

# OFFICE OF FISCAL ANALYSIS

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sSB-456

AN ACT ESTABLISHING A PILOT PROGRAM FOR THE DEVELOPMENT AND IMPLEMENTATION OF TEN-YEAR PLANS TO ERADICATE CONCENTRATED POVERTY IN THE STATE.

## **OFA Fiscal Note**

### **State Impact:**

<b>Agency Affected</b>	<b>Fund-Effect</b>	<b>FY 25 \$</b>	<b>FY 26 \$</b>
Department of Economic & Community Development	GF - Cost	1.26 million	1.26 million
State Comptroller - Fringe Benefits <sup>1</sup>	GF - Cost	520,000	520,000
Treasurer, Debt Serv.	GF - Potential Cost	See Below	See Below

Note: GF=General Fund

### **Municipal Impact:**

<b>Municipalities</b>	<b>Effect</b>	<b>FY 25 \$</b>	<b>FY 26 \$</b>
Various Municipalities	Potential Revenue Gain	See Below	See Below
Various Municipalities	Potential Cost	See Below	See Below

### **Explanation**

The bill results in an annualized cost of \$1.8 million to the state by establishing a pilot program to eradicate concentrated poverty. Specifically, the bill creates the Office of Neighborhood Investment and Community Engagement in the Department of Economic and

<sup>1</sup>The 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 41.25% of payroll in FY 25.

Community Development (DECD) to administer the pilot program and, in effect, requires the formal establishment of the Office of Community Economic Development Assistance in DECD which was enacted under PA 22-118 but never created to date.

The bill also makes several changes to three DECD bond programs which may result in future debt services costs being incurred more rapidly than otherwise would have been.

The bill allows community development corporations (CDCs) to bring action in court against a municipal official for not meeting the requirements of the bill which results in a potential cost to municipalities. The bill also prioritizes certain projects under existing grant programs which may result in a potential revenue gain to municipalities to the extent that they are awarded grants for qualifying projects.

### **Office of Neighborhood Investment and Community Engagement**

The bill creates the Office of Neighborhood Investment and Community Engagement (ONICE) within DECD and requires ONICE to develop 10-year plans in the pilot program to eradicate concentrated poverty in the four municipalities with the highest number of concentrated poverty census tracts (Bridgeport, Hartford, New Haven, and Waterbury).

The establishment and administration of ONICE is anticipated to cost DECD \$1.1 million annually. This includes 8 positions at a total salary cost of \$770,000 plus \$313,500 in fringe benefit costs and \$10,000 in other expenses to administer the 10-year plans under the pilot program. The bill restricts the use of bond funds to support this cost, and no bonds are authorized or proposed for this purpose. The bill is therefore anticipated to impact DECD's General Fund appropriations.

### **Office of Community Economic Development Assistance**

DECD will also be required to formally create the Office of Community Economic Development Assistance (OCEDA) in order to

implement the provisions of this bill. The bill requires any participating municipality in the pilot program to have a Community Development Corporation certified by OCEDA. Under the bill, OCEDA must also provide consultation to ONICE in the development of the 10-year plans.

The establishment and administration of OCEDA is anticipated to cost DECD \$698,000 annually. This includes five positions at a total salary cost of \$494,000 plus \$204,000 in fringe benefit costs. Current law permits the use of funds from the bond authorization for OCEDA to support the administration of OCEDA, however no funds have been allocated to date.<sup>2</sup>

### **GO Bond Program Impacts**

In addition to the changes to OCEDA noted above, the bill also makes changes to the Community Investment Fund and High Poverty-Low Opportunity Census Tract programs, which are funded with General Obligation (GO) bonds. As with OCEDA, future General Fund debt service costs may be incurred sooner under the bill to the degree that it causes authorized GO bond funds for these programs to be expended or to be expended more rapidly than they otherwise would have been. The bill does not change GO bond authorizations relevant to the programs.

### **Municipal Impact**

The bill results in a potential cost to various municipalities to the extent they are brought to court by a CDC for failure to carry out a requirement. There is also a potential revenue gain to various municipalities to the extent that they qualify for additional grants to fund projects in poverty census tracts, public investment communities, or alliance districts.

### ***The Out Years***

The annualized ongoing fiscal impact identified above would

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<sup>2</sup> The current available bond balance for the Office of Community Economic Development Assistance is \$50 million.

continue into the future subject to inflation and subject to the terms of any bonds issued.