

TESTIMONY PRESENTED TO THE GENERAL BONDING SUBCOMMITTEE
April 14, 2021

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Testimony Supporting OPM Capital Programs

Senator Moore, Representative Borer, Senator Hwang, Representative Piscopo and distinguished members of the General Bonding Subcommittee, thank you for the opportunity to discuss the Office of Policy and Management's capital programs.

The Governor has proposed new General Obligation (GO) bond authorizations of \$1.404 billion in FY 2022, which includes cancellation of \$153.7 million of prior authorizations that are no longer needed, and \$1.419 billion in FY 2023. Additionally, prior authorizations becoming effective over the biennium include \$190.5 million in FY 2022 and \$125.1 million in FY 2023 for UConn 2000, \$25 million in each year of the biennium for the Bioscience Innovation Fund and \$9.6 million in FY 2022 and \$9.8 million in FY 2023 for the Strategic Defense Investment Act.

The Governor is prioritizing bond allocations to areas that require the most investment, which include municipal aid, affordable housing, school construction, information technology improvements, economic development, workforce development, and state agency infrastructure improvements.

The Office of Policy and Management requested GO bond authorizations for the upcoming biennium are as follows.

	Unallocated	Requested	Requested
<u>Program</u>	<u>Balance*</u>	<u>FY 2022</u>	<u>FY 2023</u>
Local Capital Improvement Program	\$ 60,000,000	\$30,000,000	\$30,000,000
Nonprofit Grant Program	50,000,000	-	-
Urban Act Program	159,774,248	50,000,000	50,000,000
Grants for Municipal Projects and Purposes	-	76,000,000	76,000,000
Capital Equipment Purchase Fund	41,131,625	10,000,000	27,000,000
IT Capital Investment Program	87,272,551	65,000,000	65,000,000
Grants to Distressed Municipalities CGS 32-9s	3,500,000	7,000,000	7,000,000
Small Town Economic Development Program	45,000,000	-	15,000,000
Per Capital Grants to Distressed Municipalities	-	50,000,000	-
Body and Dash Camera Grants	4,000,000	2,000,000	2,000,000

* After April 16, 2021 State Bond Commission

Attachment A provides descriptions and additional information on the programs for which we are seeking additional authorizations. Attachment B provides information on our remaining bond fund accounts with unallocated balances.

I would like to again thank the committee for the opportunity to present this testimony. I will be happy to answer any questions you may have.

Attachment A

Local Capital Improvement Program (LoCIP) – Pursuant to [C.G.S. § 7-535 through 7-538](#) LoCIP is a formula-based entitlement program that reimburses municipalities through General Obligation bond funds for specific capital improvements including but not limited to critical infrastructure projects, such as road, bridge, sewer or public building construction activities. Annual distributions of new funds are credited to municipal accounts administered by the Office of Policy and Management (OPM) on March 1st of each year. Towns may choose to expend the funds on a series of smaller projects or allow funds to accumulate over a period of time to fund larger projects. The proposed new authorizations represent a continuation of the program at customary annual entitlement levels.

A total of \$60 million will remain unallocated after April 16, 2021. The unallocated funds are needed to meet our current LoCIP entitlement obligations. As of 03/17/2021, there are over 500 open and approved LoCIP projects with reimbursable project balances of \$46,674,389.35. As of 3/17/2021, there is \$51,800,527.62 in remaining LoCIP entitlements which have already been credited to the towns, for which in addition to the \$46,674,389.35 in reimbursable project balances, they may seek project approval and reimbursement.

Previous years' spending are as follows:

FY 2021 (as of 3/17/21): \$31,090,536.19
FY 2020: \$29,331,732.09
FY 2019: \$29,895,519.86
FY 2018: \$28,006,750.55
FY 2017: \$26,495,451.31

Small Town Economic Assistance Program (STEAP) - STEAP funds economic development, community conservation and quality of life projects for municipalities that are ineligible to receive Urban Action bonds. By Statute, municipalities may receive up to \$500,000 per year if: (1) they are not designated as a distressed municipality or a public investment community and (2) the State Plan of Conservation and Development does not show them as having a regional center. Unallocated funds will provide for potential future grants.

The 2020 STEAP round instituted several changes. Municipalities with projects more than five years old or which have expired contracts, that had not been closed out with the administering agency were ineligible to apply for new funding. Additionally, a municipal match requirement, grant awarded for two (2) years with consideration for one (1) year extension, and the maximum amount a municipality could receive was \$128,205.

Due to COVID-19, a special provision was allowed. Notwithstanding any grant, agreement and/or contract provisions of the administering agency, due to the March 10, 2020 Declaration of Public Health and Civil Preparedness Emergencies, certain COVID-19-related capital expenditures incurred on or after 3/10/20 and prior to a grant/contract start shall be eligible for reimbursement as outlined below. The town must certify that any grant application requests related to a COVID capital project has not and will not be requested for reimbursement under any other state or federal funding source.

Status of Grants Awarded and Status of any Unexpended Funds

\$11,363,196.99 represents 94 awards recently granted to municipalities in FY 2020 for which contracts are currently being executed. The funds are obligated, yet not expended.

OPM has been working with administering agencies and municipalities with projects more than five years old or which have expired contracts. Projects are to be closed out and any remaining funds returned to OPM.

History of spending by fiscal year for the past several years:

As grants are administered by other agencies, we do not have information on how much is reimbursed in each fiscal year. Below is the total grant awards over the past years. We have instituted with the 2020 STEAP round a single uniform SID to be able to gather this information in the future.

<u>Year</u>	<u>Total Amount Awarded</u>
2016:	\$12,255,468
2017:	\$0
2018:	\$0
2019:	\$0
2020:	\$11,363,196.99

Capital Equipment Purchase Fund – The Capital Equipment Purchase Fund is authorized by CGS Sec. 4a-9 and is used for the purchase of state agency equipment with a useful life of at least 5 years. The existing unallocated balance of \$41.1 million combined with the requested \$10 million in FY 2022 and \$27 million in FY 2023 will be sufficient to address the most critical equipment needs of state agencies.

Urban Act – Urban Action Grants are discretionary grants to municipalities that (1) are economically distressed as defined by statute, (2) public investment communities or (3) urban centers under the State's Plan of Conservation and Development. Eligible projects include economic development, transit, recreation, solid waste disposal, housing, day care, elderly centers, emergency shelters, historic preservation and various urban development projects. \$50 million in each of the biennium is recommended to provide funding for this program.

Grants-in-aid to Towns for Municipal Projects and Purposes – These funds are required to be expended for the same purposes for which Town Aid Road grants may be used. However, legislation also allows towns to apply to OPM for a waiver from this requirement, and use these funds and Town Aid Road grants for other capital purposes. \$76 million is requested in each year of the biennium to continue this program at the same level as the current biennium.

Grants-in Aid to Distressed Municipalities - provides a state reimbursement of a portion of the property tax loss that municipalities sustain as a result of property tax exemptions granted to qualified manufacturing/service facilities and companies located in certain municipalities designated by the Commissioner of the Department of Economic and Community Development (DECD) as distressed, containing an Enterprise Zone or a zone that is eligible for Enterprise Zone level benefits. The Commissioner of the DECD must certify which manufacturing/service facilities and companies are eligible for these exemptions. OPM reimburses eligible municipalities for up to 50% of the tax revenue lost due to these exemptions.

Reimbursement to municipalities is required per CGS Section 32-9s. Exemptions are granted to qualified manufacturing/service facilities and companies per CGS Sections 12-81(59), 12-81(60) and 12-81(70).

All claims received by OPM through FY 21 have been paid. FY 22 claims are due to OPM by August 1, 2021 and are payable on or before December 31, 2021.

No grants were paid in FY 18 as OPM had no funding to do so. FY 19 was the first year that bond funds were authorized to pay for this grant. \$4,267,845.94 was paid in FY 19 from a \$5,500,000 bond authorization. In FY 20 OPM paid a total of \$6,824,397.95 through a combination of \$1,232,154.06 remaining from the FY 19 bond authorization, \$1,500,000 FY 20 budget appropriation and \$4,092,243.89 from a FY 20 bond authorization of \$7,000,000. In FY 21 OPM paid a total of \$6,299,325.07 through a combination \$2,907,756.11 remaining from the FY 20 bond authorization and \$3,500,000 from a FY 21 bond authorization of \$7,000,000. A FY 21 budget appropriation of \$1,500,000 was allowed to lapse.

There is \$3,500,000 remaining from the FY 21 bond authorization. OPM plans to use these funds toward payment of the FY22 distressed municipality grants.

Any new bond authorizations will be used to pay claims for distressed municipality grants received for FY 22 and FY 23 which are expected to be between \$6- \$10 million each year.

Municipalities must certify that any bond funds received through this grant will be used only for capital projects.

Body worn camera/dashboard camera reimbursement program under the Police Accountability bill-

Pursuant to Public Act 20-1 45, the Office of Policy and Management is to administer a grant program to provide a grant-in-aid to any municipality approved for such a grant-in-aid by the office, for the costs associated with (1) the purchase of body-worn recording equipment for use by the sworn members of such municipality's police department or for use by constables, police officers or other persons who perform criminal law enforcement duties under the supervision of a resident state trooper serving such municipality, and digital data storage devices or services, provided such equipment, device or service conforms to the minimal technical specifications approved pursuant to subsection (b) of section 29-6d of the general statutes, and (2) a first-time purchase by such municipality of one or more dashboard cameras with a remote recorder or the replacement by such municipality of one or more dashboard cameras purchased prior to December 31, 2010, with one or more dashboard cameras with a remote recorder, provided such dashboard cameras with a remote recorder conform to the minimal technical specifications approved pursuant to subsection (b) of section 29-6d of the general statutes.

The program was announced to municipalities on February 26, 2021 so there have yet to be a history of spend. Applications are expected to be received by OPM and it is expected that the original allocation of \$4 million dollars will be fully expended. There is a proposal put forth for an additional \$2 million to be allocated for this program as it is expected to require funding beyond the original allocation in order to reimburse all eligible municipalities.

Per Capita Grants to Distressed Municipalities - \$50 million is proposed to the 25 towns and cities designated as Distressed Municipalities. This crucial support, combined with \$50 million from Corona Virus Relief Fund, will aid our neediest communities through the difficult recovery from the many impacts of COVID-19.

Information Technology Capital Investment Program – This program is used to update and improve the state's information technology infrastructure to increase efficiency and improve the citizen experience. Below is a summary of the projects funded since inception in FY13:

Total Projects which have received Allocations	88
Completed Projects	52
Active Projects	36
Active Projects which have received full allocations	21
Active Projects with partial allocations	15

Program financial summary:

Bond Authorizations (FY13 - FY21)	\$	516,000,000
Allocations/Allotments	\$	398,086,572
Allocations/Unallotted	\$	1,024,683
Total Allocations	\$	399,111,255
Unallocated Balance	\$	116,888,745
Expenditures	\$	315,019,600
Encumbrances	\$	24,491,163
Total	\$	339,510,763
Unexpended Funds	\$	59,600,492

Bond allocations per Fiscal Year:

FY13	\$	25,079,988
FY14	\$	28,736,142
FY15	\$	30,910,091
FY16	\$	63,502,965
FY17	\$	59,705,271
FY18	\$	102,142,244
FY19	\$	27,194,238
FY20	\$	44,987,116
FY21	\$	16,853,200
Total	\$	399,111,255
Average	\$	44,345,695

The unallocated balance, \$117 million, are required for the 15 active projects which have not yet received their full allocations:

Project Name	FY 2021	FY 2022	FY 2023
1. DAS - Enterprise Content Management (ECM) Service Development	\$ 731,664		
2. DAS/Procurement - E-Sourcing Solution	44,920		
3. Comprehensive Child Welfare Information System (CCWIS)	9,989,689	5,204,515	15,656,027
4. DDS Home and Community Based Management System	367,100	382,955	399,603
5. Sites Case Management System (Sites CMS)	3,000,000		
6. ezFile Electronic Permitting - Phase 2	4,000,000	4,000,000	
7. Unemployment Insurance Modernization		6,722,523	
8. IT/CTax Modernization	11,850,000	11,350,000	4,700,000
9. DSS - Medicaid Management Information System (MMIS) Replacement Planning, Procurement and Transition Project	132,500		
10. DSS -Shared Services Initiative	880,016		
11. DSS - Connecticut Child Support Enforcement System (CCSES) Transition	15,756,240	3,289,230	
12. DSS - Connecticut Medicaid Enterprise Technology System (CT METS)	1,866,594		8,052,963
13. Case Management System	462,567		
14. Statewide Health Information Exchange	1,255,276	1,501,813	1,575,590
15. Upgrades to the CORE-CT Financial System including Cloud Migration	6,300,000	18,000,000	4,000,000
Sub-Total Ongoing	\$ 56,636,566	\$ 50,451,036	\$ 34,384,183

The new authorizations, \$65 million in each year of the biennium, will be used for the following projects:

IT Capital Investment Program - Possible Future Project Requests				
20.	Upgrades to the principal election applications		\$ 4,000,000	
21.	Nutrition & School Meals IT Capital Investment Fund Request		1,761,066	1,169,880
22.	Cyber Security Risk Reduction Initiative	1,000,000	5,000,000	5,000,000
23.	Installation and maintenance of e-Builder software and migration of construction project data		509,675	279,916
24.	CivicGov		139,615	
25.	Refresh of IT Infrastructure for the Connecticut Education Network (CEN)		19,490,395	10,241,568
26.	Uniform Medication Administration Training & Certification Program	105,600	105,000	
27.	Garage Technology Upgrade and Maintenance Management System (MMS)		1,324,000	1,249,000
28.	Financial Aid Processing Software System (FAPSS)	900,000		
29.	Upgrade of the Pension Gold system or configuration into CORE-CT Pension Module		6,000,000	6,000,000
30.	Quartermaster system	10,000		
Sub-Total - Possible Future Projects		\$ 2,015,600	\$ 38,329,751	\$ 23,940,364

Attachment B

CORE Results-Based Accountability – The funds are used to finance the implementation of business intelligence (BI) software that provides advanced analytic and reporting capabilities. The state analytical reporting system, known as STARS, is developed within CORE-CT and provides capabilities for data modeling, trend analysis and forecasting, which enhance transparency and accountability in state budgeting, spending and human capital management (HR). The goal has been for STARS to become the single, central reporting system of human resource, payroll, and financial information in CORE-CT. To that end, STARS can replace the CORE-CT EPM query tool with support from DAS and CORE-CT.

The unallocated balance should be retained pending final completion of implementation.

Bond Authorizations (FY11 - FY17)	\$	13,000,000
Allocations/Allotments	\$	11,800,000
Unallocated Balance	\$	1,200,000
Expenditures	\$	8,686,598
Encumbrances	\$	720,428
Total	\$	9,407,026
Unexpended Funds	\$	2,392,974

Bond Allocation History

FY13	\$	1,500,000
FY14	\$	2,718,688
FY15	\$	2,281,312
FY16	\$	2,650,000
FY17	\$	2,650,000
Total	\$	11,800,000

CORE Higher Education System Consolidation – The unallocated balance may be needed for additional work by the Office of State Comptroller to complete final elements of the project to integrate more information with the CORE-CT system.

The unallocated balance should be retained pending final completion of implementation.

Benchmarking Systems – The benchmarking system was developed for state and local municipalities to utilize a Uniform Chart of Accounts (UCOA) to standardize the classification and reporting of financial data among all municipalities. This standardize reporting format facilitates the benchmarking reporting system. Municipal financial data is transmitted to the State in accordance with the UCOA from the respective municipal data warehouses to provide more accurate comparisons and benchmarking of the costs of programs and services. This system is undergoing an upgrade and enhancements.

Grants-in-aid to Private, Non-profit Health and Human Service Organizations – The funds are used for competitive grants to private, non-profit health and human service providers to expedite service delivery and to address health, safety and accessibility issues with respect to health and human services provided by nonprofit providers.

Eligible projects include:

- Facility alterations, renovations, improvement, additions, new construction and land purchase associated with new construction or additions;
- Health, safety and compliance with Americans with Disabilities Act;
- Energy conservation, improvements or projects;
- Information technology projects, including encryption or client confidentiality systems;
- Technology that promotes client independence;
- Purchase of vehicles;
- Acquisition and upgrades to electronic health or medical records and other health information technology systems; and
- Converting use of property to address mutually agreed to state agency service needs.

There is an unallocated balance of funds in the amount of \$50 million pertaining to the two (2) authorizations in P.A. 20-1. In addition, there is an uncommitted balance of allocated funds in the amount of \$8.7 million. These unallocated and uncommitted allocated funds will be used in future rounds of competitive grant awards. There is no new funding requested in FY22 and FY23 due to the availability of unallocated and uncommitted allocated funds.

To date, there have been seven (7) rounds of competitive funding resulting in over 650 grant awards totaling \$128.6 million in expenditures as follows:

FY15	\$8,458,915.30
FY16	\$17,412,713.51
FY17	\$17,302,627.95
FY18	\$17,737,973.29
FY19	\$25,781,173.23
FY20	\$28,204,589.30
FY21 through 3/25/21	<u>\$13,692,235.88</u>
	\$128,590,228.46

As of March 25, 2021, there are approximately 32 open grant awards with encumbered funds totaling \$7.7 million. OPM is working on closing out these awards before it proceeds with a new round of competitive awards. The last round of competitive grants was awarded in 2019.

Funding in the amount of \$10 million designated at the July 25, 2018 Bond Commission meeting for Cornell Scott Hill Health Center Corporation in New Haven to assist with development of a new 52 bed, 43,800 square foot Recovery and Wellness Center for substance abuse patients for substance abuse patients is pending at this time.

Responsible Growth & Transit Oriented Development (RGTD) Grant Program -The Responsible Growth and Transit-Oriented Development (RGTD) Grant Program provides funding opportunities to eligible applicants for projects that foster transit-oriented development, as defined in [Section 13b-79o](#) of the Connecticut General Statutes, and/or projects that demonstrate responsible growth through their consistency with the [Conservation & Development Policies: The Plan for Connecticut 2013-2018](#) (State C&D Plan).

Grant rounds in 2015, 2016, and 2017 were conducted through a competitive RFP conducted by OPM, and resulted in awards to municipalities and regional councils of governments ranging from \$10,000 to \$2,000,000. In 2018, OPM used funding from this program to recapitalize the Connecticut Housing Finance Authority's (CHFA) existing Small Multifamily Loan Program, which provides loans for the acquisition, rehabilitation, or long-term financing of small multifamily properties.

Status of Grants Awarded:

2015 TOD Planning Grant:

This round provided \$1.5M in grant funding to eleven municipalities for planning projects that support transit-oriented development. All of those projects are complete.

2016 RGTOD Grant:

This round provided almost \$11M to 20 grantees for: (1) construction projects that expand on previous state investment in transit-oriented development, as defined in Section 13b-79o of the Connecticut General Statutes, and/or (2) planning or construction projects that demonstrate responsible growth through their consistency with the State C&D Plan. Some projects remain ongoing.

2017 RGTOD Grant:

This round provided almost \$15M to 16 grantees for: (1) construction projects that expand on previous state investment in transit-oriented development, as defined in Section 13b-79o of the Connecticut General Statutes, and/or (2) planning or construction projects that demonstrate responsible growth through their consistency with the State C&D Plan. Some projects remain ongoing.

2018 Memorandum of Understanding with the Connecticut Housing Finance Authority (CHFA):

This round deviated from previous rounds when in FY 18 OPM provided a grant of \$3M in transit-oriented development and pre-development funds and \$2M from the responsible growth incentive fund to the Connecticut Housing Finance Authority (CHFA) to recapitalize its existing Small Multifamily Loan Program.

Bond Authorizations:

Public Act	Section	FY	Amount Authorized	Amount Allocated
14-98	2(d)	2015	\$7,000,000	\$7,000,000
15-1, JSS	2(d)(3)	2016	\$8,000,000	\$8,000,000
16-4, May Special Session	2(a)(1)	2017	\$8,000,000	\$8,000,000
17-02 June Special Session	378(a)(1)	2018	\$6,000,000	\$6,000,000
17-02 June Special Session	397(a)(1)	2019	\$6,000,000	unallocated
Totals			\$35,000,000	\$29,000,000

Responsible Growth Incentive Fund:

Public Act	Section	FY	Amount Authorized	Amount Allocated
15-1 JSS	13(a)(2)	2016	\$5,000,000	\$5,000,000
15-1 JSS	32(a)(2)	2017	\$5,000,000	\$5,000,000
17-02 June Special Session	389(a)(2)	2018	\$2,000,000	\$2,000,000
17-02 June Special Session	408(a)(2)	2019	\$2,000,000	unallocated
Totals			\$14,000,000	\$12,000,000

No new authorizations are being requested for the FY 22/23 biennium because sufficient balances remain from unallocated funds noted above, in addition to a \$5.8 mil. balance from the SBC's June 1, 2018 allocation, which will be used to fund RG/TOD grants in the next biennium.