

The Capitol Update

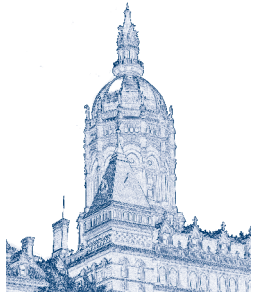
JULY 2013

**MURTHA
CULLINA**

CLIENT ALERT: LEGISLATIVE WRAP UP

"Illegal aliens have always been a problem in the United States. Ask any Indian."

- Humorist Robert Orben



An update on Connecticut State Government and Politics from The Government Affairs Group of Murtha Cullina LLP.

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The 2013 session of the Connecticut General Assembly concluded at midnight on June 5. Almost 2,500 legislative bills were introduced during the legislative session, 334 passed both chambers and, to date, the Governor has signed 327 of these acts and vetoed eight of them. Interestingly, on the last frenetic day of the session, the State House approved 43 bills and the Senate passed 40 bills. So much for a contemplative process...

On reflection, the session seemed to have trapped legislators in a "wilderness of mirrors."* Confronted by the aftermath of the Sandy Hook tragedy, a prospective budget gap of \$1.1 billion in Fiscal Year (FY) '14 and \$1 billion in FY '15, a state economy that, at best, is stuck in neutral and an on-going federal investigation of a former Speaker of the House, Governor Dannel Malloy and the General Assembly faced the prospect of a legislative session that could well have bled into the summer months.

Sandy Hook

Reacting to the horrific murder of 20 children and six adults at the Sandy Hook Elementary School in Newtown, Connecticut, the legislature and the Governor each created working groups to develop recommendations on school safety, mental health reforms and gun violence prevention. The Governor's Sandy Hook Advisory Commission submitted an interim report on March 18 calling for broader restrictions on the sale and possession of semiautomatic firearms and ammunition. The legislature's Task Force on Gun Violence and Children's Safety recommended similar gun restrictions, together with new school infrastructure and safety

* From T.S. Eliot's poem "Gerontion"

standards and the promotion of early mental health intervention programs. The deliberations over these recommendations so consumed the activities of the legislative leaders that both the House and Senate only met in session three times between January 9 and March 6. As a consequence, legislative calendars experienced a significant backlog of bills to be acted on in the following eight short weeks.

Major Legislative Issues

Despite the delay caused by the Sandy Hook initiatives, members of the General Assembly established an admirable record by passing a biennial budget, modifying the restrictions of the state spending cap, promoting economic development activities, restructuring the state's energy policy, addressing brownfield and coastal zone management issues and tinkering with our always evolving health care policies.

State Budget

With fresh memories of the last biennial budget that increased state and municipal taxes by almost \$1.6 billion, legislators were concerned they would be forced again to reach into their constituents' pocketbooks to cover projected deficits in the FY '14 and FY '15 state budget. In the end, after days of backroom discussions, the Governor and Democratic leaders blessed a 3.7% increase in appropriations for FY '14 and a 2.1% increase for FY '15. Rather than create "new" taxes, Democrats resorted to maintaining a

series of taxes scheduled to expire, transferred over \$500 million in special account funds to the General Fund, established a new tax amnesty program and authorized a state-run Keno operation.

To finalize budget negotiations, the legislative majority agreed to remove \$5.9 billion subject to the spending cap from the General Fund budget and borrow \$750 million to support a budgetary conversion to Generally Accepted Accounting Principles.

Commerce

Continuing efforts started two years ago, the Malloy administration and the legislature offered and approved an aggressive economic development package to pump loans and grants into programs for small businesses, develop a new Bioscience Innovation fund for commercial bioscience projects and provide more than \$1.55 billion for capital improvements at the University of Connecticut to promote education and research in the fields of sciences, technology, engineering and mathematics.

Not to leave any workers out, Governor Malloy and House Speaker Brendan Sharkey pushed through a new state law to increase the hourly minimum wage from \$8.25 to \$8.70 on January 1, 2014 and from \$8.70 to \$9.00 on January 1, 2015. This will make Connecticut's hourly minimum close to Washington State's which currently is the highest in the nation - \$9.19.

Connecticut also has the distinction of being the first state to pass legislation requiring the labeling of certain foods containing genetically-engineered ingredients. The act takes effect when similar laws are approved in four other states, meeting certain criteria, and the total population of these states in the northeast must equal 20 million.

Finally, in an effort to encourage employment and promote public safety, the legislature approved a measure, effective January 1, 2015, which will allow undocumented immigrants to obtain a driver's license. Six other states have a similar law.

Energy

Asserting that Connecticut must take "control of our energy future," Governor Malloy proposed sweeping reforms to the state's energy policies, focusing on renewable power requirements and the expansion of natural gas networks.

Clearly, the most contentious of the energy bills passed during the session was the measure to restructure the state's renewable energy portfolio requirements. Pitting the environmental community and labor against the state Department of Energy and Environmental Protection, the new law authorizes the future use of large-scale hydro to meet the state's renewable portfolio requirements, reduces the value of Class I RECs generated by biomass facilities, establishes new power purchase requirements

for renewable sources built after January 1, 2013 and provides for a return to consumers of Alternate Compliance Payments if renewable portfolio goals are not met.

Furthering the administration's energy policies, the legislature passed a comprehensive bill to build out Connecticut's natural gas infrastructure, double the fees for conservation and load management programs, establish a microgrid grant and loan program for municipalities, authorize the decoupling of electric and gas rates, permit submetering and promote large combined heat and power systems.

Health Care

Built into the budget approved by the General Assembly is over \$150 million in gross savings from Medicaid fraud initiatives. In December 2012, the legislature's Program Review and Investigation Committee recommended new initiatives to prevent and control Medicaid fraud, abuse and errors. Legislation was adopted this session to require the Department of Social Services, in coordination with the chief state's attorney, to report to committees of the General Assembly on the state's efforts to correct these abuses and achieve the anticipated Medicaid recoveries.

Other measures related to health care matters enacted require the imposition of cost sharing for Medicaid recipients who use emergency rooms for non-emergent care, a mandate for online licensure renewal for a majority of health care providers in this state, enhancement of financial assistance for community health centers, establishment of new reporting requirements for non-profit hospitals and a prohibition on the use of commercial tanning facilities by individuals under age 17.

Environment

This year the legislature approved a number of recommendations proposed by the Connecticut Brownfield Working Group to encourage and support brownfield remediation and redevelopment including the establishment of a separate, nonlapsing account in the General Fund and the establishment of new state standards for notification by environmental professionals or property owners who discover pollution which may cause an environmental hazard.

Additionally, a series of measures were passed to provide greater flexibility for activities in the state's tidal wetlands and coastal navigable waters and Bond authorizations were approved to provide almost \$800 million over two years for Clean Water Fund loans and \$60 million for farmland preservation and open space acquisition.

Also Rans

The bills and measures that did not make the finish line are as important as the bills that passed this year. These include proposals to create a State Port Authority, legalize physician assisted suicide, permit telephone companies to withdraw landline services, increase disproportionate share funding for hospitals, eliminate legal notices in newspapers, exempt most motor vehicles from the property tax, and auction off the right to deliver electricity to customers currently utilizing a standard offer.

Down the Road

With this year's legislative session in the books, all eyes will be turning to the state's political landscape over the next seventeen months. In November next year, voters will be going to the polls to elect our next Governor, reconstitute the make-up of the General Assembly and determine the fate of our five members of the U.S. House of Representatives. Political analysts will closely follow Governor Malloy's approval ratings, the identification of his Republican challengers and the status of the state's economic recovery. Currently, Connecticut's unemployment rate is stuck at 8 percent, with only Rhode Island in New England reporting a higher rate (8.8 percent). The national unemployment rate has fallen to 7.6 percent. Clearly, the state has a big hole to climb out of. A recent report by the U.S. Bureau of Economic Analysis indicated Connecticut was last among the 50 states in economic growth in 2012.

Despite these dismal numbers, Connecticut's economy has started to show signs of improvement. Over 7,000 private sector jobs were added in April and May, home sales have increased 8.8 percent from a year ago and consumer spending is growing at a 2.6 percent annual rate. All good news. Threatening the recovery, however, are the cumulative effects of the sequester, changes in defense spending, the end of the payroll tax holiday and the decline of Connecticut products exported to the crisis-plagued European Union. Whether economic growth is sustained or not will be a powerful driver of political outcomes in our state.

If you have questions regarding any issues discussed within this publication, please contact one of the members of our Government Affairs Group:

David J. McQuade

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Mr. McQuade's extensive experience in state and federal legislative procedure has served private and public interests for more than 25 years. He is an expert in local, state and federal government administrative functions and has extensive experience in advocacy before public interest and community groups. From 1991 to 1994, Mr. McQuade served as Chief of Staff for the Senate Majority Office of the Connecticut General Assembly. He served seven years under Governor William A. O'Neill as Chief

of Staff and as Administrative Aide for Policies and Programs. Previously, Mr. McQuade had been Manager of Governmental/Regional Policies for the Greater Hartford Chamber of Commerce. He served in the Office of Congressman William R. Cotter as Chief District Aide and Press Secretary and continues to maintain excellent media contacts. Mr. McQuade began his career in 1973 in the General Assembly's Office of Legislative Research. He holds a Bachelor's degree from George Washington University and a Master's degree in political science from the University of Connecticut.

Janemarie W. Murphy

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Ms. Murphy's expertise in state and municipal government is coupled with her extensive experience with community groups and in public interest negotiations. From 1990 to 1994, she served as Senior Legislative Aide to the Senate President Pro Tempore of the Connecticut General Assembly. Previously, Ms. Murphy had been a Legislative Assistant to the State Senate Majority Office and served as staff to the Legislative Task Force on Manufacturing. She has served as a grant seeker with the United Connecticut Action for Neighborhoods, a housing consultant with Imagineers, and a community organizer with Hartford Areas Rally Together. Ms. Murphy holds a Bachelor's degree in political science from Holy Cross College.

Michael J. Martone

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Mr. Martone has a strong background in state and federal government and politics. Prior to joining Murtha Cullina LLP, he was the political director of Governor John Rowland's successful re-election effort. He also served Governor Rowland as a legislative program director at the Department of Economic and Community Development from 1997 to 1998, as his director of constituent services from 1995 to 1997, and as director of constituent service in Governor Rowland's Congressional Office from 1985 to 1991. He holds a Bachelor's degree in history from Quinnipiac College and has continued graduate studies at Southern Connecticut State University.

Elizabeth M. Gemski

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Ms. Gemski has over 10 years of experience in federal and state government affairs working in Washington, DC, Massachusetts, Rhode Island and Connecticut. Previously, Ms. Gemski was State Vice President of Health and Advocacy Initiatives for the American Cancer Society in Rhode Island where she was responsible for state-level planning, implementation and evaluation of health initiatives, as well as government affairs programs. Ms. Gemski received her B.A. from Clark University and interned at the Office of Greville Janner, Queen's Court, Member of Parliament in London, England.

UPCOMING EVENTS:

EMPLOYMENT LAW 2013 - NEW LAWS & MANDATES

Join the Labor & Employment attorneys of Murtha Cullina for a seminar discussing the new employment laws and mandates impacting your business.

Tuesday, November 12, 2013

8:00 a.m. - 1:00 p.m.

Hartford Marriott Downtown

200 Columbus Boulevard | Hartford, Connecticut

For more information or to RSVP, please contact Jackie Rowe at 860.240.6140 or jrowe@murthalaw.com, or visit www.murthalaw.com.

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