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EMERGENCY CERTIFICATION

HB-6671
AN ACT CONCERNING FUNDING FOR SCHOOL LUNCHES AND A CENTER FOR SUSTAINABLE AVIATION, SPECIAL EDUCATION FUNDING, CERTAIN BOTTLE DEPOSITS, CERTAIN STATE POSITIONS AND THE POSTING OF STATE JOB OPENINGS AND BOND COVENANT RESTRICTIONS AND THE BUDGET RESERVE FUND.

OFA Fiscal Note

State Impact: See Below

Municipal Impact: See Below

Explanation

Section 1 reallocates $60 million in FY 23 American Rescue Plan Act (ARPA) funding from the Office of Policy and Management to the State Department of Education for Free Meals for Students. This allocation supports universal free breakfasts and lunches for all students who: 1) do not otherwise receive free meals; and 2) do not attend schools that provide free meals to all students via the federal Community Eligibility Provision program. The bill is anticipated to provide funding for universal school meals through FY 23.

Sections 2 - 3 reappropriate $12 million from the Department of Social Services Medicaid[1] account to the Department of Economic and Community Development's (DECD) Other Expenses account to support the establishment of the center for sustainable aviation. Any unexpended balance will carry forward into FY 24 for this purpose.

Section 4 requires DECD, under certain conditions, to provide a grant of up to $20 million to the University of Connecticut to support the

[1] The current projected lapse to the Medicaid account for FY 23 is $195 million.

establishment, development and operation of a center for sustainable aviation. If required by the terms of this section, the grant will be funded through the appropriation under Secs. 2 and 3 of this bill and $8 million from the Manufacturing Assistance Act bond authorization that is dedicated to the purpose under Sec. 5.

The grant will represent the portion of the state's share of the capital costs to the center, as needed if the University of Connecticut is awarded federal funding for the center.

Section 5 makes changes to the Economic Development and Manufacturing Assistance Act (MAA) to allow the program to be used to provide a grant of up to $8 million to UConn as described in section 4.

MAA is funded through General Obligation (GO) bond funds. 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 or to be expended more rapidly than they otherwise would have been.

As of January 1, 2023, the unallocated bond balance available under the MAA authorization is approximately $54.6 million. The bill does not change GO bond authorizations relevant to the program.

Sections 6 and 7 reduce the GO bond authorization for the UConn 2000 program by $12 million in FY 25. To the extent the funds would have otherwise been spent and issued, these sections result in a potential cost reduction to the General Fund debt service after the biennium.

Sections 8 – 10 eliminate a projected lapse in the special education Excess Cost grant estimated to be $27.1 million in FY 23, and preclude any potential lapses or deficiencies in the account in the out years. There is a corresponding revenue gain to local and regional boards of education in FY 23 of approximately $27.1 million.

These sections increase the required level of tiered reimbursement, in FY 23 and annually thereafter, from the State Department of Education (SDE) for special education Excess Cost-eligible expenses. The sections also specify the proportionate increases or reductions SDE must apply to the Excess Cost grants in the event that applying the tiered reimbursement levels produces a total grant amount that differs from the appropriation. The impact in the out years to local and regional boards of education eligible for the grant is a revenue gain; the amount will vary depending on Excess Cost appropriation levels, reimbursement tier, and the amount of actual qualifying expenditures.

Section 11 clarifies which beverage containers are covered under the bottle bill expansion enacted in PA 21-58, *AAC Solid Waste Management*. This does not result in any fiscal impact.[2]

Sections 12 and 13 make changes that do not result in a fiscal impact.

Section 14 requires that certain bonds issued after July 1, 2023, and prior to July 1, 2025 include a pledge requiring the state to comply with specified state statutes effective July 1, 2023 for up to 10 years. The impact of the applicable sections, if changed by this act, is provided in the relevant sections of the fiscal note.

Section 15 raises the Budget Reserve Fund cap from 15% to 18% of net General Fund appropriations in a fiscal year. The fiscal impact is unknown, as it is dependent on the existence of future surpluses and decisions made by the State Treasurer regarding excess BRF fund distribution. The policy change would apply to Budget Reserve Fund calculations beginning in the fall-winter of 2024.

As an illustration, this policy change would have increased the FY 23 Budget Reserve Fund balance from approximately $3,313.4 million (at the 15% rate) to $3,976.1 million (at the 18% rate) for a difference of $662.7 million. Correspondingly, the $662.7 million would no longer have been available to offset long-term obligations primarily including unfunded pension liabilities in the Teachers' Retirement System and State Employees Retirement System.

Between the 15% rate and the 18% cap, **Section 15** requires an equal (50/50) distribution of future surplus funds between the Budget Reserve Fund and other long-term obligations. Under **Section 15** any surplus funds above the new 18% cap would go towards other long-term obligations as under current law.

Section 16 freezes the limit on appropriations relative to budgeted revenues for the General and Special Transportation funds at the current (FY 23) rate of 98.75%. Under current law, the rate is scheduled to

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[2] The fiscal note for PA 21-58 did not assume any of the items clarified as exempt in this bill would be part of the bottle bill expansion included in that Act.

decrease by 0.25 percentage points each fiscal year until it reaches 98.0% in FY 26. Using the FY 23 budget to illustrate, the difference between the 98.75% and 98.0% rates is approximately $168 million and $16 million in the General and Special Transportation funds, respectively.[3] The policy change would apply beginning with the formulation of the FY 24 budget.

Sections 17 and 18 make various changes to GO bond limits and annual caps for GO bond allocation, issuance, and allotment. To the degree bond spending in future years differs as a result of adjustments, there would be commensurate change to future debt service requirements. Any associated costs or savings will be dependent on actual use of bond funds, changes in market conditions, and changes in factors that impact the state's own costs of borrowing.

Section 19 has no impact, as it repeals an obsolete and unused provision of statute.

[3] As adopted, the FY 23 budgeted differences using the required 98.75% rate were $279.8 million in the General Fund and $26.1 million in the Special Transportation Fund.