

OFFICE OF FISCAL ANALYSIS

Legislative Office Building, Room 5200
Hartford, CT 06106 ◊ (860) 240-0200
<http://www.cga.ct.gov/ofa>

sHB-5347

AN ACT CONCERNING AUTHORIZATION OF STATE GRANT COMMITMENTS FOR SCHOOL BUILDING PROJECTS AND REVISIONS TO THE SCHOOL BUILDING PROJECTS STATUTES.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 25 \$	FY 26 \$
Treasurer, Debt Serv.	GF - Cost	See Below	See Below
Office of Early Childhood	GF - Cost	See Below	See Below

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 25 \$	FY 26 \$
Various Municipalities; Local and Regional School Districts	See Below	See Below	See Below

Explanation

School Construction

The bill approves a net increase of \$544 million in state grant commitments for school construction projects, which represents potential reimbursement costs for the state and revenue gain for the specified municipalities. The grants-in-aid will be financed through the issuance of General Obligation (GO) bonds in future fiscal years. The bill does not authorize new GO bonds. The projected debt service cost to the General Fund to issue \$544 million of GO bonds at market rates is \$779 million.

The bill also makes several changes that may impact project costs and reimbursement levels, which in turn would affect levels of state

Primary Analyst: EMG
Contributing Analyst(s): LD
Reviewer: CR

4/16/24

reimbursement and municipal revenue gain. These changes include increasing the reimbursement rate for early childhood programs from five percentage points to fifteen percentage points, increasing the reimbursement rate for the capital costs of full day kindergarten in priority school districts from ten percentage points to fifteen percentage points, and changing various audit deadlines and increasing the audit holdback from 5% to 11%. The impact of changes to costs for future projects on the school construction priority list will be reflected when such projects are considered by the legislature in the future.

The bill also expands the allowable uses for a school building that received funding within the last 10 or 20 years, dependent on the type of project, without needing to repay the state for a portion of the project reimbursements. The fiscal impact is indeterminate, as it is based on future municipal decisions.

School Air Quality

The bill makes several changes that expand eligible awards under the school air quality grant program, along with requiring reconsideration of any unsuccessful applications submitted prior to July 1, 2024.¹

To the extent school districts seek and are awarded funds for projects under the expanded eligibility, this could result in both potential revenue gain for school districts and increased or more rapid use of state funds authorized for the program.

The program is primarily funded through General Obligation (GO) bond funds.² Future General Fund debt service costs may be incurred sooner under the bill to the degree that it causes authorized GO bond funds to be expended or to be expended more rapidly than they otherwise would have been. \$225 million has been allocated for the program since April 2023. An additional \$150 million of GO bonds

¹ 80 of 130 project applications were not awarded funding in FY 23. Awards for FY 24 are pending.

² \$75 million of American Rescue Plan Act (ARPA) funds were also allocated to the program.

become effective on July 1, 2024 under current law. The bill does not change GO bond authorizations relevant to the program.

Smart Start

The bill results in a cost to the Office of Early Childhood (OEC) and General Fund debt service, and corresponding revenue gain to school districts, due to requiring that Smart Start grants be provided to school districts upon approval of an application. The extent of the cost depends on the number of approved applications and classroom needs. Smart Start includes separate grants for both operations and capital improvement.

For context, an annual grant for operating expenses cannot exceed \$5,000 per child served by such grant, or \$75,000 for each preschool classroom. The maximum total annual grant for operating expenses cannot exceed \$300,000 per town. Operating grants are paid using the General Fund.

In addition to the operating grant limits, capital grants cannot exceed \$75,000 per classroom renovated. Capital grants for the Smart Start program are funded through GO bond funds. Future General Fund debt service costs may be incurred sooner under the bill to the degree that it causes authorized GO bond funds to be expended or to be expended more rapidly than they otherwise would have been. As of March 1, 2024, the unallocated bond balance available under the relevant authorization is \$45 million. The bill does not change GO bond authorizations relevant to the program.

The Out Years

The ongoing fiscal impact identified above will continue into the future subject to future municipal decisions, applications for the school construction, school air quality, and Smart Start programs, and the terms of any bonds issued.