

## OFFICE OF FISCAL ANALYSIS

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HB-6942

AN ACT AUTHORIZING AND ADJUSTING BONDS OF THE STATE AND CONCERNING CERTAIN GRANT AND FINANCING PROGRAMS, STATE CONSTRUCTION RELATED THRESHOLDS, SCHOOL CONSTRUCTION PROJECTS, THE FAILURE TO FILE FOR CERTAIN GRAND LIST EXEMPTIONS, THE VALIDATION OF CERTAIN ACTIONS TAKEN BY CERTAIN MUNICIPALITIES, CAPITAL CITY PROJECTS, CERTAIN CONSUMER AGREEMENTS, CERTAIN MODIFICATIONS TO MUNICIPAL CHARTERS AND PETITIONS FOR CERTAIN TOWN REFERENDA, ELECTIONS ADMINISTRATION AND CAMPAIGN FINANCE, CERTAIN CASES BEFORE THE COMMISSION ON HUMAN RIGHTS AND OPPORTUNITIES AND OTHER ITEMS IMPLEMENTING THE STATE BUDGET.

As Amended by House "A" (LCO 10194)

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### ***OFA Fiscal Note***

***State Impact:*** See Below

***Municipal Impact:*** See Below

### ***Explanation***

The bill makes many changes, which result in the fiscal impacts described below.

### **BONDING**

**Sections 1-112** make various changes to bond authorizations and related programs and result in the following impacts.

**Table 1** below summarizes the increases and reductions made to General Obligation (GO) bonds, Special Tax Obligation (STO) bonds, and Clean Water Fund (CWF) revenue bonds in FY 24 and FY 25.

**Table 1: FY 24 and FY 25 Increases and Reductions to GO, STO, and CWF Bond Authorizations (in millions)**

Description	FY 24 \$	FY 25 \$
<b>General Obligation (GO) Bonds</b>		
New Authorizations	2,290.6	2,170.5
Changes to Prior Authorizations	(2.5)	(2.5)
Reductions to Current Authorizations	(73.0)	-
<b>NET TOTAL GO BONDS</b>	<b>2,215.1</b>	<b>2,168.0</b>
<b>Special Tax Obligation (STO) Bonds</b>		
<b>NET TOTAL STO BONDS</b>	<b>1,557.7</b>	<b>1,530.8</b>
<b>Clean Water Fund (CWF) Revenue Bonds</b>		
<b>NET TOTAL CWF BONDS</b>	<b>-</b>	<b>25.0</b>

**Table 2** indicates the eventual total General Fund fiscal impact of the bill, through debt service, if all GO bonds authorized by the bill for FY 24 and FY 25 are allocated by the State Bond Commission and issued by the Office of the State Treasurer. If new authorizations, including \$35 million authorized in FY 23, are fully allocated when effective, there would be a cost to the General Fund for debt service of approximately \$57.6 million in FY 24 and \$279.1 million in FY 25. The remaining debt service costs identified in Table 2 would be repaid after the biennium.

The debt service associated with GO bond authorizations that become effective before, during, and after the biennium are shown in Table 2, with the latter discussed further below.

**Table 2: Net GO Bond Authorizations and Estimated Total Debt Service Cost (in millions)**

Fiscal Year Authorized	Authorization Amount \$	Total Estimated Debt Service Cost <sup>1</sup> \$

2023	35.0	54.3
2024	2,215.1	3,436.2
2025	2,170.5	3,359.2
2026-2028	150.0	232.7
<b>TOTAL</b>	<b>4,570.6</b>	<b>7,082.4</b>
<sup>1</sup> Debt service estimates based on market rates and repaid over 20 year terms.		

Table 3 indicates the eventual total Special Transportation Fund (STF) fiscal impact of the bill, through debt service, if all STO bonds authorized by the bill are allocated by the State Bond Commission and issued by the Office of the State Treasurer. If new STO authorizations are fully allocated, there would be an annual cost to the STF for debt service of approximately \$120.0 million in FY 24 and \$245.8 million in FY 25. Total debt service costs for STO bond authorizations are identified in Table 3, most of which would be repaid after the biennium.

**Table 3: STO Bond Authorizations and Estimated Debt Service Cost for the Infrastructure Improvement Program (in millions)**

<b>Fiscal Year Authorized</b>	<b>Authorization Amount \$</b>	<b>Total Estimated Debt Service Cost<sup>1</sup>\$</b>
2024	1,557.7	2,553.1
2025	1,530.8	2,509.1
<b>TOTAL</b>	<b>3,088.5</b>	<b>5,062.2</b>
<sup>1</sup> Debt service estimates based on market rates and repaid over 20 year terms.		

### **Clean Water Fund Revenue Bonds**

Clean Water Fund Revenue bonds are issued and repaid using the resources of the Clean Water Fund. These bonds are not expected to have an impact on appropriated funds.

### **Municipal Impact of Bonding Provisions**

To the extent authorized bonds are allocated by the State Bond

Commission, the bill will result in a collective municipal revenue gain of at least \$136 million in each of FY 24 and FY 25, including revenue from two programs (Local Capital Improvement Program (LoCIP) - \$45 million each year, and Grants for Municipal Purposes - \$91 million each year). New authorizations for multiple other bond programs, including programs regarding school construction, urban development projects, and drinking water programs, will also result in additional revenue gain to various municipalities.

### **Bond Authorizations After FY 25**

Section 101 includes a bond authorization where a portion of the funds becomes effective after the biennium. The authorizations from these sections for FY 24 and FY 25 are included in the totals shown above. Additionally, the section authorizes a total of \$150 million of GO bonds after the biennium (\$50 million annually for FY 26 through FY 28). To the extent these future authorizations are fully allocated, there would be a total cost to the General Fund for debt service of approximately \$232.7 million after the biennium, as reflected in Table 2.

**Section 113** delays a requirement that bond premium be used for projects, rather than debt service, until FY 26, which results in debt service savings that were included in relevant assumptions in House Bill 6941 in the biennium, and potential increased costs in the out years.

### **SCHOOL CONSTRUCTION**

**Sections 114-139 & 194** approve new priority list projects which result in state grant commitments of \$736.4 million for school construction projects, make changes to projects previously approved which result in a net impact of a \$37.6 million increase to expected state payments or reimbursements, and make adjustments to current statutory requirements regarding various school construction-related provisions represent a potential increase to state payments and reimbursements of up to \$192.6 million. New or increased state reimbursements represent potential revenue gain for the specified municipalities.

The grants-in-aid will be financed through the issuance of General Obligation (GO) bonds in future fiscal years. This portion of the bill does authorize additional bonds.

**Section 114** is the priority list under consideration for the year and results in a potential cost to the State and potential revenue gain to municipalities of up to \$735.9 million.

**Sections 116-119** make various changes, including changing the statutory reimbursement range for new school construction projects from 10-70% to 10-80% and allowing federal funds to be used as municipal share of project costs for school construction projects and school air quality grants. These provisions are expected to result in increased state costs through higher levels of state reimbursement for projects approved in the future. The impact of increased reimbursement for future projects on the school construction priority list will be reflected when such projects are considered by the legislature in the future.

**Sections 120 & 121** approve increased project costs for two projects at Bulkeley High School by approximately \$66 million, which results in a state cost and municipal revenue gain of approximately \$63 million.

**Sections 122 & 123** approve two projects in Norwich for the priority list, the costs of which are represented in the priority list amount discussed above.

**Section 124** increases allowable total costs for the Holmes Elementary School project, previously approved in PA 21-111, from \$55 million to \$70 million, resulting in a potential cost increase to the state and potential revenue gain to New Britain of \$14.25 million.

**Section 125** adds a Jefferson Elementary School construction project to the school construction project priority list, conditional upon New Britain filing an application for the project prior to October 1, 2026. To the extent the project is approved and moves forward, there is a potential cost to the state and potential revenue gain to New Britain of

\$66.5 million.

**Section 126** makes various changes to the composition of potential school building committees for projects at Jefferson Elementary School in New Britain, and is not anticipated to have a fiscal impact.

**Section 127** adds a Naubuc Elementary School construction project to the school construction project priority list, conditional upon Glastonbury filing an application for the project prior to October 1, 2023. To the extent the project is approved and moves forward, there is a potential cost to the state and potential revenue gain to Glastonbury of \$1 million.

**Section 128** adds a Winthrop Elementary School construction project to the school construction project priority list, conditional upon Bridgeport filing an application for the project prior to October 1, 2023. To the extent the project is approved and moves forward, there is a potential cost to the state and potential revenue gain to Bridgeport of \$58.9 million.

**Section 129** increases the allowable reimbursement rate for a specified portion of a school construction project in Windham from approximately 40% to 95%, which represents a potential cost to the state and potential revenue gain to Windham.

**Section 130** modifies a waiver of various audit requirements and associated project costs from PA 21-111, to include an allowance for reimbursement of otherwise ineligible costs of up to \$19,239,432, so long as those funds are used towards the local share of other school construction projects in Hartford, which represents a potential cost to the state and potential revenue gain to Hartford.

**Section 131** waives various audit requirements and associated project costs owed to the state from New Haven. To the extent audited projects changed allowable costs or reimbursements, it precludes a cost to New Haven and a revenue gain to the state.

**Section 132** waives certain bidding requirements for a project at New

London High School. To the extent this changes the amount of eligible costs and New London seeks reimbursement for those increased costs, this results in a potential cost to the state and potential revenue gain to New London.

**Section 133** deems that a closed roof project at Granby Memorial High School meets the twenty-year threshold required for future projects. This is anticipated to have no fiscal impact, unless a project seeks and is granted reimbursement sooner than it otherwise would have been eligible, which would represent a shift in the timing of future costs.

**Section 134** waives state standard space specifications for the school construction project at New Fairfield High School. To the extent this makes otherwise ineligible costs eligible for state reimbursement, there would be a potential cost increase to the state and potential revenue gain to New Fairfield.

**Section 135** waives state standard space specifications for the school construction project at Cromwell Middle School. To the extent this makes otherwise ineligible costs eligible for state reimbursement, there would be a potential cost increase to the state and potential revenue gain to Cromwell.

**Section 136** waives various requirements for the school construction project at Danbury Career Academy at Cartus, and increases allowable reimbursement for the site acquisition portion of the project to \$39.4 million, which results in a potential increase in state costs and potential revenue gain to Danbury of up to \$10 million.

**Section 137** approves increased project costs for the school construction project at Goodwin University Industry 5.0 Magnet Technical High School by approximately \$46 million, which results in a potential increase of state cost of the same amount.

**Section 138** waives various audit requirements and associated project costs owed to the state from a school construction project at Judson

Elementary. To the extent audited projects changed allowable costs or reimbursements, it precludes a cost to Watertown and a revenue gain to the state of approximately \$870,000.

**Section 139** waives various audit requirements and associated project costs owed to the state from a school construction project at Polk Elementary. To the extent audited projects changed allowable costs or reimbursements, it precludes a cost to Watertown and a revenue gain to the state of approximately \$700,000.

**Section 194** repeals a notwithstanding from PA 22-118, which results in a decrease of potential cost to the state of \$95.9 million.

### **Other Sections**

**Sections 140-147** allow taxpayers in Berlin, Bloomfield, East Hampton, Middletown, Thomaston, Thompson, West Hartford, and West Haven to receive tax exemptions that they would have otherwise been eligible to receive if they had not missed the filing deadline for such exemptions in certain years. Depending on whether the payments have already been made, this results in a cost to these towns to reimburse such taxpayers, or a revenue loss. It is anticipated that any impact would only occur in FY 24.

**Section 148** validates the plan of consolidation between the town of Manchester and the Eighth Utilities District. Any impact to Manchester and the Eighth Utilities District will depend on the terms of the consolidation.

**Section 149** validates the notice of assessment increase for the October 1, 2022, grand list for the city of Norwalk. This may result in potential revenue gain to Norwalk beginning in FY 24 to the extent this results in an assessment increase.

**Section 150** permits the town of Windham to update statements filed with the Office of Policy and Management (OPM) related to the motor vehicle property tax grants. This results in a cost to OPM and a



corresponding revenue gain to the town of Windham in FY 24 and FY 25.

**Section 151** transfers \$5,000,000 of carry-forward funding pursuant to section 41 of House Bill 6941 of the current session in FY 24 from the Department of Energy and Environmental Protection to the Office of the State Comptroller for flood damage remediation purposes. This reallocation results in no fiscal impact.

**Section 152** extends the length of time for which Hartford may fix assessments on certain improvements, from 15 years to up to 20 years from the completion of the project and allows fixed assessments on any capital city project, as defined in statute, and adjusted by the bill. Any impact to Hartford will be dependent on the projects approved.

**Section 153** allows the FY 23 allocation of ARPA funds for Emery Park in Kent to be also used for Kent Commons.

**Section 154** carries forward \$200,000 from State Comptroller - Fringe Benefits, for State Employee Health Service Cost to the Department of Economic and Community Development and \$100,000 of such funds will be available in FY 24 and \$100,000 available in FY 25 for a grant to the Hill-Stead Museum.

**Section 155** makes a conforming change with HB 6941 as amended regarding distributions from the Regional Planning Incentive Account. HB 6941 as amended provides for a \$7 million annual payment from the account beginning in FY 24 and this section ends the current formula.

**Section 156** clarifies a definition of consumer agreement and does not result in a fiscal impact.

**Section 157** allows taxpayers in Meriden to receive tax exemptions that they would have otherwise been eligible to receive if they had not missed the filing deadline for such exemptions in the 2021 grand list year. Depending on whether the payments have already been made, this results in a cost to the town to reimburse such taxpayers, or a revenue loss. It is anticipated that any impact would only occur in FY 24.

**Section 158** prevents a municipality from modifying a municipal charter in certain ways. Any fiscal impact is dependent on how a municipality would have otherwise modified the charter. Any fiscal impact is dependent on how a municipality would have otherwise modified a charter and the costs, savings, or revenue changes that would have occurred due to the modification(s).

**Section 159** allocates remittances collected by the Insurance Department for the 12 months ending April 30, 2023, from the \$12 homeowners insurance surcharge deposited in the Healthy Homes Fund to be used by the Department of Housing (DOH). The remittances will be used by DOH for grants-in-aid for the remediation of structurally deficient foundations in owner-occupied units or the relocation of any owner of any such unit of any condominium associations located in the town of Hamden, up to the actual costs of remediation or relocation.

This has no fiscal impact as it does not change the amount of funding in the Healthy Homes Fund, the transfer to the Crumbling Foundations Assistance Fund, or anticipated expenditures from the fund. Instead, the bill results in the reallocation of some or all of approximately \$1.9 million currently in the Healthy Homes Fund for DOH to use for an alternative purpose.<sup>[1]</sup>

**Section 160** carries forward \$60,000 from State Comptroller - Fringe Benefits, for State Employee Health Service Cost to the Department of Consumer Protection and \$30,000 of such funds will be available in FY 24 and \$30,000 available in FY 25 for program costs related to professional assistance program.

**Section 161** establishes a 50% tax credit (up to \$20,000 for individuals and \$100,000 for businesses) for cash contributions to a youth development organization, which results in (1) a revenue loss of up to \$2.5 million in FY 25 and FY 26 and (2) a one-time cost of up to \$75,000 in FY 25 to the Department of Revenue Services for programming

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<sup>[1]</sup> Under existing law this funding would be used for DOH's lead abatement, removal, and remediation program.

updates to the CTax tax administration system and myconneCT online portal.

**Section 162** directs \$3 million of the amount appropriated to the State Department of Education for Magnet Schools in FY 24 to be used for tuition assistance to the Hartford board of education. This results in a revenue gain to the Hartford board of education.

**Section 163** provides funding of \$200,000 in FY 24 for a grant-in-aid to Artists Collective, Inc. through carryforward funding.

**Sections 166-169** direct the Office of Policy and Management (OPM) to award grants of at least \$25,000 each to every Council of Government (COG) that has appointed a regional election advisor. This results in a potential cost to OPM of approximately \$225,000 annually beginning in FY 24 as there are nine COGs (presuming the minimum grant level of \$25,000). The bill formally moves the requirement to have a regional election monitor to an option. This codifies existing practice, and few if any local or regional government organizations utilize them currently.

**Sections 170-190** adjust the recordkeeping and allows splitting of expenses for joint events for legislative caucus and leadership committees and creates additional recordkeeping requirements for the State Elections Enforcement Commission (SEEC). This would have no fiscal impact.

The bill makes a variety of adjustments to the size of campaign grants from the Citizens' Election Program (CEP); and allows dispersal from the CEP for primary campaigns. This will increase the cost to the Citizens' Election Fund (CEF) if more candidates utilize the program because of the increased funding available.

The bill also charges the SEEC with adjusting the campaign funding available through the CEP in line with the consumer price index urban basket (CPI-U) annually. This would tie the increase to inflation and its costs would adjust accordingly.

The bill adjusts for state representative and state senator elections the

formula for calculating the qualifying contributions necessary to access the CEP. This would tie that figure to CPI-U as well but would move the look back window to between 2017-2021. This freezes the contribution levels at the 2022 levels and may make it easier to access for candidates in 2024. To the extent more people access the funds it could potentially increase costs.

House "A" makes various changes that are incorporated into the analysis above.

### ***The Out Years***

The annualized ongoing fiscal impacts identified above would continue into the future subject to inflation, the terms of any bonds issued, project completion, successful municipal application for reimbursement, the costs of borrowing, terms of the town of Manchester consolidations, and the assessment increase for the city of Norwalk.

*The preceding Fiscal Impact statement is prepared for the benefit of the members of the General Assembly, solely for the purposes of information, summarization and explanation and does not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.*