

OFFICE OF FISCAL ANALYSIS

Legislative Office Building, Room 5200

Hartford, CT 06106 ◇ (860) 240-0200

<http://www.cga.ct.gov/ofa>

sHB-6611

AN ACT CONCERNING A NEEDS ASSESSMENT AND OTHER POLICIES REGARDING AFFORDABLE HOUSING AND DEVELOPMENT.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 22 \$	FY 23 \$	The Out Years
Treasurer, Debt Serv.	GF - Cost	See Below	See Below	See Below
Policy & Mgmt., Off.; Department of Housing	GF - Cost	Up to 200,000	Up to 150,000	Up to 412,000 annually
Department of Housing	GF - Potential Cost	None	None	Significant
State Comptroller - Fringe Benefits ¹	GF - Cost	None	Up to 80,000	Up to 170,000 annually

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 22 \$	FY 23 \$
Various Municipalities	STATE MANDATE ² - Potential Cost	See Below	See Below

¹The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 41.3% of payroll in FY 22 and FY 23.

² State mandate is defined in Sec. 2-32b(2) of the Connecticut General Statutes, "state mandate" means any state initiated constitutional, statutory or executive action that requires a local government to establish, expand or modify its activities in such a way as to necessitate additional expenditures from local revenues.

Primary Analyst: DD

Contributing Analyst(s): EMG, AN, MP, PR

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Explanation

The bill results in 1) state administrative costs, 2) costs to state affordable housing programs, and 3) potential municipal administrative costs. These costs are described below.

The bill requires the Office of Policy and Management (OPM) and Department of Housing (DOH) to assess the statewide unmet need for affordable housing, and to distribute that unmet need among planning regions, and municipalities within those regions. The bill establishes a process (administered by DOH and OPM) by which municipalities must meet their allocated unmet need. If after this allocation process, there is still unmet need, the bill requires DOH to meet that unmet need via housing vouchers and construction subsidies.

State and Municipal Administrative Costs

It is anticipated that OPM and DOH will cumulatively need up to five new positions to administer the bill's provisions. As an illustration, there is an annualized cost of up to \$582,000 (\$412,000 for salaries and \$170,000 for fringe) associated with three housing specialists, one planning specialist and a community development director. It is anticipated that this annualized cost would first be incurred in FY 24, but that costs of up to \$230,000 could be incurred in FY 23, depending on the start date of the new employees.

It is not clear which positions would be established within each agency. The bill designates some responsibilities to both agencies while designating other responsibilities specifically to one. For example, the bill requires both agencies to determine the allocation of each municipality's fair share base, but only requires DOH to perform random audits of municipal fair share units.

The bill is additionally anticipated to result in up to \$200,000 in consultant costs to assist OPM and DOH in establishing the bill's provisions.

The bill requires municipalities to develop plans for achieving the

local unmet need. If a small municipality does not currently have the resources to develop and administer such a plan, it may incur staffing or consulting costs to achieve this requirement.

The bill may result in the expanded use of the General Obligation (GO) bond-funded Flexible Housing program to subsidize the development of affordable housing. As of April 20, 2021, unallocated bond balance available to the program is approximately \$163 million. The bill does not change GO bond authorizations relevant to the program. Future General Fund debt service costs may be incurred sooner under the bill to the degree that it causes authorized GO bond funds to be expended more rapidly than they otherwise would have been.

The bill allows aggrieved parties to bring an action in Superior Court over alleged violations which has no fiscal impact. The court system disposes of over 400,000 cases annually and the number of cases is not anticipated to be great enough to need additional resources.

State Programmatic Cost

It is unknown how much housing need will fall to the state, but state costs could be significant. Additionally, it is unclear when the state would be responsible for providing the vouchers and subsidies. Tenant-based housing vouchers for families under the state's Rental Assistance Program cost approximately \$11,000 per year per household. The average subsidy per unit of affordable housing that DOH provided in FY 20 was \$60,672.³

As an illustration: 130,955 households in Connecticut are both extremely low income and pay more than 50 percent of their annual income for housing.⁴ If the state was responsible for providing housing for 5% of the above cited households, it would incur a cost of

³ Table 3 in the Department of Housing's FY 20 Annual Report

⁴ Comprehensive Housing Affordability Strategy Data for Connecticut, 2013-2017. The bill allows DOH and OPM to use this data to determine unmet housing need.

\$36 million per year just for mobile housing vouchers.

The Out Years

State administrative costs would continue into the future subject to changes in wages or fringe benefits for state employees.

State programmatic costs will either start or continue in the future subject to the amount of unallocated fair share housing units, the actual costs to subsidize that housing, and the terms of any bonds issued.