OFFICE OF FISCAL ANALYSIS
Legislative Office Building, Room 5200
Hartford, CT 06106 ◇ (860) 240-0200
http://www.cga.ct.gov/ofa

sHB-7179
AN ACT CONCERNING CRUMBLING CONCRETE FOUNDATIONS.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 20 $	FY 21 $
Department of Housing	GF - Cost	Up to 8 million	None

Note: GF=General Fund

Municipal Impact: See below

Explanation

The bill results in the section-specific impacts described below.

Sections 1, 2, and 5 result in a General Fund cost of up to $8 million in FY 20 to fund a grant program to incentivize the development of cost-reducing innovations for fixing crumbling foundations.[1] The program requires a volunteer board, established by the bill, at the Connecticut Foundations Solutions Indemnity Company (CFSIC)[2] to assess applications and then direct the Department of Housing to make grants to eligible applicants. Since the bill provides appropriations for the program only in FY 20, any unspent funds will lapse on June 30, 2020.

[1] "Crumbling foundations" is used herein to refer to concrete foundations that have deteriorated due to the presence of pyrrhotite.
[2] Established pursuant to PA 17-2, CFSIC is the captive insurance company that distributes state funds from the Crumbling Foundations Assistance Fund. The state funds include G.O. bonds and a share of the revenue from the Healthy Homes surcharge.

Primary Analyst: MP 4/2/19
Contributing Analyst(s): DD, EMG, CW
Reviewer: PR

Section 3 expands the definition of "residential building" for several statutes related to crumbling foundations, with no expected fiscal impact to the state. The change increases the number of property owners eligible for financial assistance from CFSIC but not the total amount of funds. To the extent that the expanded eligibility accelerates the rate of bond expenditures, debt service repayment will be similarly accelerated; however, current eligibility for the program is already projected to exceed available funds, so a noticeable acceleration of debt service is unlikely. There is no fiscal impact from extending the income tax deduction for financial assistance received from CFSIC to include the buildings made eligible for such assistance under the bill.

Section 3, also, by expanding the definition of "residential building" 1) allows municipalities to use their own bond funding to finance the rehabilitation of a greater number of buildings with crumbling foundations and 2) allows more property owners with crumbling foundations access to various sources of financing for building rehabilitation.[3] A municipality that chooses to authorize additional bond funding as a result of the bill will experience an increase in annual debt service costs. To the extent that the bill results in more property owners repairing or replacing crumbing foundations, the bill precludes a grand list reduction that may otherwise result as these homes lose value.

Section 4 makes modifications to the Healthy Homes surcharge[4] that are not anticipated to materially alter the amount of revenue collected each year by the Insurance Department to be deposited into the Healthy Homes Fund.

The Out Years

The annualized ongoing fiscal impact identified above would

[3] Sources include the finite amount of CFSIC funds, bond-financed assistance from a municipality, and loans from the Collapsing Foundations Credit Enhancement Program when it becomes operational

[4] Originally established by PA 18-160

continue into the future subject to municipal bonding activity and the number of newly eligible property owners that access assistance.

Sources: Connecticut Insurance Department