

# OFFICE OF FISCAL ANALYSIS

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## EMERGENCY CERTIFICATION

HB-7288

AN ACT AUTHORIZING AND ADJUSTING BONDS OF THE STATE AND CONCERNING GRANT PROGRAMS, STATE GRANT COMMITMENTS FOR SCHOOL BUILDING PROJECTS, REVISIONS TO THE SCHOOL BUILDING PROJECTS STATUTES AND VARIOUS PROVISIONS REVISING AND IMPLEMENTING THE BUDGET FOR THE BIENNIUM ENDING JUNE 30, 2027.

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### ***OFA Fiscal Note***

***State Impact:*** See Below

***Municipal Impact:*** See Below

### ***Explanation***

The bill makes many changes, which result in the fiscal impacts described below.

### **BONDING**

**Sections 1-139** make various changes to bond authorizations and related programs and result in the following impacts.

**Table 1** below summarizes the increases and reductions made to General Obligation (GO) bonds, Special Tax Obligation (STO) bonds, and Clean Water Fund (CWF) revenue bonds in FY 26 and FY 27.

**Table 1: FY 26 and FY 27 Increases and Reductions to GO, STO, and CWF Bond Authorizations (in millions)**

Description	FY 26 \$	FY 27 \$
<b>General Obligation (GO) Bonds</b>		

New Authorizations	3,239.8	3,084.4
Changes to Prior Authorizations	(50.0)	(29.0)
Reductions to Current Authorizations	(299.7)	-
<b>NET TOTAL GO BONDS</b>	<b>2,890.1</b>	<b>3,055.4</b>
<b>Special Tax Obligation (STO) Bonds</b>		
<b>NET TOTAL STO BONDS</b>	<b>1,574.7</b>	<b>1,581.0</b>
<b>Clean Water Fund (CWF) Revenue Bonds</b>		
<b>NET TOTAL CWF BONDS</b>	<b>50.0</b>	<b>500.0</b>

**Table 2** indicates the eventual total General Fund fiscal impact, through debt service, if all GO bonds authorized by the bill are allocated by the State Bond Commission and issued by the Office of the State Treasurer. Total debt repayment for the net authorization increase is estimated at \$8,730.9 million over the 20-year duration of the bonds.

**Table 2: Net GO Bond Authorizations and Estimated Total Debt Service Cost (in millions)**

<b>Fiscal Year Authorized</b>	<b>Authorization Amount \$</b>	<b>Total Estimated Debt Service Cost<sup>1</sup> \$</b>
2026	2,890.1	4,134.9
2027	3,055.4	4,371.4
2028-2032	157.0	224.6
<b>TOTAL</b>	<b>6,102.5</b>	<b>8,730.9</b>
<sup>1</sup> Debt service estimates based on market rates and repaid over 20 year terms.		

**Table 3** indicates the eventual total Special Transportation Fund fiscal impact, through debt service, if all STO bonds authorized by the bill are allocated by the State Bond Commission and issued by the Office of the State Treasurer. Total debt repayment for the net authorization increase is estimated at \$5,172.3 million over the 20-year duration of the

bonds.<sup>1</sup>

**Table 3: STO Bond Authorizations and Estimated Debt Service Cost for the Infrastructure Improvement Program (in millions)**

<b>Fiscal Year Authorized</b>	<b>Authorization Amount \$</b>	<b>Total Estimated Debt Service Cost<sup>1</sup>\$</b>
2026	1,574.7	2,581.0
2027	1,581.0	2,591.3
<b>TOTAL</b>	<b>3,155.7</b>	<b>5,172.3</b>
<sup>1</sup> Debt service estimates based on market rates and repaid over 20 year terms.		

### **Clean Water Fund Revenue Bonds**

Clean Water Fund Revenue bonds are issued and repaid using the resources of the Clean Water Fund. These bonds are not expected to have an impact on appropriated funds.

### **Municipal Impact of Bonding Provisions**

To the extent authorized bonds are allocated by the State Bond Commission, the bill will result in a collective municipal revenue gain of at least \$275 million in each of FY 26 and FY 27, including revenue from three programs (Local Capital Improvement Program (LoCIP) - \$45 million each year, Town Aid Road - \$80 million each year (split between GO and STO bonds), and Grants for Municipal Purposes - \$150 million each year). New authorizations for multiple other bond programs, including programs regarding school construction, urban development projects, and small town assistance, may also result in additional revenue gain to various municipalities.

### **Bond Authorizations After FY 27**

In addition to the amounts from these sections that were included within the FY 26 and FY 27 totals above, the following sections include

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<sup>1</sup> The net authorization increase for STO bonds includes authorizations for FY 26 and FY 27.

authorizations that become effective in FY 28 or later. **Section 73** authorizes \$75 million of GO bonds after the biennium (\$25 million annually in FY 28 through FY 30). **Section 117** authorizes \$25 million of GO bonds after the biennium (\$12.5 million in each of FY 28 and FY 29). **Section 121** authorizes \$57 million of GO bonds after the biennium (\$11.5 million annually in FY 28 through FY 31 and \$11 million in FY 32). The total debt service cost for these authorizations is reflected in Table 2.

## SCHOOL CONSTRUCTION

**Sections 140-176** Make various changes to the school construction reimbursement program and associated project approvals, as discussed below.

The sections approve new priority list projects which result in state grant commitments of \$172 million for school construction projects. Changes to projects previously approved have an additional net impact of a \$51 million increase to expected state payments or reimbursements. Adjustments to current statutory requirements regarding various school construction-related provisions represent a potential increase to state payments and reimbursements of up to \$531 million. New or increased state reimbursements represent potential revenue gain for the specified municipalities.

The sections also make several changes that may impact future project costs and reimbursement levels, which in turn would affect levels of state reimbursement and municipal revenue gain. These changes include: (1) allowing an increase in the reimbursement rate for early childhood programs to impact the reimbursement for the entire project, (2) increasing reimbursement rates regarding in-district provision of special education, (3) allowing certain air quality projects and special education projects to be eligible for reimbursement under the non-priority list administration of the program, and (4) removing eligibility for projects for the Connecticut Technical Education and Career System (CTECS) from the school construction program. 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.

Additionally, the standalone competitive grant program for school air quality projects is repealed.

The state's share of costs for both the school construction and school air quality grant programs are funded using General Obligation (GO) bonds, which are in turn repaid through General Fund debt service payments.

## OTHER SECTIONS

**Sections 124-130** require the Connecticut Housing Finance Authority (CHFA) to establish the Homes for CT Loan Program and the Office of the State Comptroller to guarantee the program, and result in (1) a potential cost of up to a cumulative total of \$10 million to the General Fund and (2) a potential revenue gain of up to a cumulative total of \$10 million to the General Fund.

CHFA may allow up to \$100 million to be loaned under this program and will guarantee the loans. The bill caps the payable claims and associated potential cost at \$10 million. Claims will ultimately be paid out of the General Fund by the comptroller. Annual expenditures for this program begin in FY 26 and are dependent on the number of claims paid. Loans that are reimbursed to the lending financial institution will be assumed by CHFA. Any funds CHFA receives from collection efforts will be deposited in the General Fund resulting in a potential revenue gain of up to \$10 million beginning in FY 26. Administrative costs of the program to CHFA are anticipated to be paid for by bond funds, the impact of which is included in the Bonding section above.

**Section 177**, which makes a technical correction to the Department of Economic and Community Development CT Convention & Sports Bureau account within the Tourism Fund to align with the total amounts appropriated to the agency and fund, results in no fiscal impact. **Section 178** designates \$500,000 from the Office of Policy and

Management Other Expenses account to CT Convention & Sports Bureau.

**Section 179** provides additional funding for robotics in FY 27 through the Department of Education.

**Section 181** increases the amount of funds exempt from the statutory sweep of the Probate Court Administration Fund (PCAF) into the General Fund (GF) from 15% to 20% of the projected operating cost for the next fiscal year beginning in FY 26. This precludes revenue to the GF of approximately \$3.3 million annually.

**Section 182** makes available \$300,000 from the Office of Policy and Management, in FY 26, to support existing positions within the Office of Consumer Counsel for staffing the Office of State Broadband.

**Sections 183 - 185** result in potential savings to municipalities electing to participate in the Municipal Employees Retirement System (MERS), starting in FY 27 at the earliest, depending on their enrollment date. Actual impacts are subject to plan demographics and performance. The bill outlines a new tier (MERS 2.0) and benefit option for members that have lower contribution rates than the current system and are designed to reduce volatility in the system's liability.

**Section 186** results in potential savings to the state for a new tier of group life insurance coverage for insured employees retiring on or after July 1, 2025, with twenty-five or more years of "credited state service" which narrows the number of eligible retirees from current law which requires twenty-five or more years of "state service."

**Section 187** makes a technical change to the provision eliminating certain paramedic licensure fees, which conforms the language to the budget.

**Section 189 and 190** make a conforming change by moving four statutory payments from Tiered PILOT to the Supplemental Revenue Sharing Grant. This does not result in a fiscal impact as the funds are already included.

**Sections 191, 192 & 194** could result in a potential cost to the Department of Energy and Environmental Protection, associated with hiring staff to complete the additional verification and reporting associated with redemption centers and reverse vending machines.

**Section 193** exempts hard cider and cannabis infused beverages from the state's bottle deposit/refund program (i.e., the "bottle bill"). This results in a minimal General Fund revenue loss from escheats beginning in FY 26.

**Section 198** requires the Department of Emergency Services and Public Protection, in conjunction with the State Board of Labor Relations, to conduct a feasibility study related to state negotiations with the employee organization that represents state police officers. To the extent the study increases workload for board members, there could be a potential minimal cost to the Department of Labor for per diem compensation to board members.<sup>2</sup>

**Section 201** requires the Department of Banking (DOB) to conduct a study on the establishment of limited purpose trust companies in the state, resulting in a one-time cost to the state of \$50,000 to \$100,000 in FY 26. DOB will need to hire a consultant to conduct the study because they do not have the required expertise within the department.

**Section 202 and 203** requires \$600,000 of appropriated funds in other expenses to OPM to be carried forward from FY 26 to FY 27. These funds will be used for the same purpose in FY 27. This shifts a revenue gain to Ledyard and Montville from FY 26 to FY 27.

**Section 204** shifts out the effective date by one year. This moves out a grand list reduction to Ledyard and Montville associated with exempting personal property located on reservation land from FY 27 to FY 28.

**Section 205** removes a mandate by making it optional for local and

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<sup>2</sup> Under current law, board members are paid \$150 for each day during which the member is engaged in board duties (CGS § 31-102).

regional boards of education (BOEs) to designate or hire an instructional support partner in each school. There is a potential cost for BOEs that choose to hire a staff for the role.

**Section 207 - 208** creates a State Historical Commission and allows members to be reimbursed for expenses incurred in the performance of their duties resulting in a potential minimal cost to the Office of Legislative Management to the extent reimbursements are requested.

**Sections 214 and 215** results in significant costs annually beginning in FY 26 by expanding the CT Student Loan Reimbursement program. It expands the program to include: (1) anyone with graduate student loans; and (2) any eligible state resident who was enrolled in Stone Academy's practical nursing program during the 16 months preceding the academy's closure.

The CT Loan Forgiveness program is administered on a first-come, first-serve basis. This means that the above identified cost would only be incurred if sufficient funding was available.

The bill also carries forward the unexpended portion of FY 25 CT Loan Forgiveness funding into FY 26. To the extent that any portion of FY 25 funding is unspent, there is an increase in funding available in FY 26.

**Section 218** extends the ECS grant's hold harmless provision through the biennium. The budget provides \$8.6 million in FY 26 and \$17.1 million in FY 27. This correspondingly precludes a revenue loss to overfunded towns that are not Alliance Districts (which are held harmless every year).

**Section 220** requires that the supplemental funding for nursing homes stay within the available funding allocated and specifies the uses of such funds but does not alter the total amount to be distributed.

**Sections 221-222** require the Department of Developmental Services (DDS) to (1) distribute not more than \$5 million in supplemental funding to contracted providers of residential services in FY 27, and (2)



use a pool of \$105 million available in FY 28 to increase provider rates to support wage increase for contracted providers.

**Section 223** repeals sections 245 and 256 of HB 7287 and their associated fiscal impact. These sections may have reduced the number of third parties willing to purchase municipal tax liens. To the extent this would have occurred, it may have restricted a municipality's option to sell tax liens to recoup outstanding debt beginning in FY 27.

**Section 224** specifies magnet schools operated by a RESC or Goodwin University as the recipients of \$12 million in FY 27 for magnet school funding. The funding is distributed proportionally based on the share of students enrolled.

**Section 225** makes a variety of changes to election statutes including requiring the Secretary of the State (SOTS) to hire and install an election monitor for Bridgeport and to conduct a bilingual voter information campaign at a cost to SOTS of \$250,000 in FY 26 and FY 27. This section also empowers SOTS to commence a declaratory judgement action under certain circumstances resulting in a potential cost to SOTS. The exact cost will depend on the number of declaratory judgements pursued. The budget provides \$150,000 in FY 26 and FY 27 to support an election monitor for Bridgeport.

**Section 228 and 232** preclude any grand list growth until there is development or redevelopment in the South Meadows site. Once there is development or redevelopment, these sections will result in a grand list increase to Hartford and a potential revenue loss associated with the property no longer being eligible for Tiered PILOT. A grand list increase results in a revenue gain given a constant mill rate. It is expected any revenue gain associated with this grand list increase will be equivalent to or exceed the revenue loss associated with Tiered PILOT.

**Section 233** allows municipalities and local or regional boards of education to require employees to use accrued paid sick leave at the rate prescribed in the collective bargaining agreement. Any impact is dependent on what is required in the collective bargaining agreement.

**Sections 234 and 235** introduce a provision for an alternative method for calculating base period by the authority that applies to covered employees that are employed by a public school operator or a nonpublic elementary or secondary school in a position that does not require professional certification. To the extent this results in higher benefits paid to these covered employees absent this alternative method, it could result in a potential cost to the Paid Medical and Family Leave Trust Fund.

**Section 236** is expected to result in the following impacts to local and regional school districts: (1) a potential minimal, one-time cost in FY 26 associated with making system adjustments for the payroll deduction; and (2) an indeterminate potential fiscal impact annually, beginning in FY 26, associated with coverage of certain district employees who are newly eligible for PFMLA.

**Section 238** results in a potential cost one-time cost of up to \$100,000 to the Department of Economic and Community Development (DECD) to conduct an assessment on the economic impact that the proposed Connecticut United Football club stadium would have on the Bridgeport and the Connecticut. It is anticipated that DECD would require consulting services to complete the report by October 1, 2025. Any cost may be partially mitigated to extent that other relevant state agencies are able to assist with the study.

### ***The Out Years***

The ongoing fiscal impacts identified in the bonding sections above would continue into the future subject to the terms of any bonds issued, successful municipal project application and completion, and inflation.

*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.*