OFFICE OF FISCAL ANALYSIS

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sHB-5273
AN ACT CONCERNING THE RECOMMENDATIONS OF THE INTERGOVERNMENTAL POLICY AND PLANNING DIVISION WITHIN THE OFFICE OF POLICY AND MANAGEMENT.
As Amended by House "A" (LCO 5772)
House Calendar No.: 168
Senate Calendar No.: 476

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 25 $	FY 26 $
Policy & Mgmt., Off.	GF - Potential Revenue Gain	Up to 1,400	Up to 1,400
Policy & Mgmt., Off.	GF - Potential Savings	Minimal	Minimal

Note: GF=General Fund

Municipal Impact: See Below

Explanation

The bill makes various changes to municipalities and programs administered by the Office of Policy and Management (OPM) described below.

Special service districts are required to submit annual mill rate and tax levy information to OPM and will be subject to a $100 fine if they fail to meet this requirement under the bill. This results in a potential minimal cost to the special service districts and corresponding revenue gain to OPM. As of 2021, there were 14 special service districts.[1] If each

[1] These special service districts are located in the following municipalities: Bridgeport, Danbury, Hartford, Manchester, Middletown, New Britain, New Haven, New London, Stamford, and West Hartford.

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of these failed to report the information to OPM, it would result in a revenue gain of $1,400 to OPM beginning in FY 25.

The bill eliminates a requirement for municipalities to submit a letter with certain funding applications if the municipality fails to update its plan of conservation and development. Beginning in FY 25 only applications that are for discretionary funding of greater than $25,000 must include this letter. Failure to submit this letter results in disqualification from discretionary funding. This results in a potential revenue gain to municipalities beginning in FY 25 to the extent less municipalities are disqualified from discretionary funding.

There is also a potential grand list shift in the out years. This is associated with a reduction from 25 to 20 percent in the minimum revaluation phase-in for revaluation increases. This aligns with current law that allows municipalities to phase-in the revaluation over five years.

The bill also expands eligibility for OPM's regional performance incentive program (RPIP) grants. This results in a potential revenue gain to Regional Education Service Centers (RECS) and Councils of Government beginning in FY 25 to the extent additional grants are awarded.

The application period for the Renters Rebate program is shortened by one day and the extension period for renters possessing a physician's or advanced practice registered nurse's certificate is eliminated. This may result in potential savings for OPM beginning in FY 25 as they could see less applicants due to the deadline adjustments.

The bill also increases the threshold for which a State Single Audit or program-specific audit is required from $300,000 to $500,000 in annual expenditures of state financial assistance. It also provides clarification that the extension due date granted for submitting the State Single Audit or program-specific audit cannot exceed twelve months from the end of the grant recipient’s fiscal year. The bill results in savings to municipalities and regional school districts (RSDs) that spend less than

$500,000 of state funds annually, as the municipality will not be required to conduct certain audits per the bill's updated provisions. Currently, this is expected to impact eight municipalities and six RSDs.

The bill also makes various changes to the procedure and criteria for municipal tier designation by the Municipal Accountability Review Board (MARB) or the Municipal Finance Advisory Commission (MFAC). Any fiscal impact to municipalities is dependent on changes to tier designation. Under current law, OPM may distribute money from the Municipal Restructuring Fund to tier II, III, and IV municipalities.

The following changes are made to municipal auditing requirements; (1) the maximum penalty that OPM can assess on a municipality for missing an audit filing deadline is increased from $10,000 to $50,000, (2) OPM may assess the penalty as a reduction in one or more grants, and (3) a limit on the amount of additional time OPM may grant a municipality to file its audit.

This results in a potential cost or revenue loss to municipalities beginning in FY 25 to the extent that a penalty is assessed on a municipality for missing an audit filing deadline.

The bill makes various other changes including eliminating obsolete grant programs that do not result in a fiscal impact.

House "A" alters the underlying bill by adding the following provisions: (1) changes to Single State Audits, (2) municipal tier designation by MARB, and (3) other municipal auditing requirements.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation, penalties, and grants awarded.