



Senate

General Assembly

File No. 284

February Session, 2026

Substitute Senate Bill No. 449

Senate, March 31, 2026

The Committee on Planning and Development reported through SEN. RAHMAN of the 4th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING THE RECOMMENDATIONS OF THE INTERGOVERNMENTAL POLICY AND PLANNING DIVISION WITHIN THE OFFICE OF POLICY AND MANAGEMENT.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsections (i) and (j) of section 7-536 of the general statutes
2 are repealed and the following is substituted in lieu thereof (*Effective July*
3 *1, 2026*):

4 (i) Notwithstanding the provisions of subsections (e), (f) and (g) of
5 this section, [on and after June 27, 2023,] allocated moneys credited to
6 the account of a municipality in accordance with subsection (b) of this
7 section shall be issued as a grant by the secretary to such municipality
8 not later than June thirtieth of each fiscal year, if the secretary
9 determines such municipality has expended or intends to expend all
10 funds previously issued as a grant to such municipality pursuant to this
11 section. Such grants shall be used for reimbursement and costs
12 associated with local capital improvement projects.

13 (j) Not later than September 1, [2024] 2026, and annually thereafter,
14 each municipality issued a grant pursuant to subsection (i) of this
15 section in the preceding fiscal year shall submit a report to the secretary
16 certified by the chief financial officer of such municipality, in a form and
17 manner prescribed by the secretary, describing the amounts expended
18 in such fiscal year for each of the local capital improvement projects
19 described in subdivision (4) of subsection (a) of this section. Any such
20 municipality that neglects to submit a true and correct report shall
21 forfeit one hundred dollars to the state.

22 Sec. 2. Subsection (b) of section 4-66g of the 2026 supplement to the
23 general statutes is repealed and the following is substituted in lieu
24 thereof (*Effective October 1, 2026*):

25 (b) The proceeds of the sale of said bonds, to the extent of the amount
26 stated in subsection (a) of this section, shall be used by the Office of
27 Policy and Management for a small town economic assistance program
28 the purpose of which shall be to provide grants-in-aid to any
29 municipality or group of municipalities, provided the municipality and
30 each municipality that is part of a group of municipalities is not
31 economically distressed within the meaning of subsection (b) of section
32 32-9p, does not have an urban center in any plan adopted by the General
33 Assembly pursuant to section 16a-30 and is not a public investment
34 community within the meaning of subdivision (9) of subsection (a) of
35 section 7-545. Such grants shall be used for purposes for which funds
36 would be available under section 4-66c. No group of municipalities may
37 receive an amount exceeding in the aggregate one million dollars per
38 municipality in such group in any one fiscal year under said program.
39 No individual municipality may receive more than one million dollars
40 in any one fiscal year under said program, except that any municipality
41 that receives a grant under said program as a member of a group of
42 municipalities shall continue to be eligible to receive an amount equal
43 to one million dollars less the amount of such municipality's
44 proportionate share of such grant. No municipality or group of
45 municipalities shall receive a grant under said program until the
46 Secretary of the Office of Policy and Management determines such

47 municipality or group of municipalities has expended or intends to
48 expend all funds previously received under this section.
49 Notwithstanding the provisions of this subsection and section 4-66c, a
50 municipality that is (1) a distressed municipality within the meaning of
51 subsection (b) of section 32-9p or a public investment community within
52 the meaning of subdivision (9) of subsection (a) of section 7-545, and (2)
53 otherwise eligible under this subsection for the small town economic
54 assistance program may elect to be eligible for said program
55 individually or as part of a group of municipalities in lieu of being
56 eligible for financial assistance under section 4-66c, by a vote of its
57 legislative body or, in the case of a municipality in which the legislative
58 body is a town meeting, its board of selectmen, and submitting a written
59 notice of such vote to the [Secretary of the Office of Policy and
60 Management] secretary. Any such election shall be for the four-year
61 period following submission of such notice to the secretary and may be
62 extended for additional four-year periods in accordance with the same
63 procedure for the initial election.

64 Sec. 3. Subsection (d) of section 10-265u of the 2026 supplement to the
65 general statutes is repealed and the following is substituted in lieu
66 thereof (*Effective October 1, 2026*):

67 (d) On [March] April first of each year, the Secretary of the Office of
68 Policy and Management shall notify each public school operator of the
69 amount allocated to such public school operator pursuant to subsections
70 (b) and (c) of this section and shall post on said office's Internet web site
71 such allocation amounts and the calculations for all public school
72 operators.

73 Sec. 4. (NEW) (*Effective from passage and applicable to assessment years*
74 *commencing on or after October 1, 2026*) (a) Notwithstanding the
75 provisions of sections 12-107a to 12-107e, inclusive, 12-107g, 12-504e and
76 12-504f of the general statutes, any special act, municipal charter or
77 ordinance, the Secretary of the Office of Policy and Management shall
78 collaborate with each state agency having custody or control of real
79 property belonging to or held in trust for the state, to identify all such

80 real property that is farm land, forest land, open space land or maritime
81 heritage land, as those terms are defined in section 12-107b of the
82 general statutes. Upon making any such identification, the secretary
83 shall notify the assessor of the municipality in which such land is
84 located, in whole or in part, that such land has been identified as farm
85 land, forest land, open space land or maritime heritage land, as
86 applicable. The secretary shall make such notification not earlier than
87 thirty days before or later than thirty days after the assessment date in
88 any year, except that in a year in which a revaluation is required
89 pursuant to section 12-62 of the general statutes, such notification may
90 be made not later than ninety days after such assessment date. Upon
91 receipt of such notification, the assessor shall (1) classify such property
92 accordingly, (2) value such property in accordance with the schedules
93 of unit prices developed pursuant to section 12-2b of the general
94 statutes, and (3) add such property to the grand list of the municipality
95 in the manner described in section 12-109 of the general statutes.

96 (b) Any classification of property as farm land, forest land, open
97 space land or maritime heritage land pursuant to this section shall be
98 deemed personal to the state and shall not run with the land. Any such
99 property that has been so classified shall remain so classified without
100 additional notification to the municipal assessor until (1) the use of such
101 property is changed to a use other than that identified by the secretary
102 pursuant to subsection (a) of this section, or (2) such property is sold or
103 transferred.

104 Sec. 5. Section 8-3j of the general statutes is repealed and the
105 following is substituted in lieu thereof (*Effective October 1, 2026*):

106 [(a)] No zoning regulation shall treat any family child care home or
107 group child care home, located in a residence and licensed by the Office
108 of Early Childhood pursuant to chapter 368a, in a manner different from
109 single or multifamily dwellings.

110 [(b)] Not later than December 1, 2023, and annually thereafter, each
111 municipality shall submit to the Office of Policy and Management a
112 sworn statement from the chief executive officer of the municipality

113 stating (1) that the municipality's zoning ordinances are in compliance
 114 with (A) subsection (a) of this section, and (B) the provisions of
 115 subdivision (1) of subsection (d) of section 8-2, or (2) the specific time
 116 frame within which the municipality will bring its zoning ordinances
 117 into compliance with subsection (a) of this section and subsection (d) of
 118 section 8-2.]

119 Sec. 6. Subsection (b) of section 4-124s of the 2026 supplement to the
 120 general statutes is repealed and the following is substituted in lieu
 121 thereof (*Effective October 1, 2026*):

122 (b) There is established a regional performance incentive program
 123 that shall be administered by the Secretary of the Office of Policy and
 124 Management. Any regional council of governments, regional
 125 educational service center or a combination thereof may submit a
 126 proposal to the secretary for: (1) The provision of any service that two
 127 or more participating municipalities of such council or local or regional
 128 board of education of such regional educational service center may
 129 provide on a regional and ongoing basis, (2) the redistribution of grants
 130 awarded pursuant to sections 4-66g, as amended by this act, 4-66h [, 4-
 131 66m] and 7-536, as amended by this act, according to regional priorities,
 132 or (3) regional revenue sharing among such participating municipalities
 133 pursuant to section 7-148bb. A copy of said proposal shall be sent to the
 134 legislators representing said participating municipalities or local or
 135 regional boards of education. Any regional educational service center
 136 serving a population greater than one hundred thousand may submit a
 137 proposal to the secretary for a regional special education initiative.

138 Sec. 7. Section 4-66m of the general statutes is repealed. (*Effective*
 139 *October 1, 2026*)

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2026</i>	7-536(i) and (j)
Sec. 2	<i>October 1, 2026</i>	4-66g(b)
Sec. 3	<i>October 1, 2026</i>	10-265u(d)

Sec. 4	<i>from passage and applicable to assessment years commencing on or after October 1, 2026</i>	New section
Sec. 5	<i>October 1, 2026</i>	8-3j
Sec. 6	<i>October 1, 2026</i>	4-124s(b)
Sec. 7	<i>October 1, 2026</i>	Repealer section

Statement of Legislative Commissioners:

Section 7 was deleted to remove the conforming change for the repealer in the raised bill that is no longer being repealed.

PD *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do 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.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 27 \$	FY 28 \$
Resources of the General Fund	GF - Potential Revenue Gain	See Below	See Below
Treasurer, Debt Serv.	GF - Potential Savings	See Below	See Below

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 27 \$	FY 28 \$
All Municipalities	Potential Savings	Minimal	Minimal
Various Municipalities	STATE MANDATE ¹ - Revenue Loss	See Below	See Below
Various Municipalities	STATE MANDATE - Cost	See Below	See Below

Explanation

The bill, which includes changes to Local Capital Improvement Program (LoCIP) that limits municipal access to allotments under the program, results in revenue loss to municipalities, costs to municipalities, as well as potential debt service savings and potential revenue gain to the General Fund, as described below.

¹ State mandate is defined in Sec. 2-32b(2) of the Connecticut General Statutes, "state mandate" means any state initiated constitutional, statutory or executive action that requires a local government to establish, expand or modify its activities in such a way as to necessitate additional expenditures from local revenues.

Section 1 makes several changes to the Local Capital Improvement Program (LoCIP), including: 1) limiting grant payments to municipalities to instances where the secretary of the Office and Policy Management (OPM) "determines such municipality has expended or intends to expend all funds previously issued as a grant" under the program, 2) requiring reports surrounding prior use of LoCIP funds to be "certified by the chief financial officer of such municipality," and 3) requiring any municipality that "neglects to submit a true and correct report" to forfeit \$100. LoCIP is funded using General Obligation (GO) bonds.

The proposed requirement to limit future grants to municipalities that have not spent, or shown intent to spend, previous grants under LoCIP is expected to prevent most municipalities from receiving the revenue from their portion of the annual formula grant due to the timing of the grant distribution and reporting requirements.

Under current law and unchanged by the bill, municipalities receive a grant for LoCIP funds after March 1 and no later than June 30 each fiscal year. Since the program was changed from providing reimbursements to grants in FY 24, these payments have been sent in May or June. Municipalities must then report on expenditures from LoCIP grants for the prior fiscal year by September first annually. It seems unlikely municipalities would be able to spend funds received in the final months of that same fiscal year, leading to future grants being withheld. As the program allows spending of municipal allotment over several years, current practice for some municipalities is to wait to spend, or plan spending, until enough funds have accumulated for a substantial project. These municipalities are unlikely to either spend or demonstrate intent to spend over multiple years, much less in a period within March to September each year.

The bill does not specify how a municipality can demonstrate its intention to spend past grant funds, nor what criteria the secretary of OPM will use for determining whether there is an intent to spend. Likewise, the bill does not specify how and whether a municipality can

access funds withheld under this provision when or if it has spent, or shown intent to spend, prior grant funds. This provision results in revenue loss for municipalities, and savings to the General Fund for debt service from a lower amount of GO bonds being issued.

Requiring that reports must be certified by a Chief Financial Officer (CFO) results in a cost to municipalities in multiple ways. To the extent municipalities currently employ a CFO, or contract for a CFO as needed, some municipalities may incur additional costs to certify the reports in addition to current arrangements to prepare them.

Additionally, not all LoCIP recipients, which include towns, cities, and boroughs, currently employ or have access to someone with the title of CFO. Such municipalities will incur additional costs to certify the report, or risk incurring the \$100 fee required by the bill and loss of future grant funds. Similarly, any municipality deemed to have submitted a report that was not "true and correct" may incur the \$100 fee and loss of future grant funds. These provisions result in additional cost and potential revenue loss to some municipalities, as well as potential debt service savings to the General Fund from lower amounts of bonds being issued and potential revenue gain to the General Fund for any monies forfeited by municipalities as required by the bill.

Section 2 changes eligibility requirements under the Small Town Economic Assistance Program (STEAP) by barring eligibility for future grants until the secretary of OPM "determines such municipality or group of municipalities has expended or intends to expend all funds previously received" under the program. The bill does not specify how a municipality or group of municipalities can demonstrate its intention to spend past grant funds, nor what criteria the secretary of OPM will use for determining whether there is an intent to spend. To the extent future grants are limited because fewer recipients are eligible, this results in a potential revenue loss to municipalities that would have otherwise received STEAP awards.

The STEAP program is funded by GO bonds. If the limited eligibility results in lower overall amounts of STEAP awards, this results in

potential debt service savings. As of March 1, 2026, there is an unallocated bond balance of \$53 million for STEAP. The bill does not change overall GO bond authorization levels.

Section 4 results in potential future revenue loss to municipalities and corresponding savings to OPM in the out years associated with the Tiered PILOT grant.² Any impact is dependent on if certain land is identified and reclassified as PA 490 land.³ A decrease in the assessed value of qualifying land corresponds to a decrease in the Tiered PILOT grant holding all other variables of the formula constant.

Section 5 results in a potential minimal savings to municipalities beginning in FY 27 associated with the elimination of a requirement to certify certain zoning regulations with OPM. It is expected any savings will be minimal.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to the determinations of the OPM secretary, any grants withheld, any fees incurred, future land classification, and the terms of any bonds issued.

² Due to a year lag in the Tiered PILOT formula, the earliest an impact would occur would be FY 29.

³ PA 490 land allows certain land to be assessed and the current use value instead of the fair market value. This analysis assumes the current use value will be less than the fair market value.

OLR Bill Analysis**sSB 449****AN ACT CONCERNING THE RECOMMENDATIONS OF THE INTERGOVERNMENTAL POLICY AND PLANNING DIVISION WITHIN THE OFFICE OF POLICY AND MANAGEMENT.****SUMMARY**

This bill requires the Office of Policy and Management (OPM) to collaborate with state agencies to identify state property that qualifies as PA 490 land and have local assessors classify and value it that way for purposes of making the grand list. (Because the state does not pay property taxes, it makes annual payment in lieu of taxes (PILOT) grants to municipalities for state-owned property, based in part on its assessed value.)

The bill also:

1. makes several unrelated changes to municipal grant programs, including limiting certain grant awards when previously awarded funds are unspent;
2. eliminates a municipal reporting requirement related to zoning regulations on family and group child care homes;
3. repeals the law on the obsolete Intertown Capital Equipment Purchase Incentive Program (§ 7); and
4. makes technical and conforming changes (§ 6).

EFFECTIVE DATE: October 1, 2026, unless noted otherwise below.

§ 1 — LOCAL CAPITAL IMPROVEMENT PROJECT (LOCIP) GRANTS

By law, LoCIP grants may be used by municipalities for eligible capital improvement projects such as road repairs, public building construction, and park improvements. Currently, OPM must annually

distribute LoCIP grants to municipalities, based on a formula, by June 30. Under the bill, OPM must do so only if the OPM secretary determines that the municipality spent, or plans to spend, all previous LoCIP grants. (It is unclear whether funds will be released once the previously distributed grant is spent or committed.)

Under the bill, municipalities that fail to comply with a LoCIP grant reporting requirement in existing law are subject to a \$100 penalty. Under this existing law, municipalities must annually, by September 1, submit a report to OPM describing the grant funds it spent on each eligible project in the prior fiscal year. The bill also requires that the municipality's chief executive officer certify the report.

EFFECTIVE DATE: July 1, 2026

§ 2 — SMALL TOWN ECONOMIC ASSISTANCE PROGRAM (STEAP)

By law, STEAP grants reimburse municipalities for up to \$1 million per fiscal year for their economic development, community conservation, and quality-of-life capital projects.

Under the bill, a municipality cannot receive a STEAP grant until OPM determines the municipality has spent, or plans to spend, all STEAP funds it previously received. (It is unclear what this means, as STEAP is a reimbursement grant.)

§ 3 — DISTRICT REPAIR AND IMPROVEMENT PROJECT (DRIP) PROGRAM

By law, DRIP grants are formula grants awarded to public school operators (such as school boards) to help construct, renovate, repair, and enlarge public school buildings, grounds, and infrastructure.

The bill delays, from March 1 to April 1, the annual deadline for OPM to (1) notify school operators of their DRIP allocation and (2) post these amounts, and the calculations used to determine them, on its website.

Unchanged by the bill, OPM must issue the grants to school operators by June 30 each year.

§ 4 — CLASSIFICATION OF STATE PROPERTY AS PA 490 LAND

Broadly, the bill requires OPM to collaborate with state agencies to identify state property that qualifies as PA 490 land and have local assessors classify and value it that way for purposes of making the grand list. Unchanged by the bill, the state is not subject to local property taxes. But under existing law, the state must fully or partially reimburse municipalities for their forgone revenue on state-owned property, based on the property's assessed value, as part of the PILOT program (see BACKGROUND).

The bill's provisions apply regardless of conflicting state laws on the PA 490 program, special acts, and municipal charters and ordinances.

The PA 490 law allows four classifications of land – farm, forest, open space, and maritime heritage – to be assessed at their current use value, rather than their fair market value. “Current use value” refers to what the land is worth as it is actually used; “fair market value” refers to what the land may be worth on the open market (at its highest and best use).

EFFECTIVE DATE: Upon passage and applicable to assessment years beginning on or after October 1, 2026.

Identifying Land and Notifying Assessor

Under the bill, OPM must work with state agencies to identify land that can be classified as PA 490 land. Specifically, agencies must identify eligible real property that (1) a state agency has custody or control of or (2) belongs to or is held in trust for the state (“state land”).

When eligible state land is identified, OPM must inform the local assessor that the land should be classified as farm, forest, open space, or maritime heritage land, as applicable. The bill requires assessors to classify the land accordingly and value it using the recommended land values the state sets every five years.

The bill requires OPM to notify assessors about state land that qualifies as PA 490 land within the same timeframes as other property owners must under the PA 490 program (meaning no earlier than 30

days before and no later than 30 days after the assessment date, except OPM can inform assessors as late as 90 days after the assessment date in a revaluation year).

As is the case for other PA 490 land, the classification of state land as open space, farm, forest, or maritime heritage land ends if (1) its use changes or (2) it is sold or transferred.

§ 5 — ELIMINATION OF THE CHILD CARE HOME ZONING COMPLIANCE CERTIFICATION

The bill ends the requirement that municipalities annually certify to OPM by December 1:

1. that their zoning regulations do not restrict family and group child care homes in a way the law prohibits (such as by banning them in residential zones or requiring a special permit to operate one) or
2. the timeframe within which they will bring their zoning ordinances into compliance.

BACKGROUND

PILOT Program (CGS § 12-18b)

The PILOT program generally provides annual grants to municipalities and fire districts for (1) state-owned property, municipally owned airports, and tribal reservation land and (2) private nonprofit college and hospital property. PILOT grant amounts are generally determined by multiplying the assessed value of the PILOT-eligible property by the statutory reimbursement rate for the given property type. The rate is generally 45% for state-owned property. The actual grant amounts municipalities and districts receive, however, depend on the amount appropriated for the grants.

COMMITTEE ACTION

Planning and Development Committee

Joint Favorable Substitute
 Yea 21 Nay 0 (03/13/2026)