



General Assembly

Substitute Bill No. 848

January Session, 2007

* _____SB00848APP__051507_____*

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2 repealed and the following is substituted in lieu thereof (*Effective July*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 3 and 4, 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 3 and 4, 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 3 and 4, 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 said
46 account and use in accordance with this section and section 4 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 was established and for the purpose
52 of deposit in said account.

53 (b) Within the municipal pension solvency account, there shall be
54 two subaccounts: (1) A state bond receipts subaccount into which shall
55 be deposited the proceeds of notes, bonds or other obligations issued
56 by the state for the purpose of deposit in said account, and (2) an
57 additional moneys receipts subaccount into which shall be deposited
58 any additional moneys made available from any sources, public or
59 private, for the purposes for which said account was established and
60 for the purpose of deposit in such subaccount. Moneys in each
61 subaccount created under this subsection may be expended by the
62 Treasurer for any of the purposes of the municipal pension solvency
63 account and investment earnings of a subaccount shall be deposited in
64 such 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 this section and section 4 of this act,
69 including, but not limited to, subaccounts (1) to segregate a portion or
70 portions of the corpus of the account 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 this
118 section and section 3 of this act, the State Bond Commission shall have
119 the power, from time to time, to authorize the issuance of bonds of the
120 state in one or more series and in principal amounts not exceeding in
121 the aggregate twenty-five million dollars.

122 (b) The proceeds of the sale of any bonds, state bond anticipation
123 notes or other obligations issued pursuant to sections 2 to 4, inclusive,
124 of this act shall be deposited in the municipal pension solvency
125 account established in section 3 of this act.

126 (c) All provisions of section 3-20 of the general statutes, or the
127 exercise of any right or power granted thereby which are not
128 inconsistent with the provisions of this section and section 3 of this act
129 are hereby adopted and shall apply to all bonds authorized by the
130 State Bond Commission pursuant to said sections, and temporary
131 notes in anticipation of the money to be derived from the sale of any
132 such bonds so authorized may be issued in accordance with said
133 section 3-20 of the general statutes and from time to time renewed.
134 None of said bonds shall be authorized except upon a finding by the
135 State Bond Commission that there has been filed with it a request for
136 such authorization, which is signed by or on behalf of the Secretary of
137 the Office of Policy and Management and states such terms and
138 conditions as said commission, in its discretion, may require. Said
139 bonds issued pursuant to this section and section 3 of this act may be
140 general obligations of the state and in such case the full faith and credit
141 of the state of Connecticut are pledged for the payment of the principal
142 of and interest on said bonds as the same become due, and accordingly
143 and as part of the contract of the state with the holders of said bonds,
144 appropriation of all amounts necessary for punctual payment of such
145 principal and interest is hereby made, and the Treasurer shall pay such

146 principal and interest as the same become due. Such general obligation
147 bonds shall mature at such time or times not exceeding twenty years
148 from their respective dates as may be provided in or pursuant to the
149 resolution or resolutions of the State Bond Commission authorizing
150 such general obligation bonds.

151 (d) Notwithstanding the provisions of subsection (c) of this section,
152 nothing in this section shall preclude the State Bond Commission from
153 authorizing the issuance of revenue bonds that are not general
154 obligations of the state of Connecticut to which the full faith and credit
155 of the state of Connecticut are pledged for the payment of the principal
156 and interest. Such revenue bonds shall mature at such time or times
157 not exceeding twenty years from their respective dates as may be
158 provided in or pursuant to the resolution or resolutions of the State
159 Bond Commission authorizing such revenue bonds. The revenue
160 bonds, revenue state bond anticipation notes and revenue state grant
161 anticipation notes authorized to be issued under this section and
162 section 3 of this act shall be special obligations of the state and shall not
163 be payable from nor charged upon any funds other than the revenues
164 or other receipts, funds or moneys pledged therefor as provided in this
165 section and section 3 of this act, including the repayment of municipal
166 loan obligations; nor shall the state or any political subdivision thereof
167 be subject to any liability thereon except to the extent of such pledged
168 revenues or the receipts, funds or moneys pledged therefor as
169 provided in this section and said section 3. The issuance of revenue
170 bonds, revenue state bond anticipation notes and revenue state grant
171 anticipation notes under the provisions of this section and said section
172 3 shall not directly or indirectly or contingently obligate the state or
173 any political subdivision of the state to levy or to pledge any form of
174 taxation whatever therefor or to make any appropriation for their
175 payment. The revenue bonds, revenue state bond anticipation notes
176 and revenue state grant anticipation notes shall not constitute a charge,
177 lien or encumbrance, legal or equitable, upon any property of the state
178 or of any political subdivision of the state, except the property
179 mortgaged or otherwise encumbered under the provisions and for the

180 purposes of this section and section 3 of this act. The substance of such
181 limitation shall be plainly stated on the face of each revenue bond,
182 revenue state bond anticipation note and revenue state grant
183 anticipation note issued pursuant to this section and said section 3
184 shall not be subject to any statutory limitation on the indebtedness of
185 the state and such revenue bonds, revenue state bond anticipation
186 notes and revenue state grant anticipation notes, when issued, shall
187 not be included in computing the aggregate indebtedness of the state
188 in respect to and to the extent of any such limitation. As part of the
189 contract of the state with the owners of such revenue bonds, revenue
190 state bond anticipation notes and revenue state grant anticipation
191 notes, all amounts necessary for the punctual payment of the debt
192 service requirements with respect to such revenue bonds, revenue
193 state bond anticipation notes and revenue state grant anticipation
194 notes shall be deemed appropriated, but only from the sources
195 pledged pursuant to this section and said section 3. The proceeds of
196 such revenue bonds or notes may be deposited in the municipal
197 pension solvency account for use in accordance with the permitted
198 uses of said account. Any expense incurred in connection with the
199 carrying out of the provisions of this section, including the costs of
200 issuance of revenue bonds, revenue state bond anticipation notes and
201 revenue state grant anticipation notes may be paid from the accrued
202 interest and premiums or from any other proceeds of the sale of such
203 revenue bonds, revenue state bond anticipation notes or revenue state
204 grant anticipation notes and in the same manner as other obligations of
205 the state. All provisions of subsections (g), (k), (l), (s) and (u) of section
206 3-20 of the general statutes or the exercise of any right or power
207 granted thereby which are not inconsistent with the provisions of this
208 section and said section 3, are hereby adopted and shall apply to all
209 revenue bonds, state revenue bond anticipation notes and state
210 revenue grant anticipation notes authorized by the State Bond
211 Commission pursuant to this section and said section 3. For the
212 purposes of subsection (o) of section 3-20 of the general statutes, "bond
213 act" shall be construed to include this section and said section 3.

214 (e) Any pledge made by the state pursuant to this section and
215 section 3 of this act is a statutory pledge and shall be valid and binding
216 from the time when the pledge is made, and any revenues or other
217 receipts, funds or moneys so pledged and thereafter received by the
218 state shall be subject immediately to the lien of such pledge without
219 any physical delivery thereof or further act. The lien of any such
220 pledge shall be valid and binding as against all parties having claims
221 of any kind in tort, contract or otherwise against the state, irrespective
222 of whether such parties have notice thereof. Neither the resolution nor
223 any other instrument by which a pledge is created need be recorded.

224 (f) Bonds, state bond anticipation notes and state grant anticipation
225 notes issued pursuant to this section and section 3 of this act are
226 hereby made securities in which public officers and public bodies of
227 the state and its political subdivisions, all insurance companies, credit
228 unions, building and loan associations, investment companies,
229 banking associations, trust companies, executors, administrators,
230 trustees and other fiduciaries and pension, profit-sharing and
231 retirement funds may properly and legally invest funds, including
232 capital in their control or belonging to them. Such bonds, state bond
233 anticipation notes and state grant anticipation notes are hereby made
234 securities which may properly and legally be deposited with and
235 received by any state or municipal officer or any agency or political
236 subdivision of the state for any purpose for which the deposit of
237 bonds, state bond anticipation notes, state grant anticipation notes or
238 other obligations of the state is now or may hereafter be authorized by
239 law.

240 (g) The proceedings under which bonds are authorized to be issued
241 may, subject to the provisions of the general statutes, contain any or all
242 of the following: (1) Provisions respecting custody of the proceeds
243 from the sale of the bonds and any bond anticipation notes, including
244 any requirements that such proceeds be held separate from or not be
245 commingled with other funds of the state; (2) provisions for the
246 investment and reinvestment of bond proceeds utilized to pay project
247 costs and for the disposition of any excess bond proceeds or

248 investment earnings thereon; (3) provisions for the execution of
249 reimbursement agreements or similar agreements in connection with
250 credit facilities, including, but not limited to, letters of credit or policies
251 of bond insurance, remarketing agreements and agreements for the
252 purpose of moderating interest rate fluctuations, and of such other
253 agreements entered into pursuant to section 3-20a of the general
254 statutes, as amended by this act; (4) provisions for the collection,
255 custody, investment, reinvestment and use of the pledged revenues or
256 other receipts, funds or moneys pledged therefor as provided in this
257 section and section 3 of this act; (5) provisions regarding the
258 establishment and maintenance of reserves, sinking funds and any
259 other funds and accounts as shall be approved by the State Bond
260 Commission in such amounts as may be established by the State Bond
261 Commission, and the regulation and disposition thereof, or the
262 establishment of a reserve fund of the state into which may be
263 deposited any moneys appropriated and made available by the state
264 for such fund, any proceeds of the sale of bonds or notes, to the extent
265 provided in the resolution of the state authorizing the issuance thereof,
266 and any other moneys which may be made available to the state for
267 the purpose of such fund from any source whatever; (6) covenants for
268 the establishment of pledged revenue coverage requirements for the
269 bonds and state bond anticipation notes; (7) provisions for the issuance
270 of additional bonds on a parity with bonds theretofore issued,
271 including establishment of coverage requirements with respect thereto
272 as provided in this section; (8) provisions regarding the rights and
273 remedies available in case of a default to bondowners, noteowners or
274 any trustee under any contract, loan agreement, document, instrument
275 or trust indenture, including the right to appoint a trustee to represent
276 their interests upon occurrence of an event of default, as defined in
277 said proceedings, provided that if any bonds or state bond anticipation
278 notes shall be secured by a trust indenture, the respective owners of
279 such bonds or notes shall have no authority except as set forth in such
280 trust indenture to appoint a separate trustee to represent them; (9)
281 provisions for the payment of rebate amounts; and (10) provisions or
282 covenants of like or different character from the foregoing which are

283 consistent with sections 2 to 4, inclusive, of this act and which the State
284 Bond Commission determines in such proceedings are necessary,
285 convenient or desirable in order to better secure the bonds or state
286 bond anticipation notes, or will tend to make the bonds or state bond
287 anticipation notes more marketable, and which are in the best interests
288 of the state. Any provision which may be included in proceedings
289 authorizing the issuance of bonds hereunder may be included in an
290 indenture of trust duly approved in accordance with this section and
291 section 3 of this act which secures the bonds and any notes issued in
292 anticipation thereof, and in such case the provisions of such indenture
293 shall be deemed to be a part of such proceedings as though they were
294 expressly included therein.

295 (h) Whether or not any bonds, state bond anticipation notes or state
296 grant anticipation notes issued pursuant to this section and section 3 of
297 this act are of such form and character as to be negotiable instruments
298 under the terms of title 42a of the general statutes, such bonds, state
299 bond anticipation notes and state grant anticipation notes are hereby
300 made negotiable instruments within the meaning of and for all
301 purposes of title 42a of the general statutes, subject only to the
302 provisions of such bonds, state bond anticipation notes and state grant
303 anticipation notes for registration.

304 (i) Pending the use and application of any bond proceeds, such
305 proceeds may be invested by, or at the direction of the Treasurer, in
306 obligations listed in section 3-20 of the general statutes or in
307 investment agreements rated within the top rating categories of any
308 nationally recognized rating service or in investment agreements
309 secured by obligations, of or guaranteed by, the United States or
310 agencies or instrumentalities of the United States.

311 (j) Any revenue bonds issued under the provisions of this section
312 and section 3 of this act and at any time outstanding may, at any time
313 and from time to time, be refunded by the state by the issuance of its
314 revenue refunding bonds in such amounts as the State Bond
315 Commission may deem necessary, but not to exceed an amount

316 sufficient to refund the principal of the revenue bonds to be so
 317 refunded, to pay any unpaid interest thereon and any premiums and
 318 commissions necessary to be paid in connection therewith and to pay
 319 costs and expenses which the Treasurer may deem necessary or
 320 advantageous in connection with the authorization, sale and issuance
 321 of refunding bonds. Any such refunding may be effected whether the
 322 revenue bonds to be refunded shall have matured or shall thereafter
 323 mature. All revenue refunding bonds issued under this section shall be
 324 payable solely from the revenues or other receipts, funds or moneys
 325 out of which the revenue bonds to be refunded thereby are payable
 326 and shall be subject to and may be secured in accordance with the
 327 provisions of this section.

328 (k) The Treasurer shall have power, out of any funds available
 329 therefor, to purchase revenue bonds, state revenue bond anticipation
 330 notes and state revenue grant anticipation notes of the state issued
 331 pursuant to this section and section 3 of this act. The Treasurer may
 332 hold, pledge, cancel or resell such bonds or notes, subject to and in
 333 accordance with agreements with bondholders or noteholders, as
 334 applicable.

335 Sec. 5. (NEW) (*Effective July 1, 2007*) The Treasurer shall adopt
 336 regulations, in accordance with the provisions of chapter 54 of the
 337 general statutes, to carry out the purposes of sections 3 and 4 of this
 338 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

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Joint Favorable C/R

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APP *Joint Favorable*