Senate

General Assembly **_File No. 422_**

February Session, 2002

Substitute Senate Bill No. 315

Senate, April 10, 2002

The Committee on Finance, Revenue and Bonding reported through SEN. LOONEY of the 11th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING SHORT TERM BORROWING BY MUNICIPALITIES.

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

Section 1. Section 7-378a of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2002*):

Notwithstanding the provisions of sections 7-264 and 7-378, and any other public or special act or charter which limits the renewal of temporary notes issued in anticipation of the receipt of the proceeds of bond issues to two years or any lesser period of time from the date of the original notes, any municipality, as defined in section 7-369, may renew any temporary notes for a period of not more than **[**four**]** eight years from the date of the original issue of such temporary notes if the municipality promptly applies all project grant payments toward project costs or toward payment of such temporary notes as the same shall become due and payable or deposits such grants in trust for such purposes and if the legislative body of such municipality (1) authorizes the inclusion in the annual budget for each year or otherwise appropriates sufficient sums, from funds other than project grants or note proceeds, to retire notes equal to at least one-twentieth of the town's estimated net cost of the project no later than three years from the date of the original issue of such temporary notes and again **[**no later than four years from the date of the original issue of such temporary notes**]** <u>for each subsequent year during which such temporary notes remain outstanding</u>; (2) reduces the principal amount of each bond issue when sold by the amount spent under subdivision (1) of this section, and provides for the payment or amortization of the principal of such bonds in annual installments commencing no later than **[**five**]** <u>nine</u> years from the date of original issue of the temporary notes being permanently financed by such bonds; (3) reduces the maximum authorized term of the bonds when sold by not less than the number of months by which the date of issue exceeds two years from the date of the original notes. For sewer projects the annual payments required under said subdivision (1) shall be at least one-thirtieth of the town's estimated net cost of the sewer project. Any federal or state grants which are to be paid over a period of years to reimburse the municipality for a portion of principal due on bonds or notes may be used in computing the municipality's net cost of the project. That portion of the proceeds of the issue of any such temporary notes being issued as part of a common sale, which portion is not used to refund outstanding temporary notes, shall be deemed a separate loan and be considered to have a separate original issue date. Each such portion of any such temporary notes may be renewed in accordance with the provisions of this section.

This act shall take effect as follows:	
Section 1	*October 1, 2002*

PD *Joint Favorable C/R* FIN

FIN *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact: None

Municipal Impact:

Effect	Municipalities
See Below	Various Municipalities

Explanation

By permitting municipalities to renew temporary notes for a longer period, the bill affords municipalities the opportunity to combine temporary notes for different stages of one long-term project or for several short-term projects into a single bond issue. This will reduce bond issuance costs for the municipality. To the extent that the bill permits municipalities to borrow for a longer period on the short-term debt market, it has the potential to result in a net interest cost or saving depending on market conditions for 4-year and 8-year temporary notes and long term bonds. Because the bill maintains the mandatory requirement that municipalities begin making principal payments within 3 years of note issuance, it will not change the length of time the debt is outstanding.

OLR Bill Analysis
sSB 315

AN ACT CONCERNING SHORT TERM BORROWING BY MUNICIPALITIES

SUMMARY:
This bill extends the maximum time period, from four years to eight years, that any municipality may renew temporary notes. By law towns must set aside money in the third and fourth years to help retire notes and the bill extends this requirement to each subsequent year the notes remain outstanding or until they are extinguished. As with the current requirement for setting aside money, the funds must be set aside in the town budget in an amount equal to 5% of the bonded project's cost (these funds cannot be from the project's grants or note proceeds).

The bill makes a conforming change by extending, from five to nine years after the original note issue, the date when annual payments must begin to pay off the bonds. Temporary notes are obligations issued in anticipation of bond issue proceeds.

EFFECTIVE DATE: October 1, 2002

COMMITTEE ACTION

Planning and Development Committee

Joint Favorable Change of Reference
Yea 18 Nay 0

Finance, Revenue and Bonding Committee

Joint Favorable Substitute
Yea 43 Nay 0