



# House of Representatives

**File No. 747**

General Assembly

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February Session, 2008 **(Reprint of File No. 623)**

Substitute House Bill No. 5611  
As Amended by House Amendment Schedule  
"A"

Approved by the Legislative Commissioner  
April 28, 2008

**AN ACT CONCERNING MUNICIPAL BONDING TO PERMIT TOWNS  
TO FUND SCHOLARSHIP FUNDS FOR RESIDENTS.**

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

1 Section 1. (NEW) (*Effective July 1, 2008*) (a) A municipality, as  
2 defined in section 7-369 of the general statutes, may authorize the  
3 issuance of bonds, notes or other obligations in accordance with the  
4 provisions of chapter 109 of the general statutes for the purpose of  
5 funding a scholarship fund established pursuant to subsection (b) of  
6 this section to provide for tuition for residents of the municipality or  
7 children of such residents attending public institutions of higher  
8 education in this state and independent colleges or universities, as  
9 defined in section 10a-37 of the general statutes, provided scholarship  
10 money provided to a resident attending such an independent college  
11 or university shall not be in an amount that exceeds the annual rate of  
12 tuition charged to in-state students to attend The University of  
13 Connecticut for the year of the scholarship.

14 (b) Any municipality that provides for bonding to fund a  
15 scholarship fund for residents of the municipality or children of such

16 residents to attend public institutions of higher education in this state  
17 and independent colleges or universities, as defined in section 10a-37  
18 of the general statutes, under this section shall create a fund for such  
19 purposes. Any proposal to create such fund, or to issue bonds for such  
20 fund, shall be subject to confirmation by referendum at the next  
21 regular election of such municipality. The provisions of section 7-374  
22 of the general statutes shall apply to any bonds issued pursuant to this  
23 section.

24 (c) There shall be paid into such fund the proceeds of bonds, notes  
25 or other obligations issued pursuant to this section. The fund may also  
26 accept gifts, donations, bequests or funds from any other legal source.

27 (d) The budget-making authority of such municipality may, from  
28 time to time, direct the town treasurer to invest such portion of such  
29 fund as in its opinion is advisable, provided: (1) Not more than forty  
30 per cent of the total amount of the fund shall be invested in equity  
31 securities, and (2) any portion of such fund not so invested may be  
32 invested in: (A) Bonds or obligations of, or guaranteed by, the state or  
33 the United States, or agencies or instrumentalities of the United States,  
34 (B) certificates of deposit, commercial paper, savings accounts and  
35 bank acceptances, (C) the obligations of any state of the United States  
36 or any political subdivision thereof or the obligations of any  
37 instrumentality, authority or agency of any state or political  
38 subdivision thereof, provided at the time of investment such  
39 obligations are rated within the top rating categories of any nationally  
40 recognized rating service or of any rating service recognized by the  
41 Banking Commissioner and applicable to such obligations, (D) the  
42 obligations of any regional school district in this state, of any  
43 municipality in this state or any metropolitan district in this state,  
44 provided at the time of investment such obligations of such  
45 government entity are rated within one of the top two rating categories  
46 of any nationally recognized rating service or of any rating service  
47 recognized by the Banking Commissioner and applicable to such  
48 obligations, (E) in any fund in which a trustee may invest pursuant to  
49 section 36a-353 of the general statutes, (F) in investment agreements

50 with financial institutions whose long-term obligations are rated  
 51 within the top two rating categories of any nationally recognized  
 52 rating service or of any rating service recognized by the Banking  
 53 Commissioner or whose short-term obligations are rated within the  
 54 top rating category of any nationally recognized rating service or of  
 55 any rating service recognized by the Banking Commissioner, or (G)  
 56 investment agreements fully secured by obligations of, or guaranteed  
 57 by, the United States or agencies or instrumentalities of the United  
 58 States.

59 (e) The town treasurer shall submit annually a complete and  
 60 detailed report of the condition of such fund to the chief executive  
 61 officer, the budget-making authority and the legislative body and such  
 62 report shall be made a part of the annual report of the municipality.

63 (f) Such fund may be discontinued, after recommendation by the  
 64 chief executive officer and the budget-making authority to the  
 65 legislative body and upon approval of such body, and to the extent  
 66 there is any remaining portion of such fund, the fund shall be  
 67 converted into, or added to, a sinking fund to provide for the  
 68 retirement of the bonded indebtedness of the municipality. If the  
 69 municipality has no bonded indebtedness, such fund shall be  
 70 transferred to the general fund of the municipality.

This act shall take effect as follows and shall amend the following sections:		
Section 1	July 1, 2008	New section

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:

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### **OFA Fiscal Note**

**State Impact:** None

**Municipal Impact:**

<b>Municipalities</b>	<b>Effect</b>	<b>FY 09 \$</b>	<b>FY 10 \$</b>
Various Municipalities	Cost	See Below	See Below

### **Explanation**

The debt service costs incurred by municipalities that choose to issue bonds to fund scholarships for students attending state public institutions will depend on: (1) the amount financed, (2) the interest rate at which the bonds are issued and (3) the length of time for which the bonds are issued.

The extent of the costs to municipalities to hold a referendum depends on the population of the town, and whether the referendum is submitted to electors at a regular election or at a special election. The cost for a referendum at a regular election is minimal, relating to the printing of referendum ballots and associated referendum signage. The cost to conduct a referendum at a special election varies by town population. Small towns, such as Andover and Roxbury, can hold a referendum for \$1,000. Large cities, such as Bridgeport and Stamford, could incur costs ranging from \$45,000 to \$85,000, to hold a referendum at a special election.

House "A" (LCO 4608) makes a few clarifications and has no fiscal impact to the underlying bill.

### **The Out Years**

The annualized ongoing fiscal impact identified above would

continue into the future subject to inflation.

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**OLR Bill Analysis****sHB 5611 (as amended by House "A")\******AN ACT CONCERNING MUNICIPAL BONDING TO PERMIT TOWNS TO FUND SCHOLARSHIP FUNDS FOR RESIDENTS.*****SUMMARY:**

This bill authorizes municipalities to issue bonds, notes, or other debt obligations, according to state law governing municipal bond issues, to fund scholarships for municipal residents or their children attending public or private colleges and universities in the state. The bill limits the scholarship amount for students attending private colleges and universities to UConn's annual tuition rate for the scholarship year.

The bill requires any municipality that issues scholarship bonds to (1) create a fund for such purposes and (2) hold a referendum at its next regular election before establishing the fund or issuing any bonds for it. It subjects any bonds issued for this purpose to the municipality's bond cap. Municipalities include towns, cities, boroughs, metropolitan districts, special taxing districts, and any other municipal corporations with taxing and bonding power.

The bill authorizes the fund to accept gifts, donations, bequests, or funds from any other legal sources. It specifies how the municipality may invest the money in the scholarship fund and discontinue the fund. And it requires the municipality to annually report on the fund's condition.

\*House Amendment "A" (1) expands those eligible for the scholarships to include students attending private colleges and universities, (2) limits the scholarships for these students to UConn's annual tuition rate for the scholarship year, and (3) authorizes the

scholarship fund to accept gifts, donations, bequests, or funds from any other legal sources.

EFFECTIVE DATE: July 1, 2008

**MUNICIPAL SCHOLARSHIP FUND**

***Investment Options***

The municipality's budget-making authority may direct the municipal treasurer to invest a portion of the fund it considers advisable. The treasurer may invest up to 40% of the fund in equity securities and the remaining amount in:

1. bonds or obligations (a) of the U.S. government or its agencies or instrumentalities, (b) of Connecticut, or (c) guaranteed by the state or U.S. government;
2. certificates of deposit, commercial paper, savings accounts, and bank acceptances;
3. obligations of any state or political subdivision, or its instrumentalities, authorities, or agencies, as long as, at time of the investment, it is rated in the top rating categories of any nationally recognized rating service or one the banking commissioner recognizes;
4. obligations of any Connecticut municipality, regional school district, or metropolitan district, as long as, at the time of the investment, it is rated in one of the two highest rating categories by a nationally recognized rating service or one the banking commissioner recognizes;
5. any U.S.-registered investment company or investment trust (a) whose portfolio is limited to U.S. government obligations and repurchase agreements fully collateralized by such obligations and (b) rated in one of the two highest rating categories by a nationally recognized rating service;

6. investment agreements with a financial institution whose (a) long-term obligations are rated in one of the two highest rating categories by a nationally recognized rating service or one the banking commissioner recognizes and (b) short-term obligations are rated in the top rating category by such a rating service; and
7. U.S.-secured or -guaranteed investment agreements.

### ***Reporting Requirement***

The municipal treasurer must annually submit a complete and detailed report on the fund's condition to the municipality's chief executive officer, budget-making authority, and legislative body. The municipality must include that report in its annual report.

### ***Discontinuing the Fund***

The bill allows the fund to be discontinued upon recommendation of the chief executive officer and budget-making authority and the approval of the municipality's legislative body. Once it is discontinued, the remaining money must be (1) converted or added to a sinking fund to retire the municipality's debt or (2) if the municipality has no debt, transferred to its general fund.

### **COMMITTEE ACTION**

Higher Education and Employment Advancement Committee

Joint Favorable Change of Reference  
 Yea 17 Nay 0 (03/11/2008)

Finance, Revenue and Bonding Committee

Joint Favorable Substitute  
 Yea 39 Nay 13 (04/02/2008)