

OFFICE OF FISCAL ANALYSIS

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sSB-429

AN ACT CONCERNING AUTHORIZATION OF STATE GRANT COMMITMENTS FOR SCHOOL BUILDING PROJECTS AND REVISIONS TO THE SCHOOL BUILDING PROJECTS STATUTES.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 23 \$	Out Years \$
Treasurer, Debt Serv.	GF - Future Cost	See Below	259 million

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 23 \$	Out Years \$
Various Municipalities	Future Revenue Gain	See Below	184 million

Explanation

The bill approves a net increase of \$184 million in state grant commitments for school construction projects, which represents 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. The bill does not authorize new GO bonds. The projected debt service cost to the General Fund to issue \$184 million of GO bonds at market rates is \$259 million.

The bill changes statute regarding eligibility for school construction projects for interdistrict magnet schools. To the extent additional projects are approved, there may be increased future costs through the school construction GO bonds. The impact of additional projects on the school construction priority list will be reflected when such projects are

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considered by the legislature in the future.

The bill has the potential to increase reimbursement rates by 5 percentage points or withhold 5 percent of reimbursement for school construction projects exceeding or missing certain contractor standards. To the extent this changes future reimbursement rates, there would be a commensurate change in revenue gain to relevant municipalities and change in debt service for the State.

The Out Years

The ongoing fiscal impact identified above will continue into the future subject to project completion, successful application for reimbursement, and the costs of borrowing.