

OFFICE OF FISCAL ANALYSIS

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sHB-5441

AN ACT CONCERNING CLINICAL PLACEMENTS FOR NURSING STUDENTS, THE ESTABLISHMENT OF REGISTERED APPRENTICESHIPS FOR TEACHERS, REPORTING BY THE OFFICE OF WORKFORCE STRATEGY, PROMOTION OF THE DEVELOPMENT OF THE INSURANCE INDUSTRY AND A STUDENT LOAN SUBSIDY FOR HIGH-DEMAND PROFESSIONS.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 24 \$	FY 25 \$
Department of Revenue Services	GF - Revenue Loss	None	Up to 1.5 million
Department of Revenue Services	GF - Cost	Up to 100,000	None
Public Health, Dept.	GF - Cost	160,000	164,000
State Comptroller - Fringe Benefits ¹	GF - Cost	68,512	70,225
Treasurer, Debt Serv.	GF - Cost	See Below	See Below

Note: GF=General Fund

Municipal Impact: None

Explanation

The sections of the bill that are anticipated to have a fiscal impact are included below.

Section 2 establishes an income tax credit for preceptors to be administered by the Department of Public Health (DPH), which results in: 1) a General Fund revenue loss of up to \$1.5 million annually

¹The 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 42.82% of payroll in FY 24.

beginning in FY 25, and 2) a one-time cost of up to \$100,000 to the Department of Revenue Services in FY 24 only associated with programming updates to the CTax tax administration system and myconneCT online portal, and form modification, 3) a cost to DPH of \$160,000 in FY 24 and \$164,000 in FY 25 for two Financial Examiner positions and, 4) associated fringe benefit costs of \$68,512 in FY 24 and \$164,000 in FY 25 to the Office of the State Comptroller – Fringe Benefits. DPH staff are needed to process program applications, render decisions on program eligibility within 30 days upon receipt of applications, and issue credit certification letters, anticipated to number approximately 375 annually.

Section 4 eliminates the sunset date of October 1, 2025 for the Office of Workforce Strategy (OWS) to provide an annual report on the workforce training programs funded through the OWS. It is anticipated that OWS can produce this report annually within existing resources. However, the level of funding available for OWS' workforce training programs in the out years is uncertain.

Background

The workforce training programs under OWS are primarily funded through \$70 million in American Rescue Plan Act (ARPA) funds, which are required to be fully expended by the end of calendar year 2026. In addition, \$40 million in state General Obligation (GO) bond funds have been authorized to support OWS' workforce training initiatives, of which \$5 million has been allocated to date.

Section 8 authorizes \$7 million in GO bonds each fiscal year starting in FY 24 for the student loan subsidy program established in this act, to be administered by the Connecticut Higher Education Supplemental Loan Authority. To the extent the new bonds authorized are fully allocated and expended, there would be an increase in annual General Fund debt service costs until such bonds are fully repaid. At current market rates, total repayment costs over 20 years for \$7 million of GO bond authorizations are estimated to be approximately \$10.9 million.

The bill creates an annual new GO bond authorization, which would continue to add \$7 million of new bond authorizations each year until changed or repealed. Additional years of authorization past the initial year would increase the potential costs proportionately – for example, 10 years of authorizations would be \$70 million of bond authorizations at a total estimated debt service cost of \$109 million.

To the extent the new bonds authorized are certified by the Treasurer, and are fully allocated and expended, there would be an increase in annual General Fund debt service costs until such bonds are fully repaid. However, when portions of an authorization are specified to become effective in future years, the full authorization amount is typically known at the time of adoption. The total potential debt service cost is unknowable, given the lack of a finite amount or time frame of the bond authorization.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation, the \$1.5 million annual aggregate cap on credits allowed under the bill, and the terms of any bonds issued.