

## TESTIMONY PRESENTED TO THE GENERAL BONDING SUBCOMMITTEE

### Office of Policy and Management Capital Programs

April 1, 2025

Jeffrey Beckham, Secretary  
Office of Policy and Management

Senator Miller, Representative Napoli, 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 \$2,199.9 million in FY 2026 and \$2,263.9 million in FY 2027. Additionally, authorizations approved in prior legislative session in the amount of \$393.5 million in FY 2026 and \$351.3 million in FY 2027 will also become effective over the biennium.

The Governor continues to prioritize bond allocations in areas that are essential for the continued success of the state. This includes investments in affordable housing, climate resilience, municipal aid, information technology improvements, economic and workforce development, and investments in our state infrastructure. Nearly 70% of the Governor's recommended capital budget will provide resources to municipalities, private organizations, and to our non-profit community.

The Office of Policy and Management's capital budget request includes additional funding for the agency's existing capital programs and establishes a brand-new program to support those impacted by catastrophic events. These funds will support the continuation of the agency's municipal, information technology, nonprofit grant, and agency capital assistance programs through the coming biennium.

The Office of Policy and Management's requested GO bond authorizations for the upcoming biennium and the agency's existing unallocated balances are as follows:

Office of Policy and Management				
Unallocated Balance and Capital Budget Requests				
			FY 2026	FY 2027
	<u>Authorization</u>	<u>Unallocated*</u>	<u>Recommended</u>	<u>Recommended</u>
1.	Capital Equipment Purchase Fund (CEPF)	\$ 6,131,625	\$ 40,000,000	\$ 40,000,000
2.	Community engagement training to law enforcement units	500,000	-	-
3.	Consolidation of higher education systems with the state's CORE system	3,000,000	-	-
4.	Distressed Municipalities	7,000,000	7,000,000	7,000,000
5.	Grants to municipalities for the purchase of on-body cameras for law enforcement officers	4,205,542	-	-
6.	Grants-in-aid for municipal purposes	-	91,000,000	91,000,000
7.	Grants-in-aid for regional and local improvements and development	55,299,264	-	-
8.	Grants-in-aid to an acute care hospital licensed under chapter 368v	5,000,000	-	-
9.	Grants-in-aid to support municipalities, homeowners, and small businesses impacted by a catastrophic event	-	15,000,000	-
10.	Information Technology Capital Investment Program	63,638,613	75,000,000	75,000,000
11.	Local Capital Improvement Fund (LOCIP)	30,000,000	45,000,000	45,000,000
12.	Nonprofit health and human service organization grants-in-aid	70,000,000	-	-
13.	Responsible Growth Incentive Fund	1,200,000	-	-
14.	Small Town Economic Assistance Program (STEAP)	53,000,000	-	35,000,000
15.	State matching funds for projects and programs allowed under the Infrastructure Investment and Jobs Act	75,000,000	-	-
16.	Urban Act - Grants-in-aid for urban development	166,918,364	75,000,000	75,000,000
17.	<b>Grand Total</b>	<b>\$540,893,408</b>	<b>\$ 348,000,000</b>	<b>\$ 368,000,000</b>

\*Unallocated Balance as of December 20, 2024

## 1. How are agency and/or legislative allocations prioritized?

All allocation requests are reviewed by OPM. Each project or program is reviewed to ensure that the request fits within the language outlined in the authorization.

For non-construction projects and programs (grants and loans) OPM looks for the following:

- Does the request fit within the Governor's priorities (i.e. housing, economic development, information technology improvements)?
- How successful has this project/program been/expected to be at achieving its goals? Sometimes this requires reviewing what other states have done.
- Is the project/program ready for additional funding? Many times, requests are held to allow for the current backlog of projects to move forward.
- Does the project have additional resources beyond state funding? This would include local or federal matching funds or private funding sources.

For construction projects, OPM works closely with the Department of Administrative Services. All construction projects receive a thorough review. Priority is given as follows:

- Life safety projects.
- Deteriorating or code compliance issues. Fixing roofs and addressing ADA compliance are high priority projects.
- Whether or not the project or program furthers the goals of the agency.
- Is the project "shovel" ready?

## 2. Of the statutory allocation cap, what are anticipated annual allocation levels for FY 2025 and FY 2026? What major areas of bond use can be expected to see a substantially increased or decreased share of total annual allocations?

Allocation levels must be balanced with our budgeted debt service levels. Governor Lamont has made it a priority to live within our means. This ensures that debt does not spiral out of control and constrain other state priorities. With that in mind, the administration will be targeting around \$2 billion each year in

GO allocations approved by the State Bond Commission. Maintaining GO allocations at this level will ensure that debt issuance, and in turn state debt service, will not be a growing part of the state's budget.

Based on current projections, OPM expects that School Construction will be one of the major programs that will expand over the next biennium. The state has approved billions of dollars toward projects over the last several years, and those projects are now starting to move forward. In addition to school construction, there are several large state projects that will need to be funded. Those projects will likely take a larger share of total allocations as the cashflow needs of construction progresses through the next several years.

In addition to School Construction, the Lamont administration will continue to prioritize housing development projects and programs over the next biennium. The supply of affordable housing remains a key component to the economic growth of the state. The Lamont administration has more than doubled the amount of capital dollars targeting housing development projects.

OPM does not anticipate that there will be any specific program that will see a decreased share in total allocations. Instead, OPM will be prioritizing programs and projects to ensure that we are still meeting the needs of the state in the most fiscally responsible way.

### **3. What guidance, if any, has OPM provided to agencies on ensuring timely grant awards from bond-funded programs?**

OPM has not provided direct guidance to agencies. However, we do provide support when needed. Included in the capital budget are some adjustments, specifically on liens, that should help to streamline awards for the Good-to-Great program to get those awards out more quickly.

The bigger problem with grants right now is the sheer number that have been approved. This is primarily a result of the significant amount of federal funds that the state has received over the last several years, specifically American

Rescue Plan Act (ARPA). As those funds spend down, the turnaround time for grant awards should taper off.

**4. How has the recent increase of construction costs due to inflation affected long-term capital planning and bond use levels, if at all?**

Inflation has required OPM to revisit targeted allocation amounts. We have worked with agencies across the state to ensure that adequate funding and looked towards lower cost options where it makes the most sense.

Additionally, the following Information Is provided regarding the Office of the Chief Medical Examiners construction requests. OPM and DAS are working, with the support of the Office of the Chief Medical Examiner, on an option that would achieve the goals and objectives of the office while reducing the overall cost of the project. This will likely require additional authorizations beyond the \$28 million already authorized. This option will provide additional space behind the existing building, without impacting day-to-day operations.

Attachment A provides a brief overview of each of the programs administered at the Office of Policy and Management and a description of the brand-new grant program requested in the Governor's recommended capital budget.

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

