

# OFFICE OF FISCAL ANALYSIS

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## EMERGENCY CERTIFICATION

HB-6690

AN ACT AUTHORIZING AND ADJUSTING BONDS OF THE STATE FOR CAPITAL IMPROVEMENTS, TRANSPORTATION AND OTHER PURPOSES, ESTABLISHING THE COMMUNITY INVESTMENT FUND 2030 BOARD, AUTHORIZING STATE GRANT COMMITMENTS FOR SCHOOL BUILDING PROJECTS AND MAKING REVISIONS TO THE SCHOOL BUILDING PROJECT STATUTES.

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

#### ***State Impact:***

Agency Affected	Fund-Effect	FY 22 \$	FY 23 \$
Treasurer, Debt Serv.	GF - Cost	See Below	See Below
Treasurer, Debt Serv.	TF - Cost	See Below	See Below

Note: GF=General Fund; TF=Transportation Fund

#### ***Municipal Impact:***

Municipalities	Effect	FY 22 \$	FY 23 \$
Various Municipalities	See Below	See Below	See Below
All Municipalities	Revenue Gain	See Below	See Below

### ***Explanation***

#### **BONDING**

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 22 and FY 23.

**Table 1: FY 22 and FY 23 Increases and Reductions to GO, STO, and CWF Bond Authorizations (in millions)**

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6/9/21

Description	FY 22 \$	FY 23 \$
<b>General Obligation (GO) Bonds</b>		
New Authorizations	1,819.4	1,646.3
Changes to Prior Authorizations	57.1	48.0
Reductions to Current Authorizations	(143.6)	-
<b>NET TOTAL GO BONDS</b>	<b>1,732.8</b>	<b>1,694.3</b>
<b>Special Tax Obligation (STO) Bonds</b>		
<b>NET TOTAL STO BONDS</b>	<b>836.9</b>	<b>929.6</b>
<b>Clean Water Fund (CWF) Revenue Bonds</b>		
<b>NET TOTAL CWF BONDS</b>	<b>281.0</b>	<b>237.0</b>

Table 2 indicates the eventual total General Fund fiscal impact of the bill, through debt service, if all bonds authorized by the bill are allocated by the State Bond Commission and issued by the Office of the State Treasurer. If new authorizations are fully allocated when effective, there would be a cost to the General Fund for debt service of approximately, \$86.6 million in FY 23. The remaining debt service costs identified in Table 2 would be repaid after the biennium.

**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> \$
2022	1,732.8	2,444.5
2023	1,694.3	2,390.1
<b>TOTAL</b>	<b>3,427.1</b>	<b>4,834.6</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 Special Tax Obligation (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 \$67.2 million from bonds authorized in FY 22 and \$74.6 million from funds authorized in FY 23. 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>
2022	836.9	1,343.1
2023	929.6	1,491.9
<b>TOTAL</b>	<b>1,766.5</b>	<b>2,835.0</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 \$181 million in each of FY 22 and FY 23, including revenue from three programs (Local Capital Improvement Program (LoCIP) - \$30 million each year, Town Aid Road (TAR) - \$60 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.

Table 4 identifies GO bond authorizations effective in FY 24 through

FY 27

**Table 4: Net GO Bond Authorizations FY 24 – FY 27**

<b>Out Years Authorization \$</b>	<b>FY 24</b>	<b>FY 25</b>	<b>FY 26</b>	<b>FY 27</b>
Crumbling Foundations	25,000,000	25,000,000	25,000,000	
Community Investment Fund 2030*	175,000,000	175,000,000	175,000,000	175,000,000
CTNext	23,500,000	13,500,000	13,500,000	
Baby Bonds	50,000,000	50,000,000	50,000,000	50,000,000
CT Port Authority Non-Deepwater Ports	5,000,000	5,000,000	5,000,000	
UConn Research	14,489,200	9,220,000	4,201,600	

Additionally, \$250 million of GO bond funds per year are conditionally authorized for FY 28 through FY 32 for the Community Investment Fund 2030. \$50 million of GO bond funds per year are authorized through FY 34.

Sections of the bill related to the Community Investment Fund 2030 direct funds of the state's Economic Action Plan, expected to be financed using federal monies, to various types of projects specified in the bill.

### **SCHOOL CONSTRUCTION**

The amendment approves new priority list projects of \$637.7 million in total project costs including \$392.9 million in state grant commitments for school construction projects. Changes to projects previously approved have a net impact of a \$111.4 million increase to expected state payments or reimbursements. Adjustments to current statutory requirements regarding various school construction-related provisions represent a potential increase to state payments and reimbursements of up to \$221.5 million. New or increased state reimbursements represent potential revenue gain for the specified municipalities and potential costs to the state.

The grants-in-aid will be financed through the issuance of General Obligation (GO) bonds in future fiscal years.

Section 113 approves new or increased grants worth \$504 million in state grant commitments for school construction projects, which represents potential revenue gain for the specified municipalities.

Section 114 adds new requirements regarding inclusion of water bottle filling stations in school buildings in specified circumstances. To the extent these changes alter the total cost of future projects, the altered cost would be shared between municipalities and the state at the appropriate reimbursement ratio.

Section 115 requires the Department of Administrative Services to report on current and pending projects within the Technical Education and Career System and has no fiscal impact.

Section 116 waives various audit requirements and associated project costs owed to the state from Hamden. It precludes a cost to Hamden and a revenue gain to the state of approximately \$6 million.

Section 117 increases allowable total costs for the Chamberlain Elementary School project, previously approved in PA 20-8, from \$50 million to \$75 million, resulting in a potential cost increase to the state and potential revenue gain to New Britain of \$23.75 million, along with a potential cost to New Britain of \$1.25 million.

Section 118 adds a Holmes 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, 2023. 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 \$52.25 million, along with a potential cost to New Britain of \$2.75 million.

Section 119 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, 2025. 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 \$52.25 million, along with a potential cost to New Britain of \$2.75 million.

Section 120 makes various changes to the composition of potential school building committees for projects at Holmes Elementary School and Jefferson Elementary School in New Britain, and is not anticipated to have a fiscal impact.

Section 121 changes the school construction reimbursement increase for potential regional school projects involving Ansonia and Derby from 10 percentage points under current law to 20 points. To the extent a regional school district is formed and projects are pursued within 10 years of establishment, there will be a proportional increase to reimbursement costs to the state and decrease in costs to the regional school district.

Section 122 increases the allowable reimbursement rate for a school construction project in Windham from 79.64% to 95%. To the extent construction begins within one year of the effective date of the section, there is a potential cost to the state and potential revenue gain to Windham of approximately \$17.25 million.

Section 123 waives certain administrative requirements of a previously approved project and is not anticipated to result in a fiscal impact.

Section 124 waives state standard space specifications and a statutory requirement to withhold 11 percent of potential project reimbursements to municipalities subject to project closure and final audit, and replaces that requirement with a 5 percent holdback for a new construction project at Washington Elementary School in West Haven. 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 West Haven. However, there is not anticipated to be a net change in total project costs or reimbursements

regarding the audit holdback portion of any increased costs after the audit process is concluded and reimbursements are no longer held back.

Section 125 waives a statutory requirement to withhold 11 percent of potential project reimbursements to municipalities subject to project closure and final audit, and replaces that requirement with a 5 percent holdback for the West Haven High School Project in West Haven. To the extent eligible project costs are incurred, there would be a temporary potential cost increase to the state and potential revenue gain to West Haven. However, there is not anticipated to be a net change in total project costs or reimbursements after the audit process is concluded and reimbursements are no longer held back.

Section 126 adds a project at the E.C. Goodwin Technical High School with cost of not more than \$40 million to the priority list if such project application is filed prior to October 1, 2022. To the extent the project application is filed and the project moves forward, there would be a cost to the state of up to \$40 million.

Section 127 increases the allowable reimbursement rate for a school construction project in Torrington from 62.86% to 85%. There is a potential cost to the state and potential revenue gain to Torrington of approximately \$35.3 million.

Section 128 waives various audit requirements and associated project costs owed to the state from Hartford. To the extent audited projects changed allowable costs or reimbursements, it precludes a cost to Hartford and a revenue gain to the state.

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

To the extent that bonds are allocated and issued, debt service payments may extend up to 20 years from the time, and under of the terms, of issuance.

The ongoing fiscal impact of school construction project reimbursements identified above will continue into the future subject

to project completion, successful municipal application for reimbursement, and the costs of borrowing.

*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.*