

**TESTIMONY PRESENTED TO THE FINANCE, REVENUE AND BONDING
COMMITTEE
February 23, 2009**

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Testimony Supporting Senate Bill No. 836

AN ACT INCREASING CERTAIN BOND AUTHORIZATIONS FOR CAPITAL IMPROVEMENTS.

Senator Daily, Representative Staples and distinguished members of the Finance, Revenue and Bonding Committee thank you for the opportunity to offer testimony on Senate Bill No. 836, An Act Increasing Certain Bond Authorizations for Capital Improvements.

This bill authorizes general obligation (GO) bonds totaling \$867.3 million in fiscal year 2010 and \$811.9 million in fiscal year 2009 and revenue bonds totaling \$350.0 million with \$175.0 million authorized in each year of the biennium for various statutory programs. In keeping with the need to be financially prudent during these economic times, this bill only funds programs that are in need of additional bond authorizations. Many programs have more than sufficient balances available for use in the biennium.

One of the most significant authorizations in this bill is the \$90 million of GO bonds and \$175 million of revenue bonds authorized in each year of the biennium for the Clean Water Fund program. These funds are necessary to assist municipalities with upgrading and maintaining their wastewater and drinking water infrastructure. These funds along with significant additional funding from the federal stimulus package will allow us to make great strides toward addressing the backlog of necessary projects.

This bill also includes additional authorizations to provide grants-in-aid to Connecticut municipalities through the Urban Act program, with an additional \$30 million authorized in each year of the biennium; and the Local Capital Improvement (LOCIP) program, with an additional \$30 million authorized in each year of the biennium.

Other statutory programs contained in this bill are the Capital Equipment Purchase (CEPF) Fund with additional authorizations of \$23.9 million in fiscal year 2010 and \$19.3 million in fiscal year 2011 as well as an additional \$5 million

for farmland preservation and \$2 million over the biennium for the Department of Developmental Services for the Community Provider Revolving Loan Fund.

As is usually the case, the largest GO bond authorizations in this bill total \$1.329 billion over the biennium for the local school construction program. The Governor is concerned with the ever-growing cost of this program and its impact on the state's long-term debt. The generous percentages for the state's share of school construction provide a disincentive to some school districts to control project costs, with the state paying the price. Therefore, the Governor is again calling for controls to begin to reign in the cost of school construction.

The first control is reducing the state share of school construction costs from the current 20-80% to 15-65% with the magnet school reimbursement percentage reduced from 95% of project cost to 80% of project cost. The Governor believes that this initiative will make local school districts more accountable for project costs, as a local school district will be more likely to design a reasonable and fiscally responsible building if they are required to contribute a larger portion of project costs. We would expect that reducing the percentages would not only reduce the burden on the state, but also make school districts more mindful of the buildings that they are constructing.

The bill also caps the state's share of the annual school building priority list at \$450 million per year beginning with the December 2009 school priority list. Capping the amount of the school building priority list is a means to keeping school construction bonding at a manageable and predictable level.

Lastly, this bill includes \$51.8 million of the \$389 million of cancellations of prior year bond authorizations that the Governor has proposed. Many of these authorizations are no longer needed or are duplicative in nature or are no longer affordable in the current economic climate.

I would like to again thank the committee for the opportunity to present this testimony. I respectfully request the Committee support this bill and I will be happy to answer any questions you may have.