

OFFICE OF FISCAL ANALYSIS

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sSB-416

AN ACT CONCERNING TRANSPORTATION SYSTEM
MODERNIZATION.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 27 \$	FY 28 \$
Department of Economic & Community Development	GF - Cost	150,000	None
Treasurer, Debt Serv.	GF - Cost	None	See Below

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 27 \$	FY 28 \$
Local and Regional School Districts	See Below	See Below	See Below

Explanation

The bill makes various changes to transportation, resulting in the fiscal impacts described below by section.

Sections 1 and 2 make various changes to the traffic light modernization program, which is funded through General Obligation (GO) bonds. Future General Fund debt service costs may be incurred or incurred sooner due to the program changes to the degree that it causes authorized GO bond funds to be expended or to be expended more quickly than they otherwise would have been.

As of March 1, 2026, there is an unallocated bond balance of \$98 million under the authorization, of which \$75 million is available for the traffic light modernization program. These sections do not change

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overall GO bond authorization levels.

Section 3 delays and reduces costs to local and regional boards of education (BOEs) associated with existing school bus emissions requirements. It also results in new costs to BOEs annually beginning in FY 28. The section: (1) replaces the requirement for school districts in an environmental justice community to have all zero-emission buses by January 1, 2030 with a phase in for distressed municipalities only beginning in FY 31 (starting at 10% and reaching 90% of buses are zero-emission beginning in FY 41); (2) delays for six months (until FY 36) the requirement that all school buses in all other districts be zero-emission or alternative fuel; (3) delays for six months (until FY 41), and reduces, to 90%, the requirement that all school buses in all other districts be zero-emission; and (4) requires diesel buses to be fueled with a biodiesel blend, beginning in FY 28.

These changes delay costs a district would incur in order to comply with the requirements. Additionally, they allow distressed municipalities to more gradually shift their school bus fleets toward compliance, compared to the previous deadline for environmental justice communities, which may delay their costs. The requirement that 90% of school buses must be zero-emission, instead of all school buses, potentially results in a savings to districts to the extent the lesser requirement allows for decreased costs associated with fueling and maintaining alternatives.

The requirement to fuel diesel buses with a biodiesel blend results in a potential cost to districts, dependent on the need to winterize the biodiesel blend and any associated cost increases in bussing contracts.

The section additionally may shift zero-emission bus grant program funds from school districts, towns, and bus operators in environmental justice communities to those in distressed municipalities, beginning in FY 27. All distressed municipalities are also environmental justice communities; some environmental justice communities are U.S. census tracts that are not within distressed municipalities.

Section 4 authorizes \$40 million in General Obligation bonds for the zero-emission bus grant program. To the extent bonds are fully allocated and expended, total debt service is expected to be approximately \$61 million over the 20-year duration of the bonds.

Section 5 results in a one-time cost of \$150,000 in FY 27 to the Department of Economic and Community Development (DECD) by requiring the agency to convene a working group to study and make recommendations by January 1, 2027 regarding freight rail utilization. It is anticipated that DECD will require consultation services as the agency does not have the expertise or resources necessary to analyze this topic.

The cost may be partially mitigated to the extent that the working group's consulting agencies, including the Departments of Transportation and Energy and Environmental Protection and the Connecticut Port Authority, can provide relevant expertise.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation and the terms of any bonds issued.