

OFFICE OF FISCAL ANALYSIS

Legislative Office Building, Room 5200
Hartford, CT 06106 ◊ (860) 240-0200
<http://www.cga.ct.gov/ofa>

sHB-6646

AN ACT CONCERNING CRUMBLING CONCRETE FOUNDATIONS.

As Amended by House "A" (LCO 9545)
House Calendar No.: 394

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 22 \$	FY 23 \$
Department of Housing	HHF - Cost	175,000	None

Note: HHP=Healthy Homes Fund

Municipal Impact:

Municipalities	Effect	FY 22 \$	FY 23 \$	
Various Municipalities	Potential Revenue Gain	None	None	See Below
Various Municipalities	Precludes Revenue Gain	None	None	See Below

Explanation

The bill makes various changes related to the issue of crumbling concrete foundations that result in the fiscal impacts described below.

Section 1 prevents municipalities, once they have adjusted the assessment of a home with a defective concrete foundation, from reassessing that home until the foundation has been repaired or replaced. This precludes any revenue gain a municipality might experience if it chose to increase the assessment of a home with a defective concrete foundation prior to such foundation being repaired.

The bill also results in a revenue gain to municipalities associated

with homeowners impacted by crumbling foundations to the extent that it allows more homeowners to have their foundations remediated. Under current law, as of September 2020, at least 845 properties in at least 10 communities have had their assessments reduced due to foundation problems. This has resulted in an estimated revenue loss to those municipalities of about \$2.7 million cumulatively. The bill results in a revenue gain that would vary based on the assessments of such properties after foundation remediation. It is unknown how much of this revenue gain would occur in FY 23 and how much would occur in the out years.

Section 3 eliminates the June 30, 2022 sunset date for the captive insurer, Connecticut Foundations Solutions Indemnity Company Inc. (CFSIC), which allows the captive to continue operating using state funding already authorized for that purpose.¹ As the captive spends approximately \$800,000 of its revenue annually on operating expenses, under the bill that operating cost is anticipated to continue in FY 23 and future years.²

Sections 4 and 5 result in a one-time cost to the Healthy Homes Fund of up to \$175,000 in FY 22 to provide funding for CFSIC to research and report on the extent of crumbling foundations in nonresidential buildings. This will result in less funding being available for the lead removal, remediation and abatement program under the Department of Housing (DOH) that is funded from the same account.

Sections 8 and 9 require specified geological reports and quarry operational plans, to be submitted to the State Geologist and the Department of Energy and Environmental Protection (DEEP). The bill

¹ CFSIC distributes financial assistance to homeowners with foundations crumbling due to the presence of pyrrhotite using state funds deposited in the Crumbling Foundations Assistance Fund. The state has authorized \$100 million in bond funds and about 85 percent of the revenue from a \$12 annual surcharge on homeowners' insurance policies (in place through 2029) to provide such assistance.

² Under current law, the captive or its successor is expected to continue minimal operations for up to 36 months after sunset to run off accumulated liabilities, so not all FY 23 operating expenses under the bill are additional.

also allows DEEP to establish regulations under certain conditions. These provisions are not anticipated to result in a fiscal impact.

The bill also makes other minor changes that have no fiscal impact.

House "A" strikes the underlying bill and its associated fiscal impact and results in the fiscal impact described above.

The Out Years

The municipal impacts identified above would continue into the future subject to the timing and value of homes being remediated and reassessed and to the number of additional home foundations remediated as a result of the bill.

Sources: Connecticut Foundation Solutions Indemnity Company, Inc. 2019 and 2020 Audited Financial Statements