

OFFICE OF FISCAL ANALYSIS

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

sSB-961

AN ACT CONCERNING CARBON-FREE SCHOOL REQUIREMENTS FOR NEW SCHOOL CONSTRUCTION AND ESTABLISHING OTHER SCHOOL CONSTRUCTION AND PUBLIC HEALTH REQUIREMENTS FOR SCHOOL DISTRICTS.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 24 \$	FY 25 \$
Treasurer, Debt Serv.	GF - Cost	Significant	Significant
Department of Administrative Services; CGB; Public Health, Dept.	Various - Cost	See Below	See Below

Note: Various=Various; GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 24 \$	FY 25 \$
Local and Regional School Districts	STATE MANDATE ¹ - Cost	None	Significant

Explanation

The bill results in significant costs to local and regional school districts and to the state. The costs to local and regional school districts are due to several new requirements relating to school building construction and maintenance. The costs to the state include a significant increase in debt service due to the expansion of the state's bond-funded school construction reimbursement program, the fund

¹ State mandate is defined in Sec. 2-32b(2) of the Connecticut General Statutes, "state mandate" means any state initiated constitutional, statutory or executive action that requires a local government to establish, expand or modify its activities in such a way as to necessitate additional expenditures from local revenues.

capitalization requirements specified in the bill, and administrative costs associated with various programs established or expanded in the bill. These costs are detailed below.

Local and Regional School Districts Impact

The bill results in significant costs to local and regional school districts by establishing several new mandates relating to school building construction and maintenance. The bill requires districts to do the following:

- Ensure that new construction, replacement, or extension of a school building after July 1, 2024 is net-zero energy. To the extent that this requires such projects to use more expensive materials, additional equipment, or more labor than otherwise would have occurred, the bill increases the cost of these projects. Some costs associated with these provisions may be partially offset by increased School Construction reimbursements. The bill also establishes a low-or-no-interest loan program administered by the Connecticut Green Bank to assist with these costs.
- Conduct a solar power feasibility study in FY 24 and an energy efficiency study by FY 25 for each district building. The bill requires districts to take additional steps, depending on the results of the studies. It is anticipated that districts do not currently have the resources to conduct such studies and will have to hire consultants to complete them. Consultant costs can be significant, over \$100,000 per district. Subsequent steps required based on the results of the studies will also result in increased school construction and maintenance costs. The costs of these required studies may be defrayed by financing offered by the Connecticut Green Bank.
- Test each cooking and drinking water tap in each school for lead and remediate any sources of lead contamination. The impact of this will vary widely by district, the number of taps

tested, and the extent to which lead contamination is discovered. The timing and magnitude of the costs will be dependent on the regulations adopted by DPH. Larger districts with older infrastructure will likely incur significant costs.

- Sets temperature parameters for occupied classrooms in all schools beginning January 1, 2025. To the extent that this requires districts to install air conditioning systems or upgrade existing HVAC systems, there are significant costs in FY 24 and FY 25. Additionally, there may be increased operating costs beginning in FY 25.
- Include in any grant for new public school construction submitted to the Department of Administrative Services beginning January 1, 2024 (1) the installation of a school kitchen with a dishwasher, and (2) indication of how solid waste, including recycling and food scraps, will be sorted and collected. To the extent that new public school construction projects do not currently include these provisions, the bill increases the costs of such projects.
- Establish project-labor agreements for projects that exceed \$10 million and that are at least partially financed with loans from the Connecticut Green Bank. The impact of this provision on affected school construction projects will depend on the terms of the project-labor agreements.

Costs in the bill to local and regional school districts are potentially, partially offset by savings associated with reduced energy needs.

State Impact

Public Schools Solar and Energy Efficiency Fund Capitalization and Implementation

The bill establishes the Public Schools Solar and Energy Efficiency Fund within the Connecticut Green Bank. The bill stipulates that such

fund be "capitalized with four hundred million dollars from the Connecticut Green Bank and one hundred million dollars from the issuance of bonds of the state or capital funds." The \$400 million figure from the Connecticut Green Bank is well in excess of the net assets of the Green Bank and would not be achievable without an identifiable revenue source. Likewise, no bonds of the state are authorized for the purpose specified in the bill, either under current law or within the bill itself.

To the extent the fund is capitalized, the bill specifies various eligibility requirements and uses, which would partially determine, along with local district participation, the recipients of such loans and grants. It also specifies that any "unspent balance" of the Public Schools Solar and Energy Efficiency fund, presumably including any repayment of loans, "shall revert to the General Fund" in FY 53 (thirty years after bill passage). This represents a potential revenue gain to the General Fund in FY 53.

Administration of the fund and associated programs is expected to require at least 10 employees at a total cost of salary plus fringe of at least \$2 million from the resources of the Green Bank annually, as the bill does not specify that administrative costs of the program could be paid from the resources of the fund. It is not anticipated these costs would be incurred until and unless capitalization funds are provided.

School Construction Program

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, and code violations, as well as installation of photovoltaic panels and wind generation systems.

Non-priority list projects are generally allowed at the discretion of the Commissioner of Administrative Services within available resources of the program. The bill states that specified project applications must

be challenged by the Department of Administrative Services (DAS) within 30 days of receipt or be deemed approved. The bill requires school districts to pursue solar panel installations, which is expected to lead to a significant expansion in the number and amount of local district photovoltaic panel projects seeking reimbursement through the non-priority list portion of the school construction program.

The increase in school building project application processing will increase the administrative costs of the school construction program, as a result of DAS needing to hire at least 5 employees, at a total cost of at least \$ 725,000 annually for salary plus fringe from the General Fund.

Priority list projects must be approved through legislation prior to state reimbursement. The bill requires that school building projects classified as new construction, replacement and extensions must be net-zero energy beginning in FY 25, regardless of whether those projects are part of the school construction reimbursement program. It also requires demonstration of efforts to be net-zero in applications received for the school construction reimbursement program beginning in FY 24. To the extent the net-zero requirements increase eligible construction costs for school building projects, there will be an increase in state reimbursements under the school building projects program.

The bill also includes several requirements regarding specified types of school construction projects, including use of project labor agreements, prevailing wage mandates, participation in workforce development programs, hiring of municipality-specific labor, and development of a solid waste management plan and presence of a kitchen and dishwasher. To the extent any of these requirements increase project cost, there would be a commensurate increase in state reimbursements and state debt service costs.

Specific costs for eligible projects, including the marginal increase from the requirements of the bill, can only be determined as project expenses are incurred by municipalities and state reimbursements are sought and offered. The costs of future priority list projects will be shown when projects are considered in future legislation.

As of March 1, 2023, the unallocated bond balance available under the school construction authorization is \$836 million. The bill is expected to result in an increase in the use of GO bond funds for both non-priority list and 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 school construction program. However, those funds are necessary to support both priority list and non-priority list projects. The most recent estimate by the DAS indicated approximately \$2.5 billion worth of outstanding long-term liability for current grant commitments, to be paid over the next several years.² The expanded use of current authorizations through the non-priority list program will necessitate increased bond authorizations for the program in the future, which will increase long-term debt service costs. Likewise, expected cost increases for new construction, replacement, and extension projects are expected to lead to greater reimbursement levels, which will be paid through increased bond authorizations resulting in an increase in long-term debt service costs to the state and increased revenue to participating municipalities.

Other Impacts

The bill requires the Department of Public Health (DPH) to adopt certain regulations and publish water test results from each public school on a website, results in a one-time consultant cost of up to \$75,000 in FY 24 to draft regulations, develop procedures for test result reporting by schools, and establish procedures to track test result data.

The bill also requires DPH to develop an informational poster on the health impacts of emissions from idling vehicles which does not result in fiscal impact to the agency.

The Out Years

The annualized ongoing fiscal impact identified above would

²Source: 2022 Series F General Obligation Bonds Official Statement

continue into the future subject to inflation.