

OFFICE OF FISCAL ANALYSIS

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sHB-5476

AN ACT CONCERNING THE PROVISION OF PARTIAL FEE REDUCTIONS BY MUNICIPAL STORMWATER AUTHORITIES AND THE INCLUSION OF HEATING, VENTILATING AND AIR CONDITIONING SYSTEMS IN SCHOOL BUILDING PROJECT GRANT PAYMENTS.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 23 \$	FY 24 \$
Treasurer, Debt Serv.	GF - Cost	Significant	Significant

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 23 \$	FY 24 \$
Municipal Stormwater Authorities	See Below	See Below	See Below
Local and Regional School Districts	Potential Cost/Revenue	See Below	See Below

Explanation

The bill 1) expands the types of fee reductions that municipal stormwater authorities must provide to properties in their districts and; 2) makes installing, replacing, or repairing heating, ventilation, or air conditioning systems eligible for emergency school building project grants.

The bill results in a significant cost to the state and potential cost and revenue gain to municipalities. It does so by expanding allowable non-priority list expenses for school building projects to include installation, remediation, and replacement of HVAC systems.

The school construction program is funded using General Obligation

(GO) bonds, in two large tracts: priority list projects (i.e., larger projects approved in legislation) and non-priority list projects. Non-priority list projects currently include emergency items, such as fire or catastrophe damage, leaking roofs, or code violations. The bill expands the non-priority list projects to include HVAC installation, replacement, and repair.

Non-priority list projects are allowed at the discretion of the Commissioner of Administrative Services within available resources of the program. As of April 1, 2022, the unallocated bond balance available under the school construction authorization is \$636 million, with another \$550 million effective under current law to start FY 23. The bill is expected to result in an increase in the use of GO bond funds for non-priority list reimbursable expenses, which would expedite anticipated debt service from existing bond authorizations.

The bill does not change GO bond authorizations relevant to the program. However, those funds are necessary to support both priority list and non-priority list projects. The most recent estimate by DAS indicated approximately \$2.6 billion worth of outstanding long-term liability for current grant commitments, to be paid over the next several years.¹ The expanded use of current authorizations for HVAC upgrades through the non-priority list program will necessitate increased bond authorization for the program in the future, which will increase long-term debt service costs.

To the extent local and regional school districts choose to pursue additional HVAC projects allowed under the bill, there would be increased costs and revenues to the same districts.

Specific costs from eligible projects, including the marginal increase from expanded eligibility, can only be determined as project expenses are incurred by municipalities and state reimbursements are sought and

¹ Source: <http://143ld24rzjx265ftv4dyehdx-wpengine.netdna-ssl.com/wp-content/uploads/2021/12/CTState04a-FIN.pdf>

offered.

The bill also results in a revenue loss to municipal stormwater authorities. It is anticipated that such revenue loss would be offset by increases in fees assessed to users who do not receive the credit under the bill's provisions.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation and the terms of any bonds issued for the school construction program, and subject to the value of any credits issued by municipal stormwater authorities.