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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.
AMENDMENT

LCO No.: 8591
File Copy No.: 240
Senate Calendar No.: 165

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 24 $	FY 25 $
Treasurer, Debt Serv.	GF - Cost	Significant	Significant
CGB	Resources of CT Green Bank - Cost	See Below	See Below

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 24 $	FY 25 $
Local and Regional School Districts	Potential Revenue Gain	See Below	See Below

Explanation

The amendment strikes the underlying bill and its associated fiscal impact.

The amendment results in significant costs to the state, including a significant increase in debt service due to the expansion of the state's bond-funded school construction reimbursement program, the fund capitalization requirements specified in the amendment, and administrative costs associated with the Public Schools Solar Power

Systems and Energy Efficiency Projects Financing Program. The amendment also results in potential revenue gain for local and regional school districts. These impacts are detailed below.

Local and Regional School Districts Impact

To the extent that local and regional school districts use the programs established by the amendment, there is a revenue gain. The revenue gain will vary based on the size of the project funded by the grant, but could be significant. It is anticipated that a district would only choose to use these programs if costs associated with solar and energy efficiency projects were offset by the state grant funding created by the amendment.

State Impact

Public Schools Solar Power Systems and Energy Efficiency Financing Fund Capitalization and Program Implementation

The amendment establishes the Public Schools Solar Power Systems and Energy Efficiency Financing Fund within the Connecticut Green Bank and stipulates that such fund be capitalized by issuing revenue bonds supported by solar power system and energy efficiency project revenues and "twenty-five million dollars from the issuance of bonds of the state or capital funds." No such revenue bond program exists under current law or within the amendment itself. Likewise, no bonds of the state are authorized for the purpose specified in the amendment, either under current law or within the amendment itself.

To the extent the fund is capitalized, the amendment 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 twenty-five million dollars from the issuance of bonds of the state or capital funds" of the Public Schools Solar Systems and Energy Efficiency Financing Fund "shall revert to the General Fund" in FY 53 (thirty years after passage). To the extent such bonds are authorized and issued, but not spent, this represents a potential revenue gain to the General Fund in FY 53.

Administration of the fund and associated programs is expected to require 6 employees at a total cost of salary plus fringe of at least $1.3 million from the resources of the Green Bank annually, as the amendment 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 amendment is expected to result in an increase of state reimbursements under the school construction program, and related debt service payments, to the extent that the Public Schools Solar Power Systems and Energy Efficiency Projects Financing Program increases: (1) the number of projects sought and completed that are also eligible for school construction reimbursement program, and/or (2) increases the cost of projects eligible for the school construction reimbursement program. Cost increases for school construction projects are anticipated based on prevailing wage mandates, participation in workforce development programs, and hiring of municipality-specific labor in order to be eligible for the Public Schools Solar Power Systems and Energy Efficiency Projects Financing 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.

The amendment would help finance school districts' solar panel installations and other projects potentially eligible for the non-priority list school construction reimbursement program, which is expected to lead to an expansion in the number and amount of local district projects seeking reimbursement through the school construction program.

Priority list projects must be approved through legislation prior to state reimbursement. The expanded costs of future priority list projects will be shown when projects are considered in future legislation.

Specific costs for projects eligible for both school construction programs, including the marginal increase from the requirements of the amendment, can only be determined as project expenses are incurred by municipalities and state reimbursements are sought and offered.

As of May 1, 2023, the unallocated bond balance available under the school construction authorization is $586 million. The amendment 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 amendment 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 DAS indicated approximately $2.5 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 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 school construction projects are expected to lead to greater reimbursement levels, which will be paid through increased bond authorizations resulting in increase in long-term debt service costs to the state and increased revenue to participating municipalities.

[1]Source: 2022 Series F General Obligation Bonds Official Statement

consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.