

2019 Legislative Session Concludes after Passage of 2020-21 Budget; Special Session Called on Tolls, Other Unfinished Biz

The 2019 legislative session adjourned at midnight June 5th on the heels of the Legislature's adoption of a largely partisan, \$43 billion 2020-21 budget in recent days, but not before calling members back into a Special Session to complete work on unfinished business. The stated purpose of the Special Session is to take up state bonding and school construction funding. The Governor has also indicated he will press legislators to take up tolls and possibly more economic development issues.

Though it looks very different from the budget proposal he put forth in February, which called for a sweeping expansion of the sales tax on a wide variety of goods and services, Governor Lamont has indicated he will sign the 2020-21 budget measure. Republicans decried the plan for raising taxes on the middle class and shifting costs to patch shortfalls. A handful of Democrats joined Republicans in opposing the budget.

When the session began in January, the Legislature was faced with a two-year deficit of roughly \$3.7 billion. Robust revenues in April have helped the state begin to whittle away at that and put money into the Budget Reserve Fund for future economic downturns. Pensions and other debt continue to weigh on the state's balance sheet.

In addition to the budget, at the commencement of the session, a larger, newly emboldened Democratic majority in both chambers pledged to pursue passage of five major issues: tolls; recreational marijuana; paid family medical leave; a \$15 minimum wage; and sports betting. They had a 40-percent success rate, odds that may improve in Special Session. Below is a summary of the two out of five of those proposals that made it across the goal line, as well as other major initiatives that passed.

Mortgage and Banking Issues

HB 5163 - An Act Concerning Deficiency Judgments And Residential Properties With A Concrete Foundation Affected By Pyrrhotite.

To (1) prohibit deficiency judgments on mortgage loans where the property secured by the mortgage has a crumbling concrete foundation, (2) prohibit mortgage lenders and mortgage correspondent lenders from denying an application for a residential mortgage loan based solely on certain prior defaults, conveyances or foreclosures by the applicant, and (3) prohibit mortgage lenders and mortgage correspondent lenders from reporting to credit rating agencies that mortgage loans secured by property with a crumbling concrete foundation are subject to a deficiency judgment. **Defeated**

HB 5254 - An Act Establishing A Pilot Program Authorizing Municipalities To Impose A Buyer's Conveyance Fee On Real Property To Fund The Purchase And Stewardship Of Open Space.

To enable municipalities such as Bolton, Bozrah, Bloomfield, Bethany, Coventry, Hartford, Lyme, New London, Norfolk, North Stonington and Warren to impose a conveyance tax on certain real property sales in order to generate funds for the preservation of open space. **Defeated**

HB 5681 - An Act Requiring Certain Lenders And Creditors To Report The Favorable Payment History Of Debtors Who Have Filed A Petition For Bankruptcy.

To require creditors, mortgage lenders, mortgage correspondent lenders and mortgage servicers to report to a nationally recognized credit bureau the favorable payment history of certain debtors who have filed a petition for bankruptcy. **Defeated**

HB 5974 - An Act Requiring Acceptance Of Periodic And Partial Payments On Certain Mortgage Loans Issued By Connecticut Banks And Connecticut Credit Unions.

To require the acceptance of certain payments on mortgage loans issued by Connecticut banks and Connecticut credit unions on and after October 1, 2019. **Defeated**

HB 6996 - An Act Extending The Ezequiel Santiago Foreclosure Mediation Program Until June 30, 2023.

To extend the foreclosure mediation program until June 30, 2023. **Passed in concurrence**

HB 7179 - An Act Concerning Crumbling Concrete Foundations.

To (1) require the Commissioner of Housing to establish a grant program to support the development of methods and technologies that reduce the average cost of repairing and replacing concrete foundations in this state that have deteriorated due to the presence of pyrrhotite, (2) establish an innovation board to review applications for grants filed as part of such program, (3) appropriate the sum of eight million dollars to fund grants awarded as part of such program, (4) modify the Healthy Homes Fund surcharge, and (5) redefine the term residential building as such term applies to various statutes concerning crumbling concrete foundations.

The bill also contains language that would provide low-interest loans to property owners who (1) have received the maximum amount of financial assistance provided by the captive insurance company for the purpose of repairing or replacing a concrete

foundation that has deteriorated due to the presence of pyrrhotite, and (2) require additional funding for such repair or replacement. **Passed in concurrence**

HB 7277 - An Act Concerning The Creation Of Land Bank Authorities.

To permit municipalities to establish land bank authorities for the purposes of acquiring real property, maintaining any such real property and disposing of any such real property within such municipalities.

Prior to passage, the bill was amended to remove fees and penalties that lenders would have been liable for. **Passed in concurrence**

HB 7388 - An Act Protecting A Mortgagor From An Unreasonable Invasion Of His Or Her Privacy By A Mortgage Holder.

To ensure that a mortgagee does not enter upon the residential real property that is the subject of the mortgage without the permission of the owner, occupant or mortgagor or an order of a court. **Defeated**

SB 190 - An Act Requiring Financial Institutions To Accept Properly Executed Powers Of Attorney.

To require financial institutions to accept authorized powers of attorney. **Defeated**

SB 320 - An Act Concerning Real Estate Closings And Attorneys And Law Firms Preferred By Mortgage Lenders.

To (1) prohibit persons other than attorneys admitted in this state from representing the legal interests of parties to real estate closings concerning real property in this state, and (2) prohibit mortgage lenders from inducing or requiring prospective mortgagors to use preferred attorneys or law firms to represent such mortgagors in proposed mortgage loan transactions concerning real property in this state.

Prior to passage, the bill was amended to eliminate the provision that would have prohibited lenders from providing a preferred attorney list. It was also amended to exempt HELOCs and certain REFIIs from the requirement that an attorney be present at the closing. **Passed in concurrence**

SB 347 - An Act Concerning Contracts For The Sale Of Real Property Located In This State.

To declare void as against the public policy certain real estate contracts that encourage a buyer of real property to use the real estate closing services offered by a financial institution that is the seller of the real property. **Defeated**

SB 833 - An Act Concerning Validation Of Conveyance Defects Associated With An Instrument That Was Executed Pursuant To A Power Of Attorney.

To validate a recorded instrument that would otherwise be subject to challenge due to the fact that the instrument was recorded without an accompanying power of attorney. **Passed in concurrence**

SB 1070 - An Act Concerning Abandoned And Blighted Property Stewardship.

To provide for court-appointed conservators to bring residential, commercial and industrial buildings into municipal code compliance when owners fail to comply. **Passed in concurrence**

Paid Family Medical Leave

After reaching an agreement with the Lamont administration over the size, structure and implementation of the paid family sick leave bill, the Legislature approved the controversial measure, despite major concerns from the state's private employers, all of which are covered by the bill's provisions. FMLA has been a priority of the unions for several years.

Among other things, under the program:

- Eligible employees can receive up to 12-weeks paid leave.
- Employees must earn at least \$2,325 per quarter to be eligible.
- Employees may opt into the program beginning January 1, 2021.
- Employees will be able to apply for benefits starting January 1, 2022.
- An employee will be reimbursed an average of their weekly wage, up to 40 times the state minimum wage, followed by 60% thereafter. Benefits are capped at 60 times the minimum wage.
- Employee contributions will not exceed .5% of an employee's earnings.

Minimum Wage

On May 28 Governor Lamont signed a bill increasing the state's minimum wage to \$15 per hour to be phased in over four years. The bill calls for increasing the minimum wage from \$10.10 to \$11 in October, \$12 in September 2020, \$13 in August 2021, \$14 in September 2022, and \$15 in June 2023.

Any increases after Jan. 1, 2024 will be tied to the employment cost index, a quarterly metric created by the U.S. Bureau of Labor that details changes in labor costs across the country.

Sexual Harassment Training

The House and Senate approved a measure, dubbed the “Time’s Up” bill, to address sexual harassment in the workplace and provide for the prosecution of rape.

Among other things, the bill requires workplace training to combat sexual harassment and eliminates the statute of limitations for sexual assaults against minors and expands it in cases involving adults. Objections over the bill’s potential burden on small businesses led to changes in some posting provisions and maximum fines for noncompliance.

The bill is prospective, meaning it does not subject anyone to prosecution in cases where the statute of limitations has tolled. But it greatly expands the time under which victims of assault can pursue damages in civil court or justice in criminal court.

Off-Shore Wind

On the penultimate night of the regular session, Connecticut took a giant step toward embracing renewable wind energy to supplement other sources of power. The Senate unanimously approved a bill Tuesday, previously passed in the House, that requires the state to approve up to 2,000 megawatts of offshore wind by 2030. Under the bill, the state Department of Energy and Environmental Protection (DEEP) would begin soliciting bids from renewable offshore wind sources two weeks after Gov. Ned Lamont, who has pledged support for the measure, signs the bill into law. Start of construction on the plant is expected to begin in late 2023.

Public Option / Health Care

Finally, what began as a bold proposal to create a mandated public option health care plan, became a more modest proposal that seeks to achieve the same goals, in an incremental manner after numerous affected stakeholders, insurance companies chief among them, voiced serious concerns with the bill.

The final bill requires health care providers to submit annual reports on the prices they impose, the costs they incur and the payments they receive. Lawmakers would set yearly benchmarks to contain the swelling cost of care, and work with providers who exceed that threshold. There are no penalties if an organization surpasses the benchmarks, which have yet to be determined.

The bill also allows state officials to seek a federal waiver to import prescription drugs from Canada at reduced prices, and enables them to pursue a reinsurance waiver to mitigate risk from sizable claims. Insurers and health care centers would pay an annual fee, and the money would be used to cover large medical bills to keep premiums down.

Legalization of Recreational Marijuana

Legislation that would have legalized the use of marijuana failed to pass this session.

Special Session

The Legislature may come back as soon as late June in Special Session to take up unfinished business. If the Governor gets his wish, at some point they will take up electronic tolls. Governor Lamont has spent the better part of the session lobbying inside and outside the Capitol and extolling the virtue of his proposal to finance and improve the state's transportation infrastructure with new tolls. It is sure to be a marathon debate, perhaps days and weeks, as opponents and proponents have been equally vocal and visible on the issue of tolls this session.

The Governor's toll proposal calls for:

- Raise \$800 million per year by 2025.
- 40% of the revenue would be borne by out-of-state drivers.
- Not allow tolling on the Merritt Parkway.
- Provide for future reductions in the gas tax.

During the regular session, the House and Senate GOP put forward an alternative plan calling for: \$65 billion dollars in new infrastructure spending over the next 30 years, and using state bonding and federal governments grants. This is sure to be debated as well if tolls are brought up.

The Special Session may also include consideration of other economic development issues, including sports betting, casino expansion and legalization of recreational use of marijuana. We will keep you apprised of any developments regarding the Special Session. In the meantime, we will be preparing final legislative reports.