



Senate

General Assembly

File No. 666

January Session, 2007

Substitute Senate Bill No. 1075

Senate, May 1, 2007

The Committee on Finance, Revenue and Bonding reported through SEN. DAILY of the 33rd Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING THE CONNECTICUT STUDENT LOAN FOUNDATION.

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

1 Section 1. Section 10a-201 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective July 1, 2007*):

3 There is hereby created a nonprofit corporation which shall be
4 known as the Connecticut Student Loan Foundation. The purpose of
5 said corporation shall be to improve educational opportunity and
6 promote repayment of loans. Improving educational opportunity shall
7 include, but not be limited to, the following: (1) Guaranteeing loans for
8 persons to assist them in meeting the expenses of education, including
9 alternative loans and loans that are governed by Title IV, Part B of the
10 Higher Education Act of 1965, as from time to time amended; (2)
11 lending funds or acquiring loans made to persons to assist them in
12 meeting the expenses of education, including alternative loans and
13 loans that are governed by Title IV, Part B of the Higher Education Act

14 of 1965, as from time to time amended; and (3) providing appropriate
15 services incident to the administration of programs which are
16 established to improve educational opportunities, all in accordance
17 with the provisions of this chapter. Said corporation shall be exempt
18 from all requirements of chapter 602.

19 Sec. 2. Subdivision (5) of section 10a-204 of the general statutes is
20 repealed and the following is substituted in lieu thereof (*Effective July*
21 *1, 2007*):

22 (5) To create and operate the affairs of the corporation through a
23 subsidiary or division, the dominant purpose of which shall be to carry
24 out one or more of the purposes and provisions of this chapter.

25 Sec. 3. Subdivision (7) of section 10a-204 of the general statutes is
26 repealed and the following is substituted in lieu thereof (*Effective July*
27 *1, 2007*):

28 (7) To issue bonds, notes or other obligations of the corporation, the
29 interest on which, if so designated by resolution of the corporation,
30 shall be includable in the gross income of the holder or holders thereof
31 for federal and state income tax purposes, to fund and refund the
32 same, to provide for the rights of the holders thereof and to secure the
33 same, or to cause a subsidiary to exercise such powers, all in
34 accordance with section 10a-217.

35 Sec. 4. Section 10a-204b of the general statutes is repealed and the
36 following is substituted in lieu thereof (*Effective July 1, 2007*):

37 (a) The Connecticut Student Loan Foundation, a nonprofit
38 corporation is authorized from time to time to issue, [its] or to cause a
39 subsidiary created pursuant to subdivision (5) of section 10a-204, as
40 amended by this act, to issue, bonds, notes or other obligations in such
41 principal amounts as in the opinion of the corporation shall be
42 necessary to provide sufficient funds for carrying out the purposes set
43 forth in subdivisions (2) and (3) of section 10a-201 including the
44 payment, funding or refunding of the principal of, or interest or

45 redemption premiums on, any bonds, notes or other obligations issued
46 by it, or by such a subsidiary, whether the bonds, notes or other
47 obligations or interest to be funded or refunded have or have not
48 become due, the establishment of reserves to secure such bonds, notes
49 or other obligations and all other expenditures of the corporation, or of
50 such subsidiary, incident to and necessary or convenient to carry out
51 the purposes set forth in subdivisions (2) and (3) of section 10a-201.

52 (b) (1) Except as may be otherwise expressly provided [herein] by
53 this section or by any resolution adopted by the corporation
54 authorizing the issuance of bonds, notes or other obligations every
55 issue of bonds, notes or other obligations shall be general obligations
56 of the corporation payable out of any moneys or revenues of the
57 corporation subject only to any agreements with the holders of
58 particular bonds, notes or other obligations pledging any particular
59 moneys or revenues, or any specific pool of loans acquired by, the
60 corporation. Any such bonds, notes or other obligations may be
61 additionally secured by a pledge of any grant or contributions from
62 any department, agency or instrumentality of the United States or
63 person or a pledge or assignment of any moneys, income or revenues
64 of the corporation or payable to the corporation from any source,
65 [whatsoever.]

66 (2) Except as may be otherwise expressly provided by this section or
67 by any resolution adopted by a subsidiary created pursuant to
68 subdivision (5) of section 10a-204, as amended by this act, authorizing
69 the issuance of bonds, notes or other obligations, every issue of bonds,
70 notes or other obligations shall be general obligations of the subsidiary
71 payable out of any moneys or revenues of the subsidiary subject only
72 to any agreements with the holders of particular bonds, notes or other
73 obligations pledging any particular moneys or revenues, or any
74 specific pool of loans acquired by the subsidiary. Any such bonds,
75 notes or other obligations may be additionally secured by a pledge of
76 any grant or contributions from any department, agency or
77 instrumentality of the United States or person or a pledge or
78 assignment of any moneys, income or revenues of the subsidiary or

79 payable to the subsidiary from any source.

80 (c) [Any provision of any law to the contrary notwithstanding]
81 Notwithstanding any provision of the general statutes, any bonds,
82 notes or other obligations issued by the corporation or by a subsidiary
83 created pursuant to subdivision (5) of section 10a-204, as amended by
84 this act, pursuant to this section shall be fully negotiable within the
85 meaning and for all purposes of title 42a, whether or not the form and
86 character so qualify under the terms thereof, subject only to the
87 provisions of the authorizing resolution. Any such bonds are hereby
88 made securities in which public officers and public bodies of the state
89 and its political subdivisions, all insurance companies, credit unions,
90 savings and loan associations, investment companies, banking
91 associations, trust companies, executors, administrators, trustees and
92 other fiduciaries and pension, profit-sharing and retirement funds may
93 properly and legally invest funds, including capital in their control or
94 belonging to them, and are hereby made securities which may
95 properly and legally be deposited with and received by any state or
96 municipal officer or any agency or political subdivision of the state for
97 any purpose for which the deposit of bonds or other obligations of the
98 state is now or may hereafter be authorized by law.

99 (d) Bonds, notes or other obligations of the corporation shall be
100 authorized by resolution of the corporation. [and] Bonds, notes and
101 other obligations of a subsidiary created pursuant to subdivision (5) of
102 section 10a-204, as amended by this act, shall be authorized by
103 resolution of the subsidiary. Such bonds, notes and other obligations
104 may be issued in one or more series and shall bear such date or dates,
105 mature at such time or times, in the case of any such note, or any
106 renewal [thereof] of any such note, not exceeding five years from the
107 date of the original issue of such notes, and, in the case of bonds, not
108 exceeding forty years from the date of the original issue of such bonds
109 bear interest at such rate or rates, be in such denomination or
110 denominations, be in such form, either coupon or registered, carry
111 such conversion or registration privileges, have such rank or priority,
112 be executed in such manner, be payable from such sources in such

113 medium of payment at such place or places within or without this
114 state, and be subject to such terms of redemption, with or without
115 premium, as [such] the applicable authorizing resolution or resolutions
116 may provide. [Such] Any such resolution may delegate to the
117 president of the [corporation] issuer, acting solely or in combination
118 with any one or more directors, the power to determine any details of
119 [such] the bonds, notes or other obligations authorized by the
120 resolution and to award such bonds, notes or other obligations to
121 purchasers.

122 (e) Bonds, notes or other obligations of the corporation may be sold
123 at public or private sale at such price or prices as the corporation shall
124 determine. Bonds, notes or other obligations of a subsidiary created
125 pursuant to subdivision (5) of section 10a-204, as amended by this act,
126 may be sold at public or private sale at such price or prices as the
127 subsidiary shall determine.

128 (f) Bonds, notes or other obligations of the corporation may be
129 refunded and renewed from time to time as may be determined by
130 resolution of the corporation and bonds, notes or other obligations of a
131 subsidiary created pursuant to subdivision (5) of section 10a-204, as
132 amended by this act, may be refunded and renewed from time to time
133 as may be determined by resolution of the subsidiary, provided any
134 such refunding or renewal shall be in conformity with any rights of the
135 holders [thereof] of the affected bonds, notes or other obligations.

136 (g) Bonds, notes or other obligations of the corporation issued under
137 the provisions of this section shall not be deemed to constitute a debt
138 or liability of the state or of any political subdivision [thereof] of the
139 state other than the corporation or a pledge of the faith and credit of
140 the state or of any such political subdivision, [other than the
141 corporation,] and shall not constitute bonds or notes issued or
142 guaranteed by the state within the meaning of section 3-21 but shall be
143 payable solely from the funds [herein provided therefore] provided for
144 under this section. Bonds, notes or other obligations of a subsidiary
145 created pursuant to subdivision (5) of section 10a-204, as amended by

146 this act, issued under the provisions of this section shall not be deemed
147 to constitute a debt or liability of the state or of any political
148 subdivision of the state or a pledge of the faith and credit of the state
149 or of any such political subdivision and shall not constitute bonds or
150 notes issued or guaranteed by the state within the meaning of section
151 3-21 but shall be payable solely from the funds provided for under this
152 section. All such bonds, notes or other obligations shall contain on the
153 face thereof a statement to the effect that neither the state of
154 Connecticut nor any political subdivision [thereof other than the
155 corporation] of the state shall be obligated to pay the same, [or] that
156 such bonds, notes or other obligations and the interest [thereon except]
157 on such bonds, notes or other obligations shall be payable by the issuer
158 solely from revenues or other funds of the [corporation] issuer pledged
159 therefor and that neither the faith and credit nor the taxing power of
160 the state of Connecticut or of any political subdivision [thereof other
161 than the corporation] of the state is pledged to the payment of the
162 principal of or the interest on such bonds, notes or other obligations.

163 (h) Any resolution or resolutions authorizing the issuance of bonds,
164 notes or other obligations may contain provisions, except as expressly
165 limited in this section and except as otherwise limited by existing
166 agreements with the holders of bonds, notes or other obligations,
167 which shall be a part of the contract with the holders thereof, as to the
168 following: (1) The pledging and assignment of all or any part of the
169 moneys received by or payable to the [corporation] issuer, (A) in
170 payment of loans and interest thereon, (B) as guarantee or insurance
171 payments with respect to loans and interest thereon, or (C) otherwise
172 with respect to loans and interest thereon and other moneys received
173 by or payable to the [corporation] issuer, to secure the payment of [the
174 principal of and interest on] any bonds, notes or other obligations or
175 [of] any [issue] issues thereof and the interest thereon; (2) the pledging
176 and assignment of all or any part of the assets of the [corporation]
177 issuer including, but not limited to, loans and the rights to receive
178 payments pursuant to and enforce contracts with respect to loans and
179 interest thereon, to secure the payment of principal and interest on any
180 bonds, notes or other obligations or of any issue thereof; (3) the use

181 and disposition of the gross income from, and the payments of
182 principal received by or payable to the [corporation] issuer on, loans
183 held by or on behalf of the [corporation] issuer; (4) the establishment of
184 reserves or sinking funds, the making of charges and fees to provide
185 for the same, and the regulation and disposition thereof; (5) limitations
186 on the purpose to which the proceeds of sale of bonds, notes or other
187 obligations may be applied and pledging such proceeds to secure the
188 payment of the bonds, notes or other obligations, or of any issues
189 thereof and the interest thereon; (6) limitations on the issuance of
190 additional bonds, notes or other obligations, the terms upon which
191 additional bonds, notes or other obligations may be issued and secured
192 and the refunding or purchase of outstanding bonds, notes or other
193 obligations of the [corporation] issuer; (7) the procedure, if any, by
194 which the terms of any contract with the holders of any bonds, notes or
195 other obligations of the [corporation] issuer may be amended or
196 abrogated, the amount of bonds, notes or other obligations the holders
197 of which must consent thereto, and the manner in which such consent
198 may be given; (8) limitations on the amount of moneys to be expended
199 by the [corporation] issuer for operating, administrative or other
200 expenses of the [corporation] issuer; (9) the vesting in a trustee or
201 trustees of such property, rights, powers and duties in trust as the
202 [corporation] issuer may determine, which may include any or all of
203 the rights, powers and duties of any trustee appointed by the holders
204 of any bonds, notes or other obligations and limiting or abrogating the
205 right of the holders of any bonds, notes or other obligations of the
206 [corporation] issuer to appoint a trustee under this chapter or limiting
207 the rights, powers and duties of such trustee; (10) a trust agreement by
208 and between the [corporation] issuer and a corporate trustee which
209 may be any trust company or bank having the powers of a trust
210 company within or without the state, which agreement may provide
211 for the pledging or assigning of any assets or income from assets to
212 which or in which the [corporation] issuer has any rights or interests,
213 and may further provide for such other rights and remedies
214 exercisable by the trustee as may be proper for the protection of the
215 holders of any bonds, notes or other obligations of the [corporation]

216 issuer and not otherwise in violation of law, which agreement may
217 provide for the restriction of the rights and remedies of any individual
218 holder of bonds, notes or other obligations of the [corporation] issuer
219 and which agreement may contain any further provisions which are
220 reasonable and proper to delineate further the respective rights, duties,
221 safeguards, responsibilities and liabilities of the [corporation] issuer, of
222 individual and collective holders of bonds, notes and other obligations
223 of the [corporation] issuer and the trustee and may further provide
224 that all expenses incurred in carrying out the provisions of such trust
225 agreement may be treated as a part of the cost of operation of the
226 [corporation] issuer; (11) covenants to do or refrain from doing such
227 acts and things as may be necessary or convenient or desirable in order
228 to better secure any bonds, notes or other obligations of the
229 [corporation] issuer, or which, in the discretion of the [corporation]
230 issuer, will tend to make any bonds, notes or other obligations to be
231 issued more marketable notwithstanding that such covenants, acts or
232 things may not be enumerated herein; (12) the satisfaction of federal
233 requirements; and (13) any other matters of like or different character,
234 which in any way affect the security or protection of the bonds, notes
235 or other obligations.

236 (i) Any pledge made by the corporation or by any subsidiary
237 created pursuant to subdivision (5) of section 10a-204, as amended by
238 this act, of income, revenues or other property to secure bonds, notes
239 or other obligations of the corporation or to secure bonds, notes or
240 other obligations of such a subsidiary shall be valid and binding from
241 the time the pledge is made. The income, revenue or other property so
242 pledged and thereafter received by or on behalf of the corporation or
243 of the subsidiary, as applicable, shall immediately be subject to the lien
244 of such pledge without any physical delivery thereof or further act,
245 and the lien of any such pledge shall be valid and binding as against
246 all parties having claims of any kind in tort, contract or otherwise
247 against the corporation or against the subsidiary, as applicable,
248 irrespective of whether such parties have notice thereof. Any such lien
249 shall have priority over all other liens, including, without limitation,
250 the lien of any person who in the ordinary course of business furnishes

251 services or materials to the corporation [. Any provision of law to the
252 contrary notwithstanding] or to the subsidiary, as applicable.
253 Notwithstanding any provision of the general statutes, neither
254 possession nor the filing of any financing or continuation statement or
255 other instrument shall be necessary with respect to any such income,
256 revenues or other property to establish or evidence the lien of any such
257 pledge with respect thereto. Neither this section, nor any resolution
258 authorizing bonds, notes or other obligations, nor any trust agreement
259 nor any other instrument by which such a pledge is created need be
260 recorded. Any pledge or lien described by this subsection shall be
261 conclusively deemed to be a pledge or lien described by subdivision
262 (14) of subsection (d) of section 42a-9-109, notwithstanding that the
263 corporation is [neither] not, and that any such subsidiary shall not be,
264 either a political subdivision [nor] or an agency of the state.

265 (j) The corporation or any subsidiary created pursuant to
266 subdivision (5) of section 10a-204, as amended by this act, is
267 authorized and empowered to obtain from any department, agency or
268 instrumentality of the United States any insurance or guarantee as to,
269 or of or for the payment or repayment of, interest or principal, or both,
270 or any part thereof, on any loans, or on any bonds, notes or other
271 obligations issued by the corporation or by the subsidiary, as
272 applicable, pursuant to the provisions of this section and,
273 notwithstanding any other provisions of this chapter, to enter into any
274 agreement, contract or any other instrument whatsoever with respect
275 to any such insurance or guarantee or with respect to the origination,
276 servicing, collection and administration of loans, except to the extent
277 that such action would in any way impair or interfere with the
278 [corporation's] ability of the corporation or of the subsidiary, as
279 applicable, to perform and fulfill the terms of any agreement made
280 with the holders of [the] its bonds, notes or other obligations of the
281 corporation or subsidiary.

282 (k) [Neither] None of the members of the board of directors of the
283 [nor] corporation, or the members of the board of directors of the
284 subsidiary created pursuant to subdivision (5) of section 10a-204, as

285 amended by this act, or any person executing bonds, notes or other
286 obligations issued pursuant to this section shall be liable personally on
287 such bonds, notes or other obligations by reason of the issuance
288 thereof. Any resolution authorizing the issuance of bonds, notes or
289 other obligations may provide for the indemnification by the
290 [corporation] issuer of the members of the board of directors of the
291 corporation or the members of the board of directors of such a
292 subsidiary and of any such person executing such bonds, notes or
293 other obligations with respect to such bonds, notes or other obligations
294 and the issuance thereof.

295 (l) The corporation and any subsidiary created pursuant to
296 subdivision (5) of section 10a-204, as amended by this act, shall have
297 power to purchase, hold and resell bonds, notes or other obligations of
298 the corporation or of any such subsidiary out of any funds available
299 therefor. The [corporation] issuer of such bonds, notes or other
300 obligations may hold, cancel or resell such bonds, notes or other
301 obligations subject to and in accordance with agreements with holders
302 of its bonds, notes and other obligations.

303 (m) All moneys received by or on behalf of the corporation or by or
304 on behalf of a subsidiary created pursuant to subdivision (5) of section
305 10a-204, as amended by this act, as applicable, pursuant to or subject to
306 the pledge of any resolution or trust agreement authorized by this
307 section, whether as proceeds from the sale of bonds or as revenues,
308 shall be deemed to be trust funds to be held and applied solely as
309 provided in such resolution or trust agreement. Subject to the
310 provisions of any resolution authorizing the issuance of bonds, notes
311 or other obligations, any such moneys may be invested in the
312 Connecticut Short-Term Investment Fund and in such other
313 investments and investment agreements as may be approved by
314 resolution of the [corporation] issuer. The issuer shall fund borrower
315 fee reductions, interest rate reductions, rebates, loan forgiveness or
316 other borrower benefits allowable under the programs authorized by
317 this chapter in an aggregate annual amount at least equal to the net
318 reduction in program financing cost achieved by the issuer in each

319 year through the issuance of private activity bonds, as defined in
320 section 32-140, taking into account any federal loan program terms and
321 any federal loan program or tax requirements resulting from such
322 financing. Any officer with whom, or any bank or trust company with
323 which, such moneys shall be deposited shall act as trustee of such
324 moneys and shall hold and apply the same for the purposes hereof,
325 subject to such regulations as this chapter and the resolution
326 authorizing the bonds of any issue or the trust agreement securing
327 such bonds may provide.

328 (n) Any holder of bonds, notes or other obligations issued under the
329 provisions of this section or any of the coupons appertaining thereto,
330 and the trustee or trustees under any trust agreement, except to the
331 extent the rights herein given may be restricted by any resolution
332 authorizing the issuance of, or any such trust agreement securing, such
333 bonds, notes or other obligations, may, either at law or in equity, by
334 suit, action, mandamus or other proceedings, protect and enforce any
335 and all rights under the laws of the state or granted hereunder or
336 under such resolution or trust agreement, and may enforce and compel
337 the performance of all duties required by this section or by such
338 resolution or trust agreement to be performed by the [corporation]
339 issuer or by any officer, employee or agent of the [corporation] issuer,
340 including the appointment of a receiver to administer any loans or
341 other pledged assets and revenues.

342 (o) The corporation and any subsidiary created pursuant to
343 subdivision (5) of section 10a-204, as amended by this act, is
344 authorized and empowered, from time to time, to issue bonds, notes or
345 other obligations the interest on which, if so designated by resolution
346 of the issuer, shall be includable in the gross income of the holder or
347 holders of such bonds, notes or other obligations under the Internal
348 Revenue Code of 1986 or any subsequent corresponding internal
349 revenue code of the United States, as from time to time amended, and
350 in the same manner that interest on bills, bonds, notes or other
351 obligations of the United States is includable in the gross income of the
352 holder or holders thereof under said Internal Revenue Code; the state

353 hereby consents to such inclusion only for the bonds, notes and other
354 obligations of the corporation or such a subsidiary, as applicable,
355 authorized by this section.

356 (p) In connection with, or incidental to, the issuance or carrying of
357 bonds, notes or other obligations, or acquisition or carrying of any
358 investment or program of investment, the corporation or any
359 subsidiary created pursuant to subdivision (5) of section 10a-204, as
360 amended by this act, may enter into any contract with any financial
361 institution having a rating of at least "A", or into any contract secured
362 by security so rated, which the [corporation] issuer determines to be
363 necessary or appropriate to place the obligation or investment of the
364 [corporation] issuer, as represented by the bonds, notes or other
365 obligations, investment or program of investment and the contract or
366 contracts, in whole or in part, on the interest rate cash flow or other
367 basis desired by the [corporation] issuer.

368 (q) In connection with, or incidental to, the issuance or carrying of
369 bonds, notes or other obligations or entering into any of the contracts
370 or agreements referred to in subsection (p) of this section, the
371 corporation or any subsidiary created pursuant to subdivision (5) of
372 section 10a-204, as amended by this act, may enter into credit
373 enhancement or liquidity agreements, with payment, interest rate,
374 security, default, remedy and other terms and conditions as the
375 [corporation] issuer determines.

376 (r) The state covenants with the purchasers and all other subsequent
377 owners and transferees of bonds, notes or other obligations issued by
378 the corporation or by any subsidiary created pursuant to subdivision
379 (5) of section 10a-204, as amended by this act, pursuant to this section,
380 in consideration of the acceptance of and payment for the bonds, notes
381 or other obligations, until the bonds, notes or other obligations,
382 together with the interest thereon, with interest on any unpaid
383 installment of interest and all costs and expenses in connection with
384 any action or proceeding on behalf of the owners, are fully met and
385 discharged or unless expressly permitted or otherwise authorized by

386 the terms of each contract and agreement made or entered into by or
387 on behalf of the [corporation] issuer with or for the benefit of such
388 owners, that the state: (1) Will not create or cause to be created any lien
389 or charge on the assets or revenues pledged to secure such bonds,
390 notes or other obligations, other than a lien or pledge created thereon
391 pursuant to this section; (2) will not in any way impair the rights,
392 exemptions or remedies of the owners; and (3) will not limit, modify,
393 rescind, repeal or otherwise alter the rights or obligations of the
394 [corporation] issuer to take such action as may be necessary to fulfill
395 the terms of the resolution authorizing the issuance of the bonds, notes
396 or other obligations; provided [that] nothing [herein] in this section
397 shall preclude the state from exercising its power, through a change in
398 law, to limit, modify, rescind, repeal or otherwise alter this chapter if
399 and when adequate provision shall be made by law for the protection
400 of the holders of outstanding bonds, notes or other obligations,
401 pursuant to the resolution under which the bonds, notes or other
402 obligations are issued. The [corporation] state further covenants with
403 the purchasers and all subsequent owners and transferees of bonds,
404 notes or other obligations issued by the corporation or by such a
405 subsidiary pursuant to this section, in consideration of the acceptance
406 of and payment for the bonds, notes or other obligations that,
407 notwithstanding any provision of title 12, the bonds, notes or other
408 obligations shall be free at all times from taxes levied by any
409 municipality or political subdivision or special district having taxing
410 powers of the state, and the principal and interest of any bonds, notes
411 or other obligations issued under the provisions of this section, the
412 transfer of such bonds, notes or other obligations and the income from
413 such bonds, notes or other obligations, including any profit on the sale
414 or transfer of such bonds, notes or other obligations, shall at all times
415 be exempt from any taxation by the state or under its authority, except
416 for estate or succession taxes. The issuer is authorized to include [this
417 covenant] covenants of the state provided for in this subsection, as a
418 contract of the state, in any agreement with the owners of any bonds,
419 notes or other obligations, in any credit facility or reimbursement
420 agreement with respect to the bonds, notes or other obligations and in

421 any agreement authorized by subsection (p) or (q) of this section.

422 (s) The provisions of this section shall be deemed to provide a
423 complete, additional and alternative method for the actions and the
424 things authorized thereby and shall be regarded as supplemental and
425 additional to powers granted by other laws; the issuance of bonds,
426 notes or other obligations under the provisions of this section need not
427 comply with the requirements of any law applicable to the issuance of
428 bonds, notes or other obligations. This section, being necessary for the
429 welfare of the state and its inhabitants, shall be liberally construed to
430 affect its purpose. None of the powers granted to the corporation or to
431 any subsidiary created pursuant to subdivision (5) of section 10a-204,
432 as amended by this act, under the provisions of this section shall be
433 subject to the supervision or regulation or require the approval or
434 consent of any municipality or political subdivision or any
435 department, division, commission, board, body, bureau, official or
436 agency thereof or of the state, and the exercise thereof shall not cause
437 the corporation or any such subsidiary to be construed to be an agency
438 within the scope of chapter 54 or a department, institution or agency of
439 the state.

440 (t) Notwithstanding the provisions of subsections (a) to (s),
441 inclusive, of this section, any subsidiary created by a corporation
442 pursuant to subdivision (5) of section 10a-204, as amended by this act,
443 may issue bonds, notes or other obligations to refund corporation
444 bonds if approved by resolution of the subsidiary, and the corporation
445 may issue bonds, notes or other obligations to refund subsidiary
446 bonds, if approved by resolution of the corporation. No bond, note or
447 other obligation issued by any such subsidiary shall constitute a debt
448 or liability of the corporation, except as may be designated by
449 resolution of the corporation, or of any other subsidiary created
450 pursuant to subdivision (5) of section 10a-204, as amended by this act,
451 except as may be designated by resolution of such other subsidiary. No
452 bond, note or other obligation of the corporation shall constitute a debt
453 or liability of a subsidiary, except as may be designated by resolution
454 of such subsidiary. Any subsidiary created for the purpose of financing

455 student loans originated pursuant to Title IV, Part B of the Higher
456 Education Act of 1965, as from time to time amended, through the
457 issuance of bonds, notes or other obligations that bear interest that
458 may be excludable from the gross income of the holder or holders of
459 such bonds, notes or other obligations under the provisions of the
460 Internal Revenue Code of 1986, or any subsequent corresponding
461 internal revenue code of the United States, as from time to time
462 amended, shall be conclusively deemed to have been organized at the
463 request of the state for purposes of Section 150(d)(2) of said Internal
464 Revenue Code.

465 (u) Notwithstanding the provisions of this section, no subsidiary
466 created pursuant to subdivision (5) of section 10a-204, as amended by
467 this act, other than a nonprofit subsidiary, shall be authorized to issue
468 bonds, notes or other obligations pursuant to this section, provided
469 this subsection shall not be deemed to preclude the incurrence of debt,
470 other than through the public issuance of bonds, notes or obligations,
471 by a for-profit subsidiary to provide sufficient funds for carrying out
472 the provisions of subdivision (3) of section 10a-201, as amended by this
473 act.

474 Sec. 5. Subdivision (2) of subsection (a) of section 32-141 of the
475 general statutes is repealed and the following is substituted in lieu
476 thereof (*Effective July 1, 2007*):

477 (2) The total amount of private activity bonds which may be issued
478 by state issuers in the calendar year commencing January 1, [2002]
479 2007, and each calendar year thereafter, under the state ceiling in effect
480 for each such year, shall be allocated as follows: (A) Sixty per cent to
481 the Connecticut Housing Finance Authority; (B) twelve and one-half
482 per cent to the Connecticut Development Authority; and (C) twenty-
483 seven and one-half per cent to municipalities and political
484 subdivisions, departments, agencies, authorities and other bodies of
485 municipalities, the Connecticut Higher Education Supplemental Loan
486 Authority, the Connecticut Student Loan Foundation, and any
487 nonprofit subsidiary of said foundation designated by resolution of

488 said foundation, and for contingencies.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2007</i>	10a-201
Sec. 2	<i>July 1, 2007</i>	10a-204(5)
Sec. 3	<i>July 1, 2007</i>	10a-204(7)
Sec. 4	<i>July 1, 2007</i>	10a-204b
Sec. 5	<i>July 1, 2007</i>	32-141(a)(2)

HED *Joint Favorable Subst. 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 chamber thereof for any purpose:

OFA Fiscal Note

State Impact: None

Municipal Impact: None

The Out Years

State Impact: None

Municipal Impact: None

OLR Bill Analysis**sSB 1075****AN ACT CONCERNING THE CONNECTICUT STUDENT LOAN FOUNDATION.****SUMMARY:**

This bill (1) authorizes the Connecticut Student Loan Foundation (CSLF) to issue federal tax-exempt bonds, notes, or other obligations, subject to the private activity bond cap and (2) requires CSLF to fund borrower benefits with the savings it achieves by issuing these bonds. The bill extends CSLF's bonding authority to a nonprofit subsidiary of the foundation. It also exempts any bonds issued by CSLF or its subsidiary, and any transfer of or income generated by the bonds, from any state and local taxes, except for state estate or succession taxes.

The bill explicitly allows CSLF to make, guarantee, and acquire loans not governed by federal law (i.e. alternative loans), and it makes various technical and conforming changes.

EFFECTIVE DATE: July 1, 2007

TAX EXEMPTION

Under current law, CSLF is authorized to issue taxable bonds. The bill allows CSLF, or its nonprofit subsidiary, to issue federal tax-exempt bonds subject to the private activity bond cap, if so designated in a resolution adopted by the corporation. Current law allocates up to 27.5% of private activity bonds to municipalities, the Connecticut Higher Education Supplemental Loan Authority, and for contingencies. This bill includes CSLF, or any of its nonprofit subsidiaries, under this cap.

Under the bill, CSLF must fund borrower fee reductions, interest

rate reductions, rebates, loan forgiveness or other borrower benefits authorized by law, using the annual net reduction in program financing costs achieved through issuing private activity bonds, to the extent federal law permits.

The bill also exempts any bonds issued by CSLF or its subsidiary, and any transfer of or income generated by the bonds, from any state and local taxes, except for estate or succession taxes.

CSLF SUBSIDIARY

By law, CSLF can create, and conduct its affairs through, a subsidiary or division. The bill extends CSLF's bonding authority to a nonprofit subsidiary of the foundation, subject to the same standard bond issuance procedures, repayment requirements, and bondholders' rights as CSLF. Under the bill, only a nonprofit subsidiary can issue bonds, notes, or other obligations, but this limitation does not preclude a for-profit subsidiary from incurring other types of debt to carry out its purposes.

The bill permits CSLF and its subsidiary to buy, hold, resell, and refund each other's bonds. It provides that CSLF and its subsidiary are not liable for each other's debt obligations, unless designated by a resolution of the corporation or the subsidiary.

The bill specifies that any subsidiary created to finance student loans under the Federal Family Education Loan Program, governed by Title IV, Part B of the 1965 Higher Education Act, that issues tax-exempt bonds, is deemed to have been organized by the state to issue qualified scholarship funding bonds.

Under federal law (Internal Revenue Code § 150 (d)(2)), a qualified scholarship funding bond is a bond issued by a nonprofit corporation (1) established and operated exclusively to acquire federally insured student loans, governed by Title IV, Part B of the 1965 Higher Education Act, and (2) organized at the request of a state.

COMMITTEE ACTION

Higher Education and Employment Advancement Committee

Joint Favorable Substitute Change of Reference

Yea 18 Nay 0 (03/01/2007)

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 51 Nay 0 (04/17/2007)