant, and a resident of cooperative housing shall be a renter. To qualify for such payment by the state, the renter shall meet qualification requirements in accordance with each of the following subdivisions: (1) (A) At the close of the calendar year for which a grant is claimed be sixty-five years of age or over, or his or her spouse who is residing with such renter shall be sixty-five years of age or over, at the close of such year, or be fifty years of age or over and the surviving spouse of a renter who at the time of his or her death had qualified and was entitled to tax relief under this chapter, provided such spouse was domiciled with such renter at the time of his or her death, or (B) at the close of the calendar year for which a grant is claimed be under age sixty-five and eligible in accordance with applicable federal regulations, to receive permanent total disability benefits under Social Security, or if such renter has not been engaged in employment covered by Social Security and accordingly has not qualified for Social Security benefits but has become qualified for permanent total disability benefits under any federal, state or local government retirement or disability plan, including the Railroad Retirement Act and any government-related teacher's retirement plan, determined by the Secretary of the Office of Policy and Management to contain requirements in respect to qualification for such permanent total disability benefits which are comparable to such requirements under Social Security; (2) shall reside within this state and shall have resided within this state for at least one year or such renter's spouse who is domiciled with such renter shall have resided within this state for at least one year and shall reside within this state at the time of filing the claim and shall have resided within this state for the period for which claim is made; (3) shall have taxable and nontaxable income, the total of which shall hereinafter be called "qualifying income", during the

calendar year preceding the filing of such renter's claim in an amount of not more than twenty thousand dollars, jointly with spouse, if married, and not more than sixteen thousand two hundred dollars if unmarried, provided such maximum amounts of qualifying income shall be subject to adjustment in accordance with subdivision (2) of subsection (a) of section 12-170e, and provided the amount of any Medicaid payments made on behalf of the renter or the spouse of the renter shall not constitute income; and (4) shall not have received financial aid or subsidy from federal, state, county or municipal funds, excluding Social Security receipts, emergency energy assistance under any state program, emergency energy assistance under any federal program, emergency energy assistance under any local program, payments received under the federal Supplemental Security Income Program, payments derived from previous employment, veterans and veterans disability benefits and subsidized housing accommodations, during the calendar year for which a grant is claimed, for payment, directly or indirectly, of rent, electricity, gas, water and fuel applicable to the rented residence. Notwithstanding the provisions of subdivision (4) of this subsection, a renter who receives cash assistance from the Department of Social Services in the calendar year prior to that in which such renter files an application for a grant may be entitled to receive such grant provided the amount of the cash assistance received shall be deducted from the amount of such grant and the difference between the amount of the cash assistance and the amount of the grant is equal to or greater than ten dollars. Funds attributable to such reductions shall be transferred annually from the appropriation to the Office of Policy and Management, for tax relief for elderly renters, to the Department of Social Services, to the appropriate accounts, following the issuance of such grants. Notwithstanding the provisions of subsection (b) of section 12-170aa, the owner of a mobile manufactured home may elect to receive benefits under section 12-170e in lieu of benefits under said section 12-170aa.

Sec. 9. Section 12-170f of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2024*):

(a) Any renter, believing himself or herself to be entitled to a grant under section 12-170d, as amended by this act, for any calendar year, shall apply for such grant to the assessor of the municipality in which the renter resides or to the duly authorized agent of such assessor or municipality on or after April first and not later than **[**October first**]** September thirtieth of each year with respect to such grant for the calendar year preceding each such year. Such application shall be made on a form prescribed and furnished by the Secretary of the Office of Policy and Management or electronically in a manner prescribed by the secretary. Municipalities that require notarization of a landlord verification of property rental on an application under this section (1) shall exempt a renter from the requirement if a landlord verification for the same property rental by the same renter has been previously notarized, and (2) shall not delay submission of the application of an otherwise qualified renter to the Secretary of the Office of Policy and Management if the renter fails to meet the deadline for notarizing such landlord verification. **[**A renter may apply to the secretary prior to November fifteenth of the claim year for an extension of the application period. The secretary may grant such extension in the case of extenuating circumstance due to illness or incapacitation as evidenced by a certificate signed by a physician, physician assistant or an advanced practice registered nurse to that extent, or if the secretary determines there is good cause for doing so.**]** A renter making such application shall present to such assessor or agent, in substantiation of the renter's application, a copy of the renter's federal income tax return, and if not required to file a federal income tax return, such other evidence of qualifying income, receipts for money received, or cancelled checks, or copies thereof, and any other evidence the assessor or such agent may require. When the assessor or agent is satisfied that the applying renter is entitled to a grant, such assessor or agent shall issue a certificate of

grant in such form as the secretary may prescribe and supply showing the amount of the grant due.

(b) The assessor or agent shall forward the application to the secretary not later than the last day of the month following the month in which the renter has made application. Any municipality that neglects to transmit to the secretary the application as required by this section shall forfeit two hundred fifty dollars to the state, provided the secretary may waive such forfeiture in accordance with procedures and standards adopted by regulation in accordance with chapter 54. The certificate of grant shall be delivered to the renter and the assessor or agent shall keep the original copy of such certificate and application.

(c) After the secretary's review of each claim, pursuant to section 12-120b, and verification of the amount of the grant, the secretary shall make a determination of any per cent reduction to all claims that will be necessary to keep within available appropriations and, not later than **[**October**]** November fifteenth of each year, prepare a list of certificates approved for payment, and shall thereafter supplement such list monthly. Such list and any supplements thereto shall be approved for payment by the secretary and shall be forwarded by the secretary to the Comptroller, along with a notice of any per cent reduction in claim amounts, and the Comptroller shall, not later than fifteen days following receipt of such list, draw an order on the Treasurer in favor of each person on such list and on supplements to such list in the amount of such person's claim, minus any per cent reduction noticed by the secretary pursuant to this subsection, and the Treasurer shall pay such amount to such person, not later than fifteen days following receipt of such order.

(d) If the Secretary of the Office of Policy and Management determines a renter was overpaid for such grant, the amount of any subsequent grant paid to the renter under section 12-170d, as amended by this act, after such determination shall be reduced by the amount of

overpayment until the overpayment has been recouped. Any claimant aggrieved by the results of the secretary's review or determination shall have the rights of appeal as set forth in section 12-120b. Applications filed under this section shall not be open for public inspection. Any person who, for the purpose of obtaining a grant under section 12-170d, as amended by this act, wilfully fails to disclose all matters related thereto or with intent to defraud makes false statement shall be fined not more than five hundred dollars.

(e) Any municipality may provide, upon approval by its legislative body, that the duties and responsibilities of the assessor, as required under this section and section 12-170g, shall be transferred to (1) the officer in such municipality having responsibility for the administration of social services, or (2) the coordinator or agent for the elderly in such municipality.

Sec. 10. Subsection (c) of section 19a-200 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2024*):

(c) In cities, towns or boroughs with a population of forty thousand or more for five consecutive years, according to the **[**estimated population figures authorized pursuant to subsection (b) of section 8-159a**]** most recent federal decennial census, or, in intervening years between such censuses, the most recent estimate of the Department of Public Health, such director of health shall serve in a full-time capacity, except where a town has designated such director as the chief medical advisor for its public schools under section 10-205.

Sec. 11. Section 4-231 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2024*):

(a) (1) Each nonstate entity **[**which**]** that expends a total amount of state financial assistance equal to or in excess of **[**three**]** five hundred

thousand dollars in any fiscal year of such nonstate entity beginning on or after July 1, **[**2009**]** 2024, shall have either a single audit or a program-specific audit made for such fiscal year, in accordance with the provisions of subdivision (2) or (3) of this subsection, as applicable, and the requirements of regulations adopted pursuant to section 4-236.

(2) If the total amount of state financial assistance expended in any such fiscal year is for a single program, such nonstate entity may elect to have a program-specific audit made in lieu of a single audit, provided **[**a**]** no grant agreement or **[**a**]** statutory or regulatory provision governing the program of state financial assistance **[**does not require**]** requires a financial statement audit of such nonstate entity.

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

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

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

Sec. 12. Section 4-232 of the general statutes is repealed and the

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

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

(b) (1) Upon the completion of **[**the**]** an audit **[**,**]** pursuant to sections 4-230 to 4-236, inclusive, **[**the**]** each nonstate entity shall file a copy of the audit report with the cognizant agency designated pursuant to section 4-235 and, if applicable, state grantor agencies and pass-through entities. Once filed, such report shall be made available by the nonstate entity for public inspection. Copies of the report shall be filed not later than thirty days after completion of such report, if possible, but not later than six months after the end of the audit period. The cognizant agency may grant an extension of not more than thirty days, if the auditor conducting the audit and the chief executive officer of the nonstate entity jointly submit a request in writing to the cognizant agency that includes the reasons for such extension and an estimate of the time needed for completion of such audit, **[**at least**]** not less than thirty days prior to the end of such six-month period. If the reason for the extension relates to deficiencies in the accounting system of the nonstate entity, the request shall be accompanied by a corrective action plan. The auditor or chief executive officer shall promptly provide any additional information the cognizant agency may require. Before determining whether to grant an extension request, the cognizant agency may require the auditor and officials of the nonstate entity to meet with

representatives of the cognizant agency. No extension granted pursuant to this subdivision shall extend beyond twelve months after the last day of the fiscal year to which such audit applies.

(2) Any nonstate entity, or the auditor of such nonstate entity, **[**which**]** that fails to have **[**the**]** an audit report filed on its behalf **[**within**]** not later than six months after the end of the fiscal year or within the time granted by the cognizant agency, may be assessed **[**,**]** by the Secretary of the Office of Policy and Management **[**,**]** a civil penalty of not less than one thousand dollars **[**but not more than**]** and not to exceed ten thousand dollars. In addition to, or in lieu of such penalty, the cognizant agency may assign an auditor to perform **[**the**]** an audit of such nonstate entity. In such case, **[**the**]** such nonstate entity shall be responsible for paying the costs related to **[**the**]** such audit. The secretary may, upon receipt of a written request from an official of the nonstate entity or its auditor, waive all such penalties if the secretary determines that there **[**appears to be**]** is reasonable cause for the entity not having completed or provided **[**the**]** a required audit report.

Sec. 13. Section 7-576a of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2024*):

[(a) Any**]** The Municipal Finance Advisory Commission may designate any municipality referred to said commission pursuant to subsection (d) of section 7-395 **[**to the Municipal Finance Advisory Commission shall be designated**]** as a tier I municipality. The chief elected official of any municipality that does not meet the conditions identified under subsection (d) of section 7-395 may apply to the Municipal Finance Advisory Commission for designation as a tier I municipality, provided such official (1) expects that such municipality will meet one or more such conditions in the following twenty-four month period, and (2) submits a report to the Municipal Finance Advisory Commission, in a form and manner prescribed by the commission, that confirms that such condition or conditions will be met

in such period. Each decision to designate a municipality as a tier I municipality pursuant to this section shall be based on an evaluation of such municipality's financial condition and financial practices. In addition to the requirements of section 7-394b, each municipality designated as a tier I municipality shall prepare and present a five-year financial plan to the Municipal Finance Advisory Commission for its review and approval.

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

Sec. 14. Section 7-576f of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2024*):

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

[(a)**]** (2) A municipality designated as a **[**tier I municipality in accordance with section 7-576a,**]** tier II municipality in accordance with section 7-576b, tier III municipality in accordance with section 7-576c, or tier IV municipality in accordance with section 7-576e, as amended by this act, shall retain such designation, notwithstanding any positive changes in the factors leading to its current designation, until, in the fiscal years following such designation, **[**(1)**]** the Municipal Accountability Review Board determines that (A) there have been no

audited operating deficits in the general fund of the municipality for two consecutive fiscal years, **[**(2)**]** (B) the **[**municipality's**]** municipality has a long-term bond rating from one or more bond rating agencies that is investment grade or higher and such bond rating has either improved or remained unchanged since its most current designation, **[**(3)**]** (C) the municipality has presented and the **[**commission or**]** board has approved a financial plan that projects a positive fund balance for the three succeeding consecutive fiscal years covered by such financial plan, **[**where**]** provided (i) each fiscal year of such plan is based upon recurring revenue and expenses, (ii) a positive fund balance of at least five per cent is projected in the third such fiscal year, **[**and (4)**]** and (iii) such plan does not include funding received pursuant to section 7-576i, as amended by this act, or 7-576j, (D) the municipality's audits for such consecutive fiscal years have been completed and **[**contain no general fund deficit**]** the General Fund reports an audited fund balance of at least five per cent, and (E) there is no evidence that the municipality has engaged in unsound or irregular financial practices in relation to commonly accepted standards in municipal finance. The board may undertake the determination described in this subdivision at its discretion or upon the request of a municipality.

(b) **[**Notwithstanding subsection (a) of this section, the Municipal Finance Advisory Commission may, by unanimous vote, end the designation of a municipality designated as a tier I municipality, based on an evaluation of such municipality's financial condition.**]** (1) If the Municipal Accountability Review Board determines that a municipality has satisfied the criteria listed in subdivision (2) of subsection (a) of this section, the secretary shall, at the secretary's discretion and in consideration of the fiscal condition of the municipality and best interests of the state, terminate such municipality's tier designation or redesignate such municipality to a lower tier, provided no such municipality shall be redesignated as a tier I municipality. Not later than sixty days after the board makes such determination, the secretary shall

notify the municipality of the secretary's decision to terminate such municipality's tier designation or redesignate such municipality to a lower tier. A municipality shall retain its existing tier designation until such notice is received. If the secretary fails to provide such notice prior to the expiration of said sixty-day period, the municipality's tier designation shall be deemed terminated on the sixty-first day following such determination.

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

Sec. 15. Section 7-576i of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2024*):

(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, 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**]** Municipal Accountability Review Board in making distribution decisions and attaching appropriate conditions thereto, including the timing of any such distributions and whether such funds shall be distributed in the form of a municipal restructuring fund loan subject to

repayment by the municipality. 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**]** 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**]** 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) The secretary may distribute funds from the Municipal Restructuring Fund to a third party on behalf of a designated tier II, tier III or tier IV municipality. Funds received by a municipality pursuant to this section may be used, in part, to pay an arbitrator selected pursuant to clause (v) of subdivision (3) of subsection (a) of section 7-576e, as amended by this act.

[(b)**]** (c) 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. 16. Subdivision (2) of subsection (a) of section 7-576e of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2024*):

(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 five fiscal years; (E) the economic outlook for the municipality; **[**and**]** (F) the municipality's access to capital markets; and (G) evidence of unsound or irregular financial practices in relation to commonly accepted standards in municipal finance that the board believes may materially affect the municipality's financial condition. 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.

Sec. 17. Section 7-393 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2024*):

Upon the completion of an audit, the independent auditor shall file certified copies of the audit report with (1) the appointing authority, (2) in the case of a town, city or borough, with the clerk of such town, city or borough, (3) in the case of a regional school district, with the clerks of the towns, cities or boroughs in which such regional school district is located and with the board of education, (4) in the case of an audited agency, with the clerks of the towns, cities or boroughs in which such audited agency is located, and (5) in each case, with the Secretary of the Office of Policy and Management. Such copies shall be filed within six months from the end of the fiscal year of the municipality, regional school district or audited agency, but the secretary may grant an extension of not more than thirty days, provided the auditor making the audit and the chief executive officer of the municipality, regional school district or audited agency shall jointly submit a request in writing to the secretary stating the reasons for such extension at least thirty days prior to the end of such six-month period. If the reason for the extension relates to deficiencies in the accounting system of the municipality, regional school district or audited agency the request must be accompanied by a corrective action plan. The secretary may, after a hearing with the auditor and officials of the municipality, regional school district or audited agency, grant an additional extension if conditions warrant, provided such extension shall not exceed six months from the date the auditor was required to file such copies. Said auditor shall preserve all of his or her working papers employed in the preparation of any such audit until the expiration of **[**three**]** five years from the date of filing a certified copy of the audit with the secretary and such working papers shall be available, upon written request and upon reasonable notice from the secretary, during such time for inspection by the secretary or his authorized representative, at the office or place of business of the auditor, during usual business hours. Any municipality, regional school district, audited agency or auditor who fails to have the audit report filed on its behalf within six months from the end of the fiscal year or within the time granted by the secretary shall

be referred by the secretary to the Municipal Finance Advisory Commission established pursuant to section 7-394b, assessed a civil penalty of not less than one thousand dollars but not more than **[**ten**]** fifty thousand dollars or both, except that the secretary may waive such penalties if, in the secretary's opinion, there appears to be reasonable cause for not having completed or provided the required audit report, provided an official of the municipality, regional school district or audited agency or the auditor submits a written request for such waiver. The secretary may impose any civil penalty assessed pursuant to this section against a municipality, regional school district or audited agency in the form of a reduction in the amount of one or more grants awarded by the secretary, including, but not limited to, any grant payable pursuant to section 12-18b.

Sec. 18. Sections 8-159a and 12-19f of the general statutes are repealed. (*Effective July 1, 2024*)

Approved June 5, 2024