

OFFICE OF LEGISLATIVE RESEARCH  
PUBLIC ACT SUMMARY



**PA 12-149—sSB 29**

*Higher Education and Employment Advancement Committee  
Government Administration and Elections Committee  
Finance, Revenue and Bonding Committee*

**AN ACT CONCERNING THE CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY**

**SUMMARY:** This act merges the Connecticut Health and Educational Facilities Authority (CHEFA) with the Connecticut Higher Education Supplemental Loan Authority (CHESLA) by making CHESLA a subsidiary of CHEFA. CHESLA retains authority to, among other things, issue loans and bonds and hire its own employees. The act also, among other things, (1) dissolves and reconstitutes the CHESLA board of directors, (2) expands the pool of higher education institutions for which CHEFA may finance capital projects, and (3) makes technical and conforming changes.

EFFECTIVE DATE: July 1, 2012

**CHESLA**

*Board of Directors*

The act dissolves and reconstitutes the CHESLA board of directors, ending the terms of the prior board's directors on July 1, 2012. The reconstituted board is generally similar to the prior board (see Tables 1 and 2), with the primary differences being the board's size (it increases from eight to nine) and the appointing authority (which the act changes from the governor to the CHEFA board of directors). The act also reduces, from three to two, the maximum number of the four appointees who may be from the same political party.

**Table 1: CHESLA Board of Directors**

<b>Provision</b>	<b>Prior Law</b>	<b>The Act</b>
<b>Size</b>	Eight members	Nine members
<b>Composition</b>	Three ex-officio members and five appointees See Table 2 for details	Five ex-officio members and four appointees See Table 2 for details
<b>Appointing Authority</b>	Governor	CHEFA board of directors
<b>Term Length for Appointed Members</b>	Six years	Same, with exceptions described in Table 2
<b>Chairperson</b>	Governor designates the chairperson, who is subject to confirmation by both the House and Senate	CHEFA board chairperson serves as the CHESLA board chairperson (under existing law, the CHEFA board chairperson is designated by the governor)

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		and subject to confirmation by both chambers)
<b>Vacancies</b>	Filled by appointing authority	Same
<b>Removal of Members</b>	May be removed by the appointing authority for misfeasance, malfeasance, or willful neglect of duty	Same

**Table 2: CHESLA Board of Directors Composition**

<i>Selection Method</i>	<i>Prior Law</i>	<i>The Act</i>
<b>Ex-Officio</b>	Treasurer, Office of Policy and Management secretary, and Board of Regents for Higher Education president, or their designees	Same, with the addition of the CHEFA (1) executive director and (2) board chairperson
<b>Appointed</b>	Three active or retired trustees, directors, officers, or employees of Connecticut institutions of higher education	Same, except (1) there are two, rather than three such appointees and (2) the appointees must be members of the CHEFA board These appointees serve on the CHESLA board (1) for as long as they are on the CHEFA board or (2) until a successor is appointed
	One person with a favorable reputation for skill, knowledge, and experience in the higher education loan finance field	Same (the act's qualification is "higher education loan" rather than "higher education loan finance" experience)
	One person with a favorable reputation for skill, knowledge, and experience in state and municipal finance This person must be (1) a partner, officer, or employee of an investment bank that originates and purchases state and municipal securities or (2) an officer or employee of an insurance company or bank whose duties relate to purchasing state and municipal securities and managing and controlling a state and municipal securities portfolio	Same, except the act (1) allows the appointee's skill, knowledge, and experience to alternatively be in the higher education loan field and (2) removes the requirements concerning the appointee's occupation

The act requires one of two appointees who are not from the CHEFA board to serve an initial five-year term. However, if either of these appointees was a member of the prior CHESLA board, the act requires his or her initial term on the new board to end on the date that his or her term on the prior board was previously scheduled to end. As under existing law, the CHESLA board must annually elect one of its members as board vice-chairperson.

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### *Employees*

The act maintains the provision in existing law allowing CHESLA to have its own employees and the CHESLA board to appoint an executive director, who serves at the board's pleasure. However, the act makes the CHESLA executive director a CHEFA employee.

Additionally, the act (1) eliminates the CHESLA board's ability to appoint an assistant executive director and (2) allows the CHESLA board to designate CHESLA or CHEFA employees (whom the act designates as "authorized officers") to execute and deliver documents and papers and act in the name of and on behalf of CHESLA. It extends to such officers a requirement to either obtain a \$50,000 surety bond or be covered by a \$50,000 blanket position bond obtained by the CHESLA board chairperson conditioned upon the faithful performance of the officers' duties. Existing law imposes this requirement on the CHESLA board's chairperson and vice-chairperson, its executive director, and other board members authorized by resolution to handle funds and sign checks.

### *Liability Limits*

The act limits CHESLA's exposure to lawsuits and liability to its own assets, revenues, and resources and explicitly prohibits recourse from CHEFA's general funds, revenues, resources, and assets. It maintains existing law's provisions that indemnify CHESLA's officers, directors, and employees and protect them from personal liability and extends these protections to "authorized officers" of the CHESLA board.

### *Tax Exemption*

The act requires CHEFA or CHESLA to take any necessary actions to (1) maintain CHESLA's tax-exempt status and (2) ensure that interest on CHEFA bonds, notes, or other obligations are not counted as gross income for federal tax purposes.

### CHEFA

By law, CHEFA may finance capital projects at the Connecticut State University System and nonprofit independent higher educational institutions in Connecticut. The act extends this authority to include all public colleges and universities in Connecticut.

It also allows CHEFA to provide and be compensated for services to or on behalf of CHESLA, including services providing CHESLA with space, equipment, supplies, and employees. Additionally, the act eliminates a requirement that CHEFA subsidiaries (including CHESLA) obtain its approval before borrowing.

### BACKGROUND

#### *CHEFA*

CHEFA is a quasi-public agency that finances capital projects for health care

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institutions, higher education institutions, nursing homes, and other nonprofit organizations.

### *CHESLA*

CHESLA is a quasi-public agency that provides education loans for (1) students attending a non-profit college or university in Connecticut or (2) Connecticut residents attending a nonprofit college or university in the U.S.

OLR Tracking: TA:RC:PF:eh