



General Assembly

January Session, 2007

Raised Bill No. 1074

LCO No. 3806

03806_____HED

Referred to Committee on Higher Education and Employment
Advancement

Introduced by:
(HED)

**AN ACT CONCERNING THE CONNECTICUT HIGHER EDUCATION
SUPPLEMENTAL LOAN AUTHORITY.**

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

1 Section 1. Subsection (a) of section 10a-224 of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective July*
3 *1, 2007*):

4 (a) There is created a body politic and corporate to be known as the
5 "Connecticut Higher Education Supplemental Loan Authority". The
6 authority is constituted a public instrumentality and political
7 subdivision of the state and the exercise by the authority of the powers
8 conferred by this chapter shall be deemed and held to be the
9 performance of an essential public and governmental function. The
10 powers of the authority shall be vested in and exercised by a board of
11 directors which shall consist of eight members, one of whom shall be
12 the State Treasurer, one of whom shall be the Secretary of the Office of
13 Policy and Management and one of whom shall be the Commissioner
14 of Higher Education, each serving *ex officio*, and five of whom shall be
15 residents of the state appointed by the Governor, not more than three

16 of such appointed members to be members of the same political party.
17 Three of the appointed members shall be active or retired trustees,
18 directors, officers or employees of Connecticut institutions for higher
19 education, [of whom not more than one shall be from a constituent
20 unit of the state system of higher education.] At least one of the
21 appointed members shall be a person having a favorable reputation for
22 skill, knowledge and experience in the higher education loan finance
23 field, and at least one of such appointed members shall be a person
24 having a favorable reputation for skill, knowledge and experience in
25 state and municipal finance, either as a partner, officer or employee of
26 an investment banking firm which originates and purchases state and
27 municipal securities, or as an officer or employee of an insurance
28 company or bank whose duties relate to the purchase of state and
29 municipal securities as an investment and to the management and
30 control of a state and municipal securities portfolio. Of the three
31 members first appointed who are trustees, directors, officers or
32 employees of Connecticut institutions for higher education, one shall
33 serve until July 1, 1986, one shall serve until July 1, 1987, and one shall
34 serve until July 1, 1988. Of the three remaining members first
35 appointed, one shall serve until July 1, 1983, one shall serve until July
36 1, 1984, and one shall serve until July 1, 1985. On or before the first day
37 of July, annually, the Governor shall appoint a member or members to
38 succeed those whose terms expire, each for a term of six years and
39 until his successor is appointed and has qualified. The Governor shall
40 fill any vacancy for the unexpired term. A member of the board shall
41 be eligible for reappointment. Any member of the board may be
42 removed by the Governor for misfeasance, malfeasance or wilful
43 neglect of duty. Each member of the board before entering upon his or
44 her duties shall take and subscribe the oath or affirmation required by
45 section 1 of article eleventh of the State Constitution. A record of each
46 such oath shall be filed in the office of the Secretary of the State. The
47 State Treasurer, the Secretary of the Office of Policy and Management
48 and the Commissioner of Higher Education may each designate a
49 deputy or any staff member to represent him as a member at meetings

50 of the board with full power to act and vote on his behalf.

51 Sec. 2. Section 10a-225 of the general statutes is amended by adding
52 subsection (d) as follows (*Effective July 1, 2007*):

53 (NEW) (d) (1) The authority may develop and require the use of a
54 master promissory note for education loans. Each master promissory
55 note shall allow borrowers to receive, in addition to initial education
56 loans, additional education loans for the same or subsequent periods
57 of enrollment. Each master promissory note shall include a provision
58 stating that the note shall be governed by and construed pursuant to
59 the laws of the state of Connecticut.

60 (2) Notwithstanding any provision of the general statutes or any
61 regulation adopted pursuant to said statutes, each education loan
62 made under a master promissory note pursuant to this subsection may
63 be sold or assigned independently of any other education loan made
64 under the same master promissory note and each such loan shall be
65 separately enforceable on the basis of an original or copy of the master
66 promissory note in accordance with the terms of the master
67 promissory note.

68 (3) Each such master promissory note shall be fully negotiable
69 within the meaning and for all purposes of title 42a, whether or not the
70 form and character of such master promissory note so qualify under
71 the terms of the provisions of said title 42a.

72 (4) The authority may pledge all or any part of its interest in any
73 such master promissory note or the education loan evidenced thereby
74 as security for any issue of bonds or notes or any other obligations.
75 Such pledge shall be valid and binding from the time when the pledge
76 is made; the interest so pledged by the authority shall immediately be
77 subject to the lien of such pledge without any physical delivery thereof
78 or further act, and the lien of any such pledge shall be valid and
79 binding against all parties having claims of any kind in tort, contract or
80 otherwise against the authority or any participating institution for

81 higher education, irrespective of whether such parties have notice
82 thereof. Such lien shall have priority over all other liens, including,
83 without limitation, the lien of any person who in the ordinary course
84 of business furnishes services or materials to the authority.
85 Notwithstanding the provisions of title 42a, neither the bond
86 resolution nor any financing statement, continuation statement or
87 other instrument by which a pledge or security interest is created or by
88 which the authority's interest in such master promissory notes is
89 assigned need be filed in any public records in order to perfect the
90 security interest or lien thereof as against third parties. Any outright
91 sale by the authority of any education loan evidenced by such a master
92 promissory note shall be effective and perfected automatically upon
93 attachment as defined in said title 42a.

94 Sec. 3. Section 10a-230 of the general statutes is repealed and the
95 following is substituted in lieu thereof (*Effective July 1, 2007*):

96 (a) The authority may from time to time issue revenue bonds for
97 any corporate purpose and all such revenue bonds, notes, bond
98 anticipation notes or other obligations of the authority issued pursuant
99 to this chapter shall be and are hereby declared to be negotiable for all
100 purposes notwithstanding their payment from a limited source and
101 without regard to any other law or laws. In anticipation of the sale of
102 such revenue bonds, the authority may issue negotiable bond
103 anticipation notes and may renew the same from time to time, but the
104 maximum maturity of any such note, including renewals thereof, shall
105 not exceed five years from the date of issue of the original note. Such
106 notes shall be paid from any revenues of the authority available
107 therefor and not otherwise pledged, or from the proceeds of sale of the
108 revenue bonds of the authority in anticipation of which they were
109 issued. The notes shall be issued in the same manner as the revenue
110 bonds. Such notes and the resolution or resolutions authorizing the
111 same may contain any provisions, conditions or limitations which a
112 bond resolution of the authority may contain.

113 (b) The revenue bonds and notes of every issue shall be payable
114 solely out of the revenues of the authority pertaining to the program
115 relating to such bonds or notes including principal and interest on
116 authority loans and education loans, and any other revenues derived
117 from or in connection with any other authority loans and education
118 loans, payments by participating institutions for higher education,
119 banks, guarantors, insurance companies or others pursuant to letters of
120 credit or purchase agreements, investment earnings from funds or
121 accounts maintained pursuant to the bond resolution, insurance
122 proceeds, loan funding deposits, proceeds of sales of education loans,
123 proceeds of refunding bonds and fees, charges and other revenues,
124 funds and other assets of the authority but subject only to any
125 agreements with the holders of particular revenue bonds or notes
126 pledging any particular revenues and subject to any agreements with
127 any participating institution for higher education.

128 (c) The revenue bonds or notes may be issued as serial bonds or
129 notes or as term bonds or notes, or the authority, in its discretion, may
130 issue bonds or notes of both types. The revenue bonds or notes shall be
131 authorized by resolution of the members of the board of directors of
132 the authority and shall bear such date or dates, mature at such time or
133 times, not exceeding the year following the last year in which the final
134 payments in an education loan series portfolio are due, or thirty years
135 from the date of issuance, whichever is sooner, from their respective
136 dates, bear interest at such rate or rates, payable at such time or times,
137 be in such denominations, be in such form either coupon or registered,
138 carry such registration or conversion privileges, be executed with
139 manual or facsimile signatures in such manner, be payable in lawful
140 money of the United States at such place or places, and be subject to
141 such terms of redemption, as such resolution or resolutions may
142 provide. Such resolution or resolutions may delegate to the executive
143 director, assistant executive director or any member of the board of
144 directors of the authority, or any combination of them, the power to
145 determine any of the matters set forth in this section and the power to
146 award the bonds to a purchaser or purchasers at public sale or to

147 negotiate a sale to a purchaser or purchasers. The revenue bonds or
148 notes may be sold for such price or prices as the authority shall
149 determine. Pending preparation of the definitive bonds, the authority
150 may issue interim receipts or certificates which shall be exchanged for
151 such definitive bonds.

152 (d) Any resolution or resolutions authorizing any revenue bonds or
153 any issue of revenue bonds may contain provisions, which shall be a
154 part of the contract with the holders of the revenue bonds to be
155 authorized, as to: (1) Pledging all or any part of the revenues, funds or
156 other assets of the authority, including, but not limited to, the
157 authority loans and education loans to secure such bonds or notes; (2)
158 pledging all or any part of the revenues paid to the authority by any
159 guarantor or insurance company; (3) pledging any revenue-producing
160 contract or contracts made by the authority with any individual,
161 partnership, corporation or association or other body, public or
162 private, or any federally guaranteed security and moneys received or
163 receivable therefrom whether such security is acquired by the
164 authority or a participating institution for higher education to secure
165 the payment of the revenue bonds or notes or of any particular issue of
166 revenue bonds or notes, subject to such agreements with bondholders
167 or noteholders as may then exist; (4) the fees and other amounts to be
168 charged, and the sums to be raised in each year thereby, and the use,
169 investment and disposition of such sums; (5) the establishment and
170 setting aside of reserves or sinking funds, the setting aside of loan
171 funding deposits, capitalized interest accounts, and cost of issuance
172 accounts, and the regulation and disposition thereof; (6) limitations on
173 the use of the education loans; (7) limitations on the purpose to which
174 the proceeds of the sale of any issue of revenue bonds or notes then or
175 thereafter to be issued may be applied, including as authorized
176 purposes, all costs and expenses necessary or incidental to the issuance
177 of bonds, to the acquisition of or commitment to acquire any federally
178 guaranteed security and pledging such proceeds to secure the
179 payment of the revenue bonds, notes or any issue of the revenue bonds
180 or notes; (8) limitations on the issuance of additional bonds or notes,

181 the terms upon which additional bonds or notes may be issued and
182 secured and the terms on which additional bonds or notes rank on a
183 parity with, or be subordinate or superior to, other bonds or notes; (9)
184 the refunding of outstanding bonds or notes; (10) the procedure, if any,
185 by which the terms of any contract with bondholders or noteholders
186 may be amended or abrogated, the amount of bonds or notes the
187 holders of which must consent thereto, and the manner in which such
188 consent may be given; (11) limitations on the amount of moneys
189 derived from the educational program to be expended for operating,
190 administrative or other expenses of the authority; (12) defining the acts
191 or omissions to act which shall constitute a default in the duties of the
192 authority to holders of its obligations and providing the rights and
193 remedies of such holders in the event of default; (13) the duties,
194 obligations and liabilities of any trustee or paying agent; (14)
195 providing for guarantees, pledges of endowments, letters of credit,
196 property or other security for the benefit of the holders of such bonds
197 or notes; and (15) any other matters relating to the bonds or notes
198 which the authority deems desirable.

199 (e) Subject to the approval of the State Treasurer or the treasurer's
200 deputy appointed pursuant to section 3-12, as required by the
201 provisions of subsection (b) of section 1-124, in connection with, or
202 incidental to:

203 (1) The issuance or carrying of bonds, notes or other obligations of
204 the authority, or the acquisition or carrying of any investment or
205 program of investment, the authority may enter into any contract
206 which the authority determines to be necessary or appropriate to place
207 the obligation or investment of the authority, as represented by the
208 bonds, notes or other obligations, investment or program of
209 investment and the contract or contracts, in whole or in part, on the
210 interest rate, cash flow or other basis desired by the authority,
211 including, without limitation, contracts commonly known as interest
212 rate swap agreements, forward payment conversion agreements,
213 futures or contracts providing for payments based on levels of, or

214 changes in, interest rates, stock or other indices, or contracts to
215 exchange cash flows or a series of payments, or contracts, including,
216 without limitation, interest rate floors or caps, options, puts or calls to
217 hedge payment, rate, spread or similar exposure or contracts for the
218 purchase of option rights with respect to the mandatory tender for
219 purchase of bonds, notes or other obligations of the authority, which
220 are subject to mandatory tender or redemption, including the issuance
221 of certificates evidencing the right of the owner to exercise such option
222 rights. Such contracts or agreements may also be entered into by the
223 authority in connection with, or incidental to, entering into or
224 maintaining any agreement which secures its bonds, notes or other
225 obligations, subject to the terms and conditions thereof respecting
226 outstanding obligations. In entering into any such contract, the
227 authority shall give due consideration to the creditworthiness of the
228 counter party or counter parties, including any rating by a nationally
229 recognized rating agency, the impact on any rating on outstanding
230 bonds or notes of the authority or any other criteria as the authority
231 may deem appropriate, provided the unsecured long-term obligations
232 of the counter party is rated the same or higher than the underlying
233 rating of the authority on the applicable bonds or notes by at least one
234 nationally recognized rating agency. For purposes of this subsection,
235 "counter party" shall mean any party providing an unconditional
236 guaranty of the obligations of the counter party under such contract;
237 and

238 (2) The issuance or carrying of bonds, notes or other obligations or
239 entering into any of the contracts or agreements referred to in
240 subdivision (1) of this subsection, the authority may enter into credit
241 enhancement or liquidity agreements, with payment, interest rate,
242 security, default, remedy and other terms and conditions as the
243 authority determines, and the authority may pledge all of any part of
244 the collateral that secures the applicable bonds or notes, to the
245 authority's payment obligations under any contract or agreement
246 entered into pursuant to this subsection. The authority's obligations
247 under any contract or agreement entered into pursuant to this

248 subsection may be enforced as provided in section 10a-235.

249 [(e)] (f) Neither the members of the board of directors of the
250 authority nor any person executing the revenue bonds or notes shall be
251 liable personally on the revenue bonds or notes or be subject to any
252 personal liability or accountability by reason of the issuance thereof.

253 [(f)] (g) The authority shall have power out of any funds available
254 therefor to purchase its bonds or notes. The authority may hold,
255 pledge, cancel or resell such bonds or notes subject to and in
256 accordance with the agreements with bondholders.

257 Sec. 4. Subsection (b) of section 12-742 of the general statutes is
258 repealed and the following is substituted in lieu thereof (*Effective July*
259 *1, 2007*):

260 (b) (1) In cases where any person or entity is due a refund of state
261 income taxes, and that same person is in default of a student loan
262 made or guaranteed by the Connecticut Student Loan Foundation or
263 the Connecticut Higher Education Supplemental Loan Authority, the
264 Connecticut Student Loan Foundation or the Connecticut Higher
265 Education Supplemental Loan Authority, as appropriate, shall notify
266 the Commissioner of Administrative Services of such default. The
267 Commissioner of Revenue Services, upon notification by the
268 Commissioner of Administrative Services, shall withhold the payment
269 of said refund to such person to the extent of such default, provided
270 the Commissioner of Revenue Services shall notify such person in
271 default that he or she has the right to a hearing before an officer
272 designated by the Commissioner of Administrative Services if he or
273 she contests the validity or amount of the Commissioner of
274 Administrative Services' claim. If the person in default fails to apply in
275 writing to the Commissioner of Administrative Services for a hearing
276 within sixty days of the issuance of notice of withholding, the
277 Commissioner of Revenue Services shall remit the amount of the
278 withheld refund to the Commissioner of Administrative Services, who
279 in turn shall remit the amount of such withheld refund to the

280 Connecticut Student Loan Foundation or the Connecticut Higher
 281 Education Supplemental Loan Authority, as appropriate. If the person
 282 in default elects an administrative hearing within this time, the
 283 Commissioner of Revenue Services shall remit the amount of the
 284 withheld refund in accordance with any decisions of the hearing
 285 officer or the court upon an appeal of the hearing officer's decision. If a
 286 person in default also owes a debt or obligation described in
 287 subsection (a) of this section, the refund shall be applied against such
 288 debt or obligation before being credited against the amount of the
 289 default.

290 (2) The Commissioner of Revenue Services, the Commissioner of
 291 Administrative Services, [and] the president of the Connecticut
 292 Student Loan Foundation or the executive director of the Connecticut
 293 Higher Education Supplemental Loan Authority, as appropriate, on
 294 behalf of such corporation, shall enter into an agreement for the
 295 crediting of income tax refunds against the amount a taxpayer is in
 296 default of a loan pursuant to subdivision (1) of this subsection. The
 297 agreement shall include procedures for the Connecticut Student Loan
 298 Foundation or the Connecticut Higher Education Supplemental Loan
 299 Authority, as appropriate, to (A) notify the Commissioner of
 300 Administrative Services of a default, and the amount of the default,
 301 and (B) reimburse the Department of Administrative Services and the
 302 Department of Revenue Services for any costs incurred by the
 303 departments in carrying out the provisions of this subsection.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2007</i>	10a-224(a)
Sec. 2	<i>July 1, 2007</i>	10a-225
Sec. 3	<i>July 1, 2007</i>	10a-230
Sec. 4	<i>July 1, 2007</i>	12-742(b)

Statement of Purpose:

To permit more than one member from the public sector to serve on the CHESLA board, to allow the use of master promissory notes, to

permit CHESLA to attach a defaulting borrower's state income tax refund and to allow CHESLA to enter into bond contracts commonly known as interest swap agreements.

[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.]