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EMERGENCY CERTIFICATION

HB-7010

AN ACT CONCERNING THE AUTHORIZATION OF STATE GRANT COMMITMENTS FOR SCHOOL BUILDING PROJECTS, THE RECOGNITION OF GOODWIN UNIVERSITY AS A LOCAL EDUCATION AGENCY FOR PURPOSES OF FEDERAL LAW, CERTAIN EXCLUSIONS TO THE CALCULATION OF A SCHOOL DISTRICT'S MINIMUM BUDGET REQUIREMENT, AND DELAYING CERTAIN REVISIONS TO THE LAW REGARDING THE PROVISION OF CONSTRUCTION MANAGEMENT SERVICES.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 21 \$	FY 22 \$	Out Years \$
Treasurer, Debt Serv.	GF - Future Cost	See Below	See Below	636.4 million

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 21 \$	FY 22 \$	Out Years \$
Various Municipalities	Future Revenue Gain	See Below	See Below	444.8 million
Local and Regional School Districts	Potential Savings	See Below	See Below	See Below

Explanation

The bill approves a total of \$444.8 million in state grant commitments for school construction projects, which represents potential revenue gain for the specified municipalities. The grants-in-aid will be financed through the issuance of General Obligation (GO)

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bonds in future fiscal years. The bill does not authorize new GO bonds. The projected debt service cost to the General Fund to issue \$444.8 million at a 5.00% interest rate for a 20-year term is \$636.4 million.

The bill also allows certain COVID-19 supplemental appropriations to be excluded from minimum budget requirements for FY 21 and FY 22, which results in potential savings to local and regional school districts, as described in section 9 below.

The fiscal impacts of specific sections are detailed below.

Section 1 approves a total of \$209.2 million in state grant commitments for eight new school construction projects on the State's school project priority list. The total cost across these projects is estimated to be \$501.3 million, of which \$292.1 million is anticipated to be paid by municipalities.

Section 2 replaces the reimbursement rate for the Chamberlain Elementary project, which was listed in the priority list in section 1, with a 95% reimbursement rate. Given the estimated project cost, the reimbursement rate change is expected to increase the state grant commitment, and increase revenues to New Britain, by approximately \$7.7 million.

Sections 3 and 4 replace the statutorily calculated reimbursement rate for emergency roof projects with a set 95% rate for two projects in New Britain. Without these sections, these emergency repairs would typically be eligible for the same rate as renovation projects. Assuming approximately \$2 million total cost for each roof project, these sections would increase state grant commitments, and increase revenues to New Britain, by approximately \$307,200 for each project.

Section 5 approves a new project in Norwalk with total costs not to exceed \$189 million, regardless of any future increase in actual project costs. At the 80% reimbursement rate set in the section, total state grant commitment is anticipated to be up to \$151.2 million. This estimate of total state reimbursement would decrease if the project cost less than

the \$189 million allowed or if any costs incurred and reimbursed for the project are for a natatorium or for site acquisition, as the section also sets reimbursement for those aspects to a 50% rate.

Section 6 establishes a pilot program to allow commercial space to be renovated as new for a school construction project in Danbury with total project costs not to exceed \$93 million. Total state grant commitment is anticipated to be up to \$74.4 million if all costs are reimbursed at the 80% rate established by this section.

Section 7 approves a code-violation project in Tolland with anticipated costs of approximately \$1.8 million. Given the estimated project cost and the 100% reimbursement rate established in the section, this section is expected to increase state grant commitments, and increase revenues to Tolland, by approximately \$1.8 million. Related projects at Birch Grove Primary School in Tolland were approved in 2019 (PA 19-1 July Special Session).

Section 8 allows interdistrict magnet schools operated by an institution of higher education or nonprofit to apply for and receive eligible federal funds. The section also clarifies that any magnet school operated by these entities would continue to retain eligibility for state funds. Currently one institution of higher education, Goodwin University, partners with a regional educational service center (RESA) to operate two magnet schools. This section clarifies that if the magnet schools' governance structure is changed, the schools will retain eligibility for state funds, which is not anticipated to result in a fiscal impact to the State Department of Education or local and regional school districts.

Section 9 allows districts to exclude from the minimum budget requirement (MBR) any FY 20 or FY 21 supplemental appropriations to pay for expenditures related to COVID-19 and federal funds received under the CARES Act (P.L. 116-136), in the year after the additional funds were received. This provision results in a potential savings to local and regional school districts that receive such supplemental appropriations, because in the absence of the bill these districts would

be required to increase education funding in the subsequent year (FY 21 or FY 22), to reflect total prior-year appropriations. The exclusions and resulting potential savings are available to all districts, including the 33 Alliance Districts (which otherwise cannot lower the MBR through reduction options available to other towns).

Section 10 suspends implementation of several changes to contracting requirements for the school construction process through June 30, 2021, reverting to prior practice until that time. To the extent suspension of these changes alter the total cost of future projects, there would be a proportional change to the state's cost for school construction reimbursements.

The Out Years

The ongoing fiscal impact identified in sections 1-7 and section 10 above will continue into the future subject to project completion, successful municipal application for reimbursement, and the costs of borrowing.

The preceding Fiscal Impact statement is prepared for the benefit of the members of the General Assembly, solely for the purposes of information, summarization and explanation and does not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.