

OFFICE OF FISCAL ANALYSIS

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sSB-980

AN ACT AUTHORIZING AND ADJUSTING BONDS OF THE STATE, ESTABLISHING PROGRAMS TO FUND PROJECTS IN HIGH POVERTY-LOW OPPORTUNITY CENSUS TRACTS AND PROVIDE EXEMPTIONS FROM THE INCOME TAXES FOR RESIDENTS OF SUCH TRACTS, AND ESTABLISHING A REPORTING REQUIREMENT FOR CERTAIN STATE PROJECTS.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 24 \$	FY 25 \$
Treasurer, Debt Serv.	GF - Cost	See Below	See Below
Treasurer, Debt Serv.	TF - Cost	See Below	See Below
Department of Economic & Community Development	GF - Cost	305,000	400,000
State Comptroller - Fringe Benefits ¹	GF - Cost	122,037	162,716
Department of Revenue Services	GF - Revenue Loss	Indeterminate	Indeterminate
Department of Revenue Services	GF - Cost	Up to 75,000	None

Note: GF=General Fund; TF=Transportation Fund

Municipal Impact:

Municipalities	Effect	FY 24 \$	FY 25 \$
All Municipalities	Revenue Gain	See Below	See Below

Explanation

Table 1 below summarizes the increases and reductions made to

¹The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 42.82% of payroll in FY 24.

General Obligation (GO) bonds, Special Tax Obligation (STO) bonds, and Clean Water Fund (CWF) revenue bonds in FY 24 and FY 25.

Table 1: FY 24 and FY 25 Increases and Reductions to GO, STO, and CWF Bond Authorizations (in millions)

Description	FY 24 \$	FY 25 \$
General Obligation (GO) Bonds		
New Authorizations	2,205.2	2,168.0
Changes to Prior Authorizations	(2.5)	(2.5)
Reductions to Current Authorizations	(85.0)	-
NET TOTAL GO BONDS	2,117.7	2,165.5
Special Tax Obligation (STO) Bonds		
NET TOTAL STO BONDS	1,547.7	1,530.8
Clean Water Fund (CWF) Revenue Bonds		
NET TOTAL CWF BONDS	-	25.0

Table 2 indicates the eventual total General Fund fiscal impact of the bill, through debt service, if all GO bonds authorized by the bill for FY 24 and FY 25 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 \$55.6 million in FY 24 and \$271.1 million in FY 25. The remaining debt service costs identified in Table 2 would be repaid after the biennium.

The debt service associated with additional GO bond authorizations that become effective after the biennium are shown in Table 2 and discussed further in the Out Years section below.

Table 2: Net GO Bond Authorizations and Estimated Total Debt Service Cost (in millions)

Fiscal Year Authorized	Authorization Amount \$	Total Estimated Debt Service Cost ¹ \$
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2024	2,117.7	3,285.1
2025	2,165.5	3,359.2
2026-2033	1,620.0	2,531.6
TOTAL	5,903.2	9,175.9
¹ 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 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 \$120.0 million in FY 24 and \$245.8 million in FY 25. 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)

Fiscal Year Authorized	Authorization Amount \$	Total Estimated Debt Service Cost¹\$
2024	1,547.7	2,536.8
2025	1,530.8	2,509.1
TOTAL	3,078.5	5,045.9
¹ 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 \$151 million in each of FY 24 and FY 25, including revenue

from two programs (Local Capital Improvement Program (LoCIP) - \$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.

High Poverty Low Opportunity Census Tract Program

Section 87 results in cost of \$562,716 to the Department of Economic and Community Development (DECD) to administer the bond program for high poverty-low opportunity census tracts. It is anticipated that DECD would require four positions with a cost of \$380,000 in salary and \$162,716 in fringe plus \$20,000 for general expenses to administer the \$165 million in bond funds available to the program per year.

Section 88, which establishes an income tax exemption for certain residents of qualifying census tracts, results in (1) an indeterminate revenue loss beginning in FY 24, and (2) a one-time cost of up to \$75,000 in FY 24 for programming updates to the CTax tax administration system and myconneCT online portal, and for form modification.²

Section 90, which repeals an existing homeownership incentive program currently authorized for Hartford, does not result in any fiscal impact as the program has never been implemented.

The Out Years

The annualized ongoing fiscal impacts identified above would continue into the future subject to inflation and the terms of any bonds issued.

Bond Authorizations After FY 25

Sections 83 and 87 include bond authorizations where a portion of the funds becomes effective after the biennium. The authorizations from

² Income tax data is not currently reported by census tract. Consequently, the magnitude of the revenue loss is unknown.

these sections for FY 24 and FY 25 are included in the totals shown above. Section 83 authorizes a total of \$300 million of GO bonds after the biennium (\$150 million in each of FY 26 and FY 27). Section 87 authorizes a total of \$1,320 million of GO bonds after the biennium (\$165 million annually for FY 26 through FY 33). To the extent these future authorizations are fully allocated, there would be a total cost to the General Fund for debt service of approximately \$2,531.6 million after the biennium, as reflected in Table 2.