OFFICE OF FISCAL ANALYSIS

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

sSB-1
AN ACT INCREASING RESOURCES FOR STUDENTS, SCHOOLS AND SPECIAL EDUCATION.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 26 $	FY 27 $
Resources of the General Fund	GF - Potential Revenue Loss	Up to 300 million	See Below
Teachers' Retirement Bd.	GF - Potential Cost	None	49 million
Resources of the UPE Trust	UPE Trust - See Below	See Below	See Below
Office of Early Childhood	GF - Cost	See Below	See Below
Education, Dept.	GF - Savings	14,204,582	18,539,116
Policy & Mgmt., Off.	MRSF - Savings	7.8 million	7.8 million
Education, Dept.	GF - Cost	5,774,433	6,174,433
Treasurer	GF - Cost	130,000	130,000
State Comptroller - Fringe Benefits[1]	GF - Cost	212,100	212,100
Treasurer, Debt Serv.	GF - Cost	See Below	See Below
Connecticut Higher Education Supplemental Loan Authority (CHESLA)	CHESLA - See Below	See Below	See Below
Probate Court	PCAF - Potential Cost	See Below	See Below

Note: GF=General Fund; PCAF=Probate Court Administration Fund; MRSF=Municipal Revenue Sharing Fund

Municipal Impact:

Municipalities	Effect	FY 26 $	FY 27 $
Various Municipalities	Revenue Loss	7.8 million	7.8 million
Various Municipalities	See Below	See Below	See Below

[1]The 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 40.71% of payroll in FY 26.

Primary Analyst: CF 4/9/25
Contributing Analyst(s): SB, DD, LD, LG, EMG, NN, BP, CR, CW
Reviewer: JS

Local and Regional School Districts	See Below	See Below	See Below

Explanation

The bill establishes a universal preschool trust, eliminates Alliance Districts, Educational Reform Districts, and the Commissioner's Network of Schools, and makes various other changes resulting in the fiscal impacts described below.

Sections 1 – 10 set up the Universal Preschool Endowment (UPE) Trust and associated Board, describe eligible programmatic expenses and reimbursements for the trust, and provide investment thresholds to enable additional allowable uses of the trust.

Revenues of the UPE Trust

The bill requires up to $300 million of unappropriated General Fund (GF) surpluses after the close of accounts for FY 25, and the entire surplus if the Budget Reserve Fund (BRF) is at its maximum threshold (18% of net GF appropriations for the current fiscal year) after the close of accounts for FY 26 and beyond, to be transferred into the Universal Preschool Endowment Trust. To the extent there are General Fund surpluses at the close of FY 25, FY 26, and in the out years, there will be a transfer of resources of the General Fund to the UPE Trust in each fiscal year following the surplus year. General Fund surpluses would otherwise be deposited in the Budget Reserve Fund (BRF), subject to statutory requirements regarding the use of BRF excess when applicable.

The bill also requires the resources of the UPE Trust be invested by the Treasurer separate and apart from other state investments, but in the same manner as several other state investment funds. Investment revenues are indeterminate, as they are dependent on available resources, market returns, and future investment decisions.

Expenses of the UPE Trust

To the extent revenues are deposited in the fund and amounts on deposit in the fund meets or exceeds the amount needed to fund the program, there will be ongoing annual administrative and investment costs associated with the UPE Trust as a result of the bill starting no earlier than FY 27. Administrative expenses include a one-time cost to the State Treasurer associated with the establishment of the UPE Trust of up to $100,000.

The bill allows the UPE Trust to enter into contracts for various administrative, legal, and investment services. It also requires the Treasurer and Commissioner of Early Childhood to enter into a memorandum of understanding regarding information sharing, and with the child care resource and referral agency designated by the Commission of Early Childhood. The bill specifies the ongoing costs of administering the UPE Trust are to be covered by the resources of the fund. As such, there is not anticipated to be a cost to appropriated funds or municipalities due to these sections.

Additionally, **Section 9** exempts the UPE Trust's property and earnings from all state and local taxes. To the extent these would otherwise be taxable, this precludes a revenue gain to the state and municipalities.

Section 11 results in a cost to the Office of Early Childhood to establish a state-wide Tri-Share Child Care Matching Program. The total cost will be dependent on how many employers and employees sign up for the program. The state portion of funds are to be paid out of the Universal Preschool Trust. For context, under the program, costs for child care are shared equally between participating employers, employees, and the state.

Section 12 results in a cost to the Office of Early Childhood of at least $1 million in FY 26 and FY 27 to contract with a consultant to create and implement a centralized online enrollment portal.

For context, the portal must: 1) include information on early care and education program slot availability; 2) determine eligibility for available programs; 3) provide opportunities for families to apply for government financial assistance; 4) allow designated beneficiaries to apply for payments from the Universal Preschool Trust; and 5) estimate the amount of tuition a family would pay after deducting subsidies and the amount covered by the Universal Preschool Trust.

Sections 13 – 15 make procedural changes that have no fiscal impact.

Section 16 establishes regional education accountability review boards for each planning region, to provide "intensive technical, financial and other assistance" and "review and analyze all education spending" of each Priority School District.

These requirements result in an additional annual cost to the Office of the State Treasurer and the State Department of Education (SDE), who are required to serve as chairs of each board, of approximately $182,900 to each agency annually beginning in FY 26. Each agency would require one additional full-time employee to address the requirements of the bill for all planning regions and the budgets of every Priority School District. Annual costs include $130,000 in salary and corresponding fringe benefits of $52,900.

Section 17 has no fiscal impact. It makes procedural changes to the annual expenditure report process between school boards and SDE.

Section 18 has no fiscal impact. It requires SDE to include a tool that identifies students at risk of becoming disconnected in their chronic absenteeism prevention and intervention plan. SDE already utilizes such a tool.

Sections 19 – 21 have no fiscal impact. They make technical and procedural changes to school boards' annual budget reporting requirements.

Section 22 requires school boards and similar entities to collect and report certain data quarterly and requires SDE to make it available on their website, which results in annual staffing costs to SDE and potentially districts starting in FY 26, and a one-time development cost to SDE in FY 27. SDE will require one full-time Education Consultant (annual salary of $130,000 and $52,900 in fringe benefits) and an IT contractor ($50,000 annually) to collect new data from districts and report quarterly on SDE's website. Additionally, there is a $400,000 one-time development cost in FY 27 for SDE to create a new system for data collection and integration.

There are potential staffing costs for school districts to collect and report the required data quarterly, dependent on existing staffing levels and their current data collection processes.

Section 23 has no fiscal impact. It requires schools to contact the local homeless education liaison to determine if a student is homeless before a school expulsion hearing and to take certain steps if the student is homeless, which can be accomplished with existing resources.

Section 24 establishes a student success coach pilot program within SDE for FY 26 through FY 28 and results in a cost of: (1) up to $16 million for grants to certain districts, and a corresponding revenue gain of up to $2 million for each of the districts, spread across the program's three-year timeframe; and (2) $131,100 for the salary of an Education Consultant staff position and associated fringe benefit costs of $53,400 per year to administer the program. The participating districts will be Bridgeport, New Haven, Waterbury, New Britain, Hartford, Windham, New London, and Norwich; these districts may apply for a grant.

Section 25 expands the school construction reimbursement program to include standalone school air quality projects, which is anticipated to increase long-term spending under the school construction program. This will necessitate increased GO bond use and therefore increased long-term General Fund debt repayment. The increased GO bond spending will finance revenue gains to municipalities and school districts for those future air quality projects that would not have been funded under the standalone competitive grant program.

Sections 26 – 28 have no fiscal impact. They make conforming changes associated with the bill's elimination of Alliance Districts and the Commissioner's Network of Schools.

Section 29 applies the Housing Environmental Improvement Revolving Loan and Grant Program and the pilot program for energy efficiency projects, to eligible communities rather than Alliance Districts. Alliance District towns that are not environmental justice communities would no longer be eligible.[2] To the extent there is a redistribution of grant funds, a municipality could experience a corresponding revenue gain or loss.

Section 30 makes a conforming change regarding the elimination of Educational Reform Districts to an existing mortgage assistance program that the Connecticut Housing Finance Authority (CHFA) administers and is not anticipated to result in a fiscal impact.

Sections 31 – 33 have no fiscal impact to the state. These make conforming changes and replace Alliance Districts with literacy districts for various programs. Alliance Districts will not be eligible for these programs unless they are identified as literacy districts.

Section 34 has no fiscal impact. It expands the Early Childhood Cabinet to include the executive director of the Connecticut Library Consortium, and makes conforming changes to the cabinet membership associated with the bill's elimination of Alliance Districts and Educational Reform Districts.

Section 35 has no fiscal impact. It makes a conforming change associated with the bill's elimination of Alliance Districts, regarding the responsibilities of the Connecticut Technical Education and Career System.

Section 36 has no fiscal impact. It expands eligibility for the Aspiring Educators Diversity Scholarship to students who graduated from any school district in Connecticut, rather than just Alliance Districts, and is

[2] The "eligible communities" criteria is the 50 towns with the lowest equalized net grand list. No Alliance Districts are currently in that group.

not anticipated to change the total amount of scholarship awards.

Sections 37 – 38 replace Alliance Districts with Priority School Districts and with applicants that have previously received grants, for priority consideration, within the CT Grown for CT Kids Grant Program and for supplemental grants within the Local Food for Schools Incentive grant program. To the extent there is a redistribution of grant funds, a school district or municipality could experience a corresponding revenue gain or loss. There is no anticipated cost to the state, as the grants are capped.

Section 39 has no fiscal impact. It repeals a pilot program for examining incidents of physical restraint and seclusion. The pilot program has been completed.

Sections 40 – 41 replace Alliance Districts with Priority School Districts for the ECS formula's minimum base aid ratio (i.e., state aid percentage) and total entitlement hold harmless provisions beginning in FY 26, resulting in an estimated savings to the General Fund within the State Department of Education of $4,335,184 in FY 26 and $8,669,718 in FY 27.[3] There is a corresponding revenue loss to overfunded towns that are classified as Alliance Districts and are not Priority School Districts. There are 14 such towns in FY 26. The General Fund savings and revenue loss to impacted towns continues into the future, growing in magnitude through FY 32, when the overfunded towns reach ECS full funding.

Section 42 has no fiscal impact. It makes a conforming change associated with the bill's elimination of Alliance Districts.

Section 43 has no fiscal impact to the state. It applies a prohibition on reducing a town's minimum budget requirement (MBR) to PSDs instead of Alliance Districts. Districts that are Alliance Districts and not Priority School Districts will be able to reduce their budgeted appropriations for

[3] The bill and the current law formula (which is the comparison point) both resume the ECS phase-out decreases to towns considered overfunded beginning in FY 26.

education in circumstances allowed by statute.

Section 44 alters eligibility for a school minor capital grants program, which is funded through General Obligation (GO) bonds. Current law limits eligibility to Alliance Districts, which the section replaces with Priority School Districts. Future General Fund debt service costs may be incurred at a different rate to the degree that it causes authorized GO bond funds to be expended at a different rate than they otherwise would have been absent the eligibility change.

As of April 1, 2025, there is an unallocated bond balance of $18 million for the Alliance District grant program. The section does not change GO bond authorizations.

This section would preclude a potential revenue increase for Alliance Districts that are not also Priority School Districts, if awards would have been given for otherwise eligible expenses.

Section 45 has no fiscal impact. It replaces Alliance Districts with Priority School Districts for eligibility for the Municipal Aid for New Educators Grant Program, which is not currently funded.

Sections 46 – 47 have no fiscal impact to the state. They expand eligibility from Educational Reform Districts to Priority School Districts for a wraparound services grant program and a science grant program, which are not currently funded. There are six Priority School Districts that are not also Reform Districts.

Section 48 makes technical and conforming changes to the Office of Early Childhood statutes related to eliminating Alliance Districts, which does not result in a fiscal impact to the state.

Section 49 has no fiscal impact. It makes conforming changes associated with the bill's elimination of Alliance Districts, regarding a grant program administered by the Office of Higher Education (OHE). These changes are not anticipated to change the total amount of OHE grant awards.

Sections 50 – 51 expand eligibility for an existing loan subsidy program to any teachers employed by a local or regional board of education, instead of being limited to only teachers in Alliance Districts. The Connecticut Higher Education Supplemental Loan Authority (CHESLA), a self-supporting, quasi-public agency, administers this program. These sections may result in an increase in subsidies paid by CHESLA via existing resources (originally funded through General Obligation bonds) but they do not increase program funding or provide any new funding sources.

Section 52 results in a cumulative revenue loss of approximately $7.8 million to various municipalities in both FY 26 and FY 27 and corresponding savings to the Office of Policy and Management (OPM) for the Tiered PILOT grant.

The bill replaces Alliance Districts with Priority School Districts in the Tiered PILOT formula. Currently municipalities with an Alliance District are considered tier 1 for the Tiered PILOT formula and are guaranteed to receive at least 53% of the grant owed. Municipalities that no longer have an Alliance District or Priority School District and do not otherwise qualify as a tier 1 town will see a revenue loss in their Tiered PILOT grant.

Section 53 applies the Neighborhood Assistance Act tax credit program to Priority School Districts instead of Educational Reform Districts. This does not result in any fiscal impact to the state as it does not alter the aggregate annual $5 million cap on the program.

Section 54 alters eligibility for the Community Investment Fund 2030, which is funded through General Obligation (GO) bonds. Current law limits eligibility to public investment communities and Alliance Districts, which the bill replaces with public investment communities and Priority School Districts. Future General Fund debt service costs may be incurred at a different rate to the degree that it causes authorized GO bond funds to be expended at a different rate than they otherwise would have been absent the eligibility change.

As of April 1, 2025, there is an unallocated bond balance of $100.6 million for the Community Investment Fund 2030. The section does not change GO bond authorizations.

This section would preclude a potential revenue increase for Alliance Districts that are not also Priority School Districts or public investment communities, if awards would have been given for otherwise eligible expenses.

Section 55 allows the Probate Court Administration (PCA) to establish truancy clinics in any area of state, which results in a potential cost to the Probate Court Administration Fund (PCAF) to the extent that truancy clinics are established.

Currently, there is only one such clinic that serves one elementary school. In FY 23, $3,000 was expended to support this clinic. Most of the work for the clinic is conducted on a volunteer basis. The bill (and current law) does not require the work of the clinic to be conducted by volunteers. Should a clinic be established without volunteers, it will experience significant costs. It is unlikely that the PCA will establish additional clinics.

Section 56 repeals numerous statutes, resulting in various fiscal impacts.

Section 56 repeals the Commissioner's Network of Schools. Eliminating the Commissioner's Network of Schools will: (1) require SDE to significantly revise the federally approved Every Student Succeeds Act (ESSA) Plan, which allows SDE to receive certain federal funding; and (2) result in an annual General Fund savings of $9,869,398, the amount equal to the Commissioner's Network budget line item within SDE, starting in FY 26.

Section 56 repeals the statute placing limitations on the reemployment of teachers receiving retirement benefits, resulting in a potential cost to the Teachers' Retirement Board of $49 million annually beginning in FY 27 associated with the anticipated increase to the

Teachers' Retirement System's unfunded actuarial accrued liability (UAAL). This increase assumes active members retire earlier or upon accruing the maximum pension benefit to seek reemployment, which effectively reduces employee contributions and increases the number of pension beneficiaries being paid out of the system. Actual costs will be realized through the actuarial determined employer contribution established in the annual valuation.

Section 56 repeals Alliance Districts and associated restrictions of eligible spending for the Alliance District portion of ECS funding. This may alter how current Alliance Districts choose to spend ECS funding.

Section 56 repeals the school air quality competitive grant program. Repealing the program will result in lower future debt service costs from not using GO bonds previously authorized for the program. As of April 1, 2025, the unallocated balance for the program is $138.5 million. The section does not change GO bond authorizations. [4]

Various other statutes are repealed in section 56, which do not result in a fiscal impact as the repealed programs are not currently administered or the statutes are procedural in nature.

The Out Years

The ongoing fiscal impacts identified above will continue into the future subject to future municipal decisions, applications for the school construction program, and the terms of any bonds issued.

[4] The Governor's proposed bond bill (SB 1247) eliminates the remaining $138.5 million balance of authorized and unallocated bonds for the school air quality competitive grant program.