



General Assembly

January Session, 2007

**Committee Bill No. 848**

LCO No. 5486

\*05486SB00848LAB\*

Referred to Committee on Labor and Public Employees

Introduced by:  
(LAB)

**AN ACT CONCERNING LOANS TO MUNICIPALITIES TO FULLY FUND PENSION SYSTEMS.**

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

1 Section 1. Subsection (a) of section 3-20a of the general statutes is  
2 repealed and the following is substituted in lieu thereof (*Effective July*  
3 *1, 2007*):

4 (a) Provisions of this section shall apply to general obligation bonds  
5 or notes issued pursuant to section 3-20, special tax obligation bonds or  
6 notes issued pursuant to sections 13b-74 to 13b-77, inclusive,  
7 abandoned property fund bonds issued pursuant to section 3-62h,  
8 Clean Water Fund bonds or notes issued pursuant to section 22a-483,  
9 Bradley International Airport bonds or notes issued pursuant to  
10 sections 15-101k to 15-101p, inclusive, unemployment compensation  
11 bonds or notes issued pursuant to sections 31-264a and 31-264b,  
12 UConn 2000 bonds or notes issued pursuant to sections 10a-109a to  
13 10a-109y, inclusive, Second Injury Fund bonds or notes issued  
14 pursuant to section 31-354b and sections 8 and 9 of public act 96-242\*,  
15 and revenue anticipation bonds issued pursuant to section 13b-79r,  
16 and municipal pension solvency account bonds issued pursuant to

17 section 4 of this act.

18 Sec. 2. (NEW) (*Effective July 1, 2007*) As used in this section and  
19 sections 2 to 4, inclusive, of this act:

20 (1) "Municipal pension solvency account" means the account created  
21 in section 3 of this act;

22 (2) "Loan program" means the loans given to municipalities by the  
23 state pursuant to sections 2 to 4, inclusive, of this act;

24 (3) "Municipality" means any metropolitan district, town,  
25 consolidated town and city, consolidated town and borough, city,  
26 borough, village, fire and sewer district, sewer district or public  
27 authority and each municipal organization having authority to levy  
28 and collect taxes or make charges for its authorized function;

29 (4) "Municipal pension solvency loan" means a loan made to a  
30 recipient by the state from the municipal pension solvency account;

31 (5) "Municipal pension solvency account agreement" means a  
32 written agreement between the state, acting by and through the  
33 Treasurer and a recipient with respect to a municipal pension solvency  
34 loan as provided under sections 2 to 4, inclusive, of this act;

35 (6) "Priority list of eligible municipalities" means the list established  
36 by the Treasurer pursuant to subsection (f) of section 3 of this act;

37 (7) "Recipient" means a municipality receiving a municipal pension  
38 solvency loan; and

39 (8) "State bond anticipation note" means any note or notes issued by  
40 the state in anticipation of the issuance of bonds.

41 Sec. 3. (NEW) (*Effective July 1, 2007*) (a) There is established an  
42 account to be known as the "municipal pension solvency account"  
43 which shall be a separate nonlapsing account within the General Fund.  
44 The account shall contain: (1) The proceeds of notes, bonds or other

45 obligations issued by the state for the purpose of deposit in such  
46 account and use in accordance with sections 2 to 4, inclusive, of this  
47 act; (2) payments received from any municipality in repayment of a  
48 municipal pension solvency loan; (3) interest or other income earned  
49 on the investment of moneys in said account; and (4) any additional  
50 moneys made available from any sources, public or private, for the  
51 purposes for which said account has been established and for the  
52 purpose of deposit in said account.

53 (b) Within the municipal pension solvency account, there shall be  
54 two subaccounts: (1) A state bond receipts account into which shall be  
55 deposited the proceeds of notes, bonds or other obligations issued by  
56 the state for the purpose of deposit in such account, and (2) an  
57 additional moneys receipts account into which shall be deposited any  
58 additional moneys made available from any sources, public or private,  
59 for the purposes for which said account was established and for the  
60 purpose of deposit in such subaccount. Moneys in each subaccount  
61 created under this subsection may be expended by the Treasurer for  
62 any of the purposes of the municipal pension solvency account and  
63 investment earnings of a subaccount shall be deposited in such  
64 subaccount.

65 (c) In addition to the subaccounts established in subsection (b) of  
66 this section, the Treasurer may establish such additional subaccounts  
67 within the municipal pension solvency account as necessary to  
68 effectuate the purposes of sections 2 to 4, inclusive, of this act,  
69 including, but not limited to, subaccounts (1) to segregate a portion or  
70 portions of the corpus of the fund or as security for revenue bonds  
71 issued by the state for deposit in the account, (2) to segregate  
72 investment earnings on all or a portion of the account, or (3) to  
73 segregate moneys in the account that have previously been expended  
74 for the benefit of a loan recipient from moneys that are initial deposits  
75 in the account.

76 (d) Investment earnings credited to the assets of the municipal

77 pension solvency account and to any subaccount of said account shall  
78 become part of the assets of said account and such subaccount.

79 (e) (1) Amounts in the municipal pension solvency account shall be  
80 available to the Treasurer to establish a loan program to provide loans  
81 to any municipality to fund such municipality's employee pension  
82 fund. Amounts in the municipal pension solvency account shall be  
83 used only: (A) To make loans to municipalities at an interest rate to be  
84 established pursuant to subdivision (2) of this subsection, provided  
85 such loans shall not exceed a term of twenty years and shall have  
86 principal and interest payments commencing not later than one year  
87 after the date of issuance of the loan, (B) for the payment of costs for  
88 administration and management of the municipal pension solvency  
89 account, (C) to be invested and earn interest on moneys in said  
90 account, (D) provided such amounts are not required for the purposes  
91 of said account, to pay debt service on bonds of the state issued to fund  
92 the municipal pension solvency account, or for the purchase or  
93 redemption of such bonds, and (E) for any other purpose of the  
94 municipal pension solvency account and the loan program.

95 (2) The interest rate on each municipal pension solvency loan shall  
96 be the same as the interest rate paid by the state on the bonds, notes or  
97 obligations issued by the state to finance such loan.

98 (f) (1) The Treasurer shall maintain a priority list of eligible  
99 municipalities and shall establish a ranking system for making  
100 municipal pension solvency loans to municipalities. In establishing  
101 such priority list and ranking system, the Treasurer shall consider all  
102 factors said Treasurer deems relevant, including, but not limited to, the  
103 following:

104 (A) The amount of a municipality's unfunded pension liability;

105 (B) A municipality's ability to eliminate, or substantially eliminate,  
106 its unfunded pension liability by taking a municipal pension solvency  
107 loan under the loan program; and

108 (C) The state's interest in assisting the maximum number of  
109 communities with the funds available under the loan program.

110 (2) Municipal pension solvency loans shall be made pursuant to a  
111 municipal pension solvency account agreement between the state,  
112 acting by and through the Treasurer, and the municipality seeking  
113 such loan. A municipal pension solvency account agreement shall be in  
114 a form prescribed by the Treasurer and shall contain penalty  
115 provisions for municipalities that fail to make contributions to their  
116 pension funds as required under such agreement.

117 Sec. 4. (NEW) (*Effective July 1, 2007*) (a) For the purposes of sections  
118 2 to 4, inclusive, of this act, the State Bond Commission shall have the  
119 power, from time to time, to authorize the issuance of bonds of the  
120 state in one or more series.

121 (b) The proceeds of the sale of any bonds, state bond anticipation  
122 notes or other obligations issued pursuant to sections 2 to 4, inclusive,  
123 of this act shall be deposited in the municipal pension solvency  
124 account.

125 (c) All provisions of section 3-20 of the general statutes, or the  
126 exercise of any right or power granted thereby which are not  
127 inconsistent with the provisions of sections 2 to 4, inclusive, of this act  
128 are hereby adopted and shall apply to all bonds authorized by the  
129 State Bond Commission pursuant to said sections, and temporary  
130 notes in anticipation of the money to be derived from the sale of any  
131 such bonds so authorized may be issued in accordance with said  
132 section 3-20 of the general statutes and from time to time renewed.  
133 None of said bonds shall be authorized except upon a finding by the  
134 State Bond Commission that there has been filed with it a request for  
135 such authorization, which is signed by or on behalf of the Secretary of  
136 the Office of Policy and Management and states such terms and  
137 conditions as said commission, in its discretion, may require. Said  
138 bonds issued pursuant to sections 2 to 4, inclusive, of this act may be  
139 general obligations of the state and in such case the full faith and credit

140 of the state of Connecticut are pledged for the payment of the principal  
141 of and interest on said bonds as the same become due, and accordingly  
142 and as part of the contract of the state with the holders of said bonds,  
143 appropriation of all amounts necessary for punctual payment of such  
144 principal and interest is hereby made, and the Treasurer shall pay such  
145 principal and interest as the same become due. Such general obligation  
146 bonds shall mature at such time or times not exceeding twenty years  
147 from their respective dates as may be provided in or pursuant to the  
148 resolution or resolutions of the State Bond Commission authorizing  
149 such general obligation bonds.

150 (d) Notwithstanding the provisions of subsection (c) of this section,  
151 nothing in this section shall preclude the State Bond Commission from  
152 authorizing the issuance of revenue bonds that are not general  
153 obligations of the state of Connecticut to which the full faith and credit  
154 of the state of Connecticut are pledged for the payment of the principal  
155 and interest. Such revenue bonds shall mature at such time or times  
156 not exceeding twenty years from their respective dates as may be  
157 provided in or pursuant to the resolution or resolutions of the State  
158 Bond Commission authorizing such revenue bonds. The revenue  
159 bonds, revenue state bond anticipation notes and revenue state grant  
160 anticipation notes authorized to be issued under sections 2 to 4,  
161 inclusive, of this act shall be special obligations of the state and shall  
162 not be payable from nor charged upon any funds other than the  
163 revenues or other receipts, funds or moneys pledged therefor as  
164 provided in said sections 2 to 4, inclusive, including the repayment of  
165 municipal loan obligations; nor shall the state or any political  
166 subdivision thereof be subject to any liability thereon except to the  
167 extent of such pledged revenues or the receipts, funds or moneys  
168 pledged therefor as provided in said sections 2 to 4, inclusive. The  
169 issuance of revenue bonds, revenue state bond anticipation notes and  
170 revenue state grant anticipation notes under the provisions of said  
171 sections 2 to 4, inclusive, shall not directly or indirectly or contingently  
172 obligate the state or any political subdivision of the state to levy or to  
173 pledge any form of taxation whatever therefor or to make any

174 appropriation for their payment. The revenue bonds, revenue state  
175 bond anticipation notes and revenue state grant anticipation notes  
176 shall not constitute a charge, lien or encumbrance, legal or equitable,  
177 upon any property of the state or of any political subdivision of the  
178 state, except the property mortgaged or otherwise encumbered under  
179 the provisions and for the purposes of said sections 2 to 4, inclusive.  
180 The substance of such limitation shall be plainly stated on the face of  
181 each revenue bond, revenue state bond anticipation note and revenue  
182 state grant anticipation note issued pursuant to said sections 2 to 4,  
183 inclusive, shall not be subject to any statutory limitation on the  
184 indebtedness of the state and such revenue bonds, revenue state bond  
185 anticipation notes and revenue state grant anticipation notes, when  
186 issued, shall not be included in computing the aggregate indebtedness  
187 of the state in respect to and to the extent of any such limitation. As  
188 part of the contract of the state with the owners of such revenue bonds,  
189 revenue state bond anticipation notes and revenue state grant  
190 anticipation notes, all amounts necessary for the punctual payment of  
191 the debt service requirements with respect to such revenue bonds,  
192 revenue state bond anticipation notes and revenue state grant  
193 anticipation notes shall be deemed appropriated, but only from the  
194 sources pledged pursuant to said sections 2 to 4, inclusive. The  
195 proceeds of such revenue bonds or notes may be deposited in the  
196 municipal pension solvency account for use in accordance with the  
197 permitted uses of said account. Any expense incurred in connection  
198 with the carrying out of the provisions of this section, including the  
199 costs of issuance of revenue bonds, revenue state bond anticipation  
200 notes and revenue state grant anticipation notes may be paid from the  
201 accrued interest and premiums or from any other proceeds of the sale  
202 of such revenue bonds, revenue state bond anticipation notes or  
203 revenue state grant anticipation notes and in the same manner as other  
204 obligations of the state. All provisions of subsections (g), (k), (l), (s) and  
205 (u) of section 3-20 of the general statutes or the exercise of any right or  
206 power granted thereby which are not inconsistent with the provisions  
207 of sections 2 to 4, inclusive, of this act, are hereby adopted and shall

208 apply to all revenue bonds, state revenue bond anticipation notes and  
209 state revenue grant anticipation notes authorized by the State Bond  
210 Commission pursuant to said sections 2 to 4, inclusive. For the  
211 purposes of subsection (o) of section 3-20 of the general statutes, "bond  
212 act" shall be construed to include sections 2 to 4, inclusive, of this act.

213 (e) Any pledge made by the state pursuant to sections 2 to 4,  
214 inclusive, of this act is a statutory pledge and shall be valid and  
215 binding from the time when the pledge is made, and any revenues or  
216 other receipts, funds or moneys so pledged and thereafter received by  
217 the state shall be subject immediately to the lien of such pledge  
218 without any physical delivery thereof or further act. The lien of any  
219 such pledge shall be valid and binding as against all parties having  
220 claims of any kind in tort, contract or otherwise against the state,  
221 irrespective of whether such parties have notice thereof. Neither the  
222 resolution nor any other instrument by which a pledge is created need  
223 be recorded.

224 (f) Bonds, state bond anticipation notes and state grant anticipation  
225 notes issued pursuant to sections 2 to 4, inclusive, of this act are hereby  
226 made securities in which public officers and public bodies of the state  
227 and its political subdivisions, all insurance companies, credit unions,  
228 building and loan associations, investment companies, banking  
229 associations, trust companies, executors, administrators, trustees and  
230 other fiduciaries and pension, profit-sharing and retirement funds may  
231 properly and legally invest funds, including capital in their control or  
232 belonging to them. Such bonds, state bond anticipation notes and state  
233 grant anticipation notes are hereby made securities which may  
234 properly and legally be deposited with and received by any state or  
235 municipal officer or any agency or political subdivision of the state for  
236 any purpose for which the deposit of bonds, state bond anticipation  
237 notes, state grant anticipation notes or other obligations of the state is  
238 now or may hereafter be authorized by law.

239 (g) The proceedings under which bonds are authorized to be issued

240 may, subject to the provisions of the general statutes, contain any or all  
241 of the following: (1) Provisions respecting custody of the proceeds  
242 from the sale of the bonds and any bond anticipation notes, including  
243 any requirements that such proceeds be held separate from or not be  
244 commingled with other funds of the state; (2) provisions for the  
245 investment and reinvestment of bond proceeds utilized to pay project  
246 costs and for the disposition of any excess bond proceeds or  
247 investment earnings thereon; (3) provisions for the execution of  
248 reimbursement agreements or similar agreements in connection with  
249 credit facilities, including, but not limited to, letters of credit or policies  
250 of bond insurance, remarketing agreements and agreements for the  
251 purpose of moderating interest rate fluctuations, and of such other  
252 agreements entered into pursuant to section 3-20a of the general  
253 statutes, as amended by this act; (4) provisions for the collection,  
254 custody, investment, reinvestment and use of the pledged revenues or  
255 other receipts, funds or moneys pledged therefor as provided in  
256 sections 2 to 4, inclusive, of this act; (5) provisions regarding the  
257 establishment and maintenance of reserves, sinking funds and any  
258 other funds and accounts as shall be approved by the State Bond  
259 Commission in such amounts as may be established by the State Bond  
260 Commission, and the regulation and disposition thereof, or the  
261 establishment of a reserve fund of the state into which may be  
262 deposited any moneys appropriated and made available by the state  
263 for such fund, any proceeds of the sale of bonds or notes, to the extent  
264 provided in the resolution of the state authorizing the issuance thereof,  
265 and any other moneys which may be made available to the state for  
266 the purpose of such fund from any source whatever; (6) covenants for  
267 the establishment of pledged revenue coverage requirements for the  
268 bonds and state bond anticipation notes; (7) provisions for the issuance  
269 of additional bonds on a parity with bonds theretofore issued,  
270 including establishment of coverage requirements with respect thereto  
271 as provided in this section; (8) provisions regarding the rights and  
272 remedies available in case of a default to bondowners, noteowners or  
273 any trustee under any contract, loan agreement, document, instrument

274 or trust indenture, including the right to appoint a trustee to represent  
275 their interests upon occurrence of an event of default, as defined in  
276 said proceedings, provided that if any bonds or state bond anticipation  
277 notes shall be secured by a trust indenture, the respective owners of  
278 such bonds or notes shall have no authority except as set forth in such  
279 trust indenture to appoint a separate trustee to represent them; (9)  
280 provisions for the payment of rebate amounts; and (10) provisions or  
281 covenants of like or different character from the foregoing which are  
282 consistent with sections 2 to 4, inclusive, of this act and which the State  
283 Bond Commission determines in such proceedings are necessary,  
284 convenient or desirable in order to better secure the bonds or state  
285 bond anticipation notes, or will tend to make the bonds or state bond  
286 anticipation notes more marketable, and which are in the best interests  
287 of the state. Any provision which may be included in proceedings  
288 authorizing the issuance of bonds hereunder may be included in an  
289 indenture of trust duly approved in accordance with sections 2 to 4,  
290 inclusive, of this act which secures the bonds and any notes issued in  
291 anticipation thereof, and in such case the provisions of such indenture  
292 shall be deemed to be a part of such proceedings as though they were  
293 expressly included therein.

294 (h) Whether or not any bonds, state bond anticipation notes or state  
295 grant anticipation notes issued pursuant to sections 2 to 4, inclusive, of  
296 this act are of such form and character as to be negotiable instruments  
297 under the terms of title 42a of the general statutes, such bonds, state  
298 bond anticipation notes and state grant anticipation notes are hereby  
299 made negotiable instruments within the meaning of and for all  
300 purposes of title 42a of the general statutes, subject only to the  
301 provisions of such bonds, state bond anticipation notes and state grant  
302 anticipation notes for registration.

303 (i) Pending the use and application of any bond proceeds, such  
304 proceeds may be invested by, or at the direction of the Treasurer, in  
305 obligations listed in section 3-20 of the general statutes or in  
306 investment agreements rated within the top rating categories of any

307 nationally recognized rating service or in investment agreements  
308 secured by obligations, of or guaranteed by, the United States or  
309 agencies or instrumentalities of the United States.

310 (j) Any revenue bonds issued under the provisions of sections 2 to 4,  
311 inclusive, of this act and at any time outstanding may, at any time and  
312 from time to time, be refunded by the state by the issuance of its  
313 revenue refunding bonds in such amounts as the State Bond  
314 Commission may deem necessary, but not to exceed an amount  
315 sufficient to refund the principal of the revenue bonds to be so  
316 refunded, to pay any unpaid interest thereon and any premiums and  
317 commissions necessary to be paid in connection therewith and to pay  
318 costs and expenses which the Treasurer may deem necessary or  
319 advantageous in connection with the authorization, sale and issuance  
320 of refunding bonds. Any such refunding may be effected whether the  
321 revenue bonds to be refunded shall have matured or shall thereafter  
322 mature. All revenue refunding bonds issued under this section shall be  
323 payable solely from the revenues or other receipts, funds or moneys  
324 out of which the revenue bonds to be refunded thereby are payable  
325 and shall be subject to and may be secured in accordance with the  
326 provisions of this section.

327 (k) The Treasurer shall have power, out of any funds available  
328 therefor, to purchase revenue bonds, state revenue bond anticipation  
329 notes and state revenue grant anticipation notes of the state issued  
330 pursuant to sections 2 to 4, inclusive, of this act. The Treasurer may  
331 hold, pledge, cancel or resell such bonds or notes, subject to and in  
332 accordance with agreements with bondholders or noteholders, as  
333 applicable.

334 Sec. 5. (NEW) (*Effective July 1, 2007*) The Treasurer shall adopt  
335 regulations, in accordance with the provisions of chapter 54 of the  
336 general statutes, to carry out the purposes of sections 2 to 4, inclusive,  
337 of this act.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2007</i>	3-20a(a)
Sec. 2	<i>July 1, 2007</i>	New section
Sec. 3	<i>July 1, 2007</i>	New section
Sec. 4	<i>July 1, 2007</i>	New section
Sec. 5	<i>July 1, 2007</i>	New section

**Statement of Purpose:**

To create a municipal pension solvency fund to provide low interest loans to municipalities to properly maintain their employee pension funds.

*[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]*

Co-Sponsors: SEN. CALIGIURI, 16th Dist.; SEN. HARTLEY, 15th Dist.  
REP. BERGER, 73rd Dist.; REP. D'AMELIO, 71st Dist.  
REP. ALDARONDO, 75th Dist.; REP. GENTILE, 104th Dist.

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