

OFFICE OF FISCAL ANALYSIS

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sSB-428

AN ACT IMPLEMENTING THE RECOMMENDATIONS OF THE DEPARTMENT OF ADMINISTRATIVE SERVICES RELATING TO SCHOOL CONSTRUCTION.

OFA Fiscal Note

State Impact:

| Agency Affected | Fund-Effect | FY 23 \$ | FY 24 \$ |
|-----------------------|---------------------|-----------|-----------|
| Treasurer, Debt Serv. | GF - Potential Cost | See Below | See Below |

Note: GF=General Fund

Municipal Impact:

| Municipalities | Effect | FY 23 \$ | FY 24 \$ |
|------------------------|------------------------|-----------|-----------|
| Various Municipalities | Potential Cost/Revenue | See Below | See Below |

Explanation

The bill, which establishes a reimbursement program for school HVAC system installation, repair, and upgrades, and makes multiple changes to eligible costs under the school construction reimbursement program and is expected to have several fiscal impacts, as described below.

Section 1 of the bill establishes a reimbursement program, administered by the Department of Administrative Services (DAS), for local and regional school HVAC system installation, repair, and upgrades that is similar to, though separate from, the school construction reimbursement program established in CGS 10-283. State reimbursement levels are set annually based on municipal wealth and population information from 20 to 80 percent of project costs, with possible increases of up to ten percentage points for projects and

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recipients meeting certain criteria.

The bill does not provide a funding source or amount for the discretionary grant program. To the extent that funds are made available for the program, there would be a potential cost to the state and a potential revenue gain and potential cost to grant recipients. sSB 12, the revised FY 23 bond bill, as favorably reported by the Finance, Revenue and Bonding Committee, authorized \$100 million for this purpose.

The program is expected to be administered by DAS within existing resources, resulting in no new fiscal impact to the agency.

Sections 2, 4, 5, and 8 of the bill make various changes to school construction projects process and cost eligibility, including allowing a larger space standard for school buildings built between 1950-1959, moving projects for school administration buildings from the list of allowable non-priority list reimbursements to needing legislative approval through the priority list process, automatically moving projects through the process when a certificate of occupancy has been granted, and removing a requirement for newspaper notice for construction contracts. To the extent these changes alter the total cost of future projects, the altered cost would be shared between municipalities and the state at the appropriate reimbursement ratio.

School construction grants are financed through the issuance of General Obligation (GO) bonds in future fiscal years. The bill does not authorize new GO bonds. The bill may result in future General Fund debt service costs to be altered to the degree that it causes authorized GO bond funds to be expended at a different rate than they otherwise would have been.

Section 3 requires DAS to report on all non-priority list grants approved on an annual basis and has no fiscal impact.

The remaining sections, along with conforming changes in previously discussed sections, shift specified responsibilities to the

School Building Projects Advisory Council from the School Safety Infrastructure Council, eliminating the latter, which is not expected to have a fiscal impact.

The Out Years

The ongoing fiscal impact of school HVAC projects and school construction project reimbursements identified above will continue into the future subject to project completion, successful municipal application for reimbursement, and the costs of borrowing.