



General Assembly  
February Session, 2006

Raised Bill No. 557  
LCO No. 2548



Referred to Committee on

Introduced by: LABOR & PUBLIC EMPLOYEES  
(LAB)

**AN ACT CONCERNING BONDS FROM NONPROFIT ORGANIZATIONS ELECTING TO MAKE PAYMENTS IN LIEU OF CONTRIBUTIONS TO THE WORKERS' COMPENSATION SYSTEM.**

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

1 Section 1. Subdivision (3) of subsection (g) of section 31-225 of the  
2 general statutes is repealed and the following is substituted in lieu  
3 thereof (Effective October 1, 2006):

4 (3) If the administrator at any time deems it necessary because of the  
5 financial condition of the organization, any nonprofit organization that  
6 elects to become liable for payments in lieu of contributions shall be  
7 required, within thirty days, to execute and file with the administrator  
8 a surety bond approved by the administrator or it may elect instead to  
9 deposit with the administrator cash or securities. The amount of such  
10 bond or deposit shall be determined in accordance with the provisions  
11 of this subdivision. (A) The amount of the bond or deposit required by  
12 this subdivision shall be determined by the administrator but shall not  
13 exceed a percentage of the organization's annual taxable payroll equal  
14 to fifty per cent of the maximum rate that any employer liable for  
15 contributions during the year involved would have to pay for

16 employment, as defined in subsection (b) of section 31-222, for the four  
17 calendar quarters immediately preceding the effective date of the  
18 election, the renewal date in the case of a bond, or the biennial  
19 anniversary of the effective date of election in the case of a deposit of  
20 cash or securities, whichever date shall be most recent and applicable.  
21 If the nonprofit organization did not pay wages in each of such four  
22 calendar quarters, the amount of the bond or deposit shall be as  
23 determined by the administrator. The term "cash" includes certified or  
24 bank checks or other guaranteed instruments. (B) Any bond deposited  
25 under this subdivision shall be in force for a period of not less than  
26 two taxable years and shall be renewed with the approval of the  
27 administrator, at such times as the administrator may prescribe, but  
28 not less frequently than at two-year intervals as long as the  
29 organization continues to be liable for payments in lieu of  
30 contributions. The administrator shall require adjustments to be made  
31 in a previously filed bond as the administrator deems appropriate. If  
32 the bond is to be increased, the adjusted bond shall be filed by the  
33 organization within thirty days of the date notice of the required  
34 adjustment was mailed or otherwise delivered to it. Failure by any  
35 organization covered by such bond to pay the full amount of payments  
36 in lieu of contributions when due, together with any applicable interest  
37 and penalties provided for in subparagraph (E) of subdivision (2) [(E)]  
38 of this subsection, shall render the surety liable on such bond to the  
39 extent of the bond, as though the surety was such organization. (C)  
40 Any deposit of cash or securities in accordance with this subdivision  
41 shall be retained by the administrator in an escrow account until  
42 liability under the election is terminated, at which time it shall be  
43 returned to the organization, less any deductions as [hereinafter]  
44 provided in this subdivision. The administrator may deduct from the  
45 cash deposited under this subdivision by a nonprofit organization or  
46 sell the securities it has so deposited to the extent necessary to satisfy  
47 any due and unpaid payments in lieu of contributions and any  
48 applicable interest and penalties provided for in subparagraph (E) of  
49 subdivision (2) [(E)] of this subsection. The administrator shall require

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50 the organization within thirty days following any deduction from a  
 51 cash deposit or sale of deposited securities under the provisions of this  
 52 subparagraph to deposit sufficient additional cash or securities to  
 53 make whole the organization's deposit at the prior level. Any cash  
 54 remaining from the sale of such securities shall be a part of the  
 55 organization's escrow account. The administrator may, at any time,  
 56 review the adequacy of the deposit made by any organization. If, as a  
 57 result of such review, the administrator determines that an adjustment  
 58 is necessary, said administrator shall require the organization to make  
 59 additional deposit [within] not later than thirty days [of] after written  
 60 notice of determination or shall return to it such portion of the deposit  
 61 as the administrator no longer considers necessary, whichever action is  
 62 appropriate. Disposition of income from securities held in escrow shall  
 63 be governed by any applicable provision of state law. (D) If any  
 64 nonprofit organization fails to file a bond or make a deposit, or to file a  
 65 bond in an increased amount or to increase or make whole the amount  
 66 of a previously made deposit, as provided under this subdivision, the  
 67 administrator may terminate such organization's election to make  
 68 payments in lieu of contributions and such termination shall continue  
 69 for not less than the four-consecutive-calendar-quarter period  
 70 beginning with the quarter in which such termination becomes  
 71 effective; provided the administrator may extend for good cause the  
 72 applicable filing, deposit or adjustment period by not more than fifteen  
 73 days.

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2006	31-225(g)(3)

**Statement of Purpose:**

To establish the amount of bonds required from nonprofit organizations that elect to make payments in lieu of contributions to the workers' compensation system.

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[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]