

# OFFICE OF FISCAL ANALYSIS

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sSB-449

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

## **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 <sup>1</sup> - 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

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<sup>1</sup> 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.

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.

**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.<sup>2</sup> Any impact is dependent on if certain land is identified and reclassified as PA 490 land.<sup>3</sup> 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.

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

<sup>3</sup> 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.