



General Assembly

January Session, 2015

Raised Bill No. 1133

LCO No. 6200



Referred to Committee on FINANCE, REVENUE AND BONDING

Introduced by:
(FIN)

AN ACT CONCERNING THE TREATMENT OF BOND PREMIUMS UNDER THE STATE GENERAL OBLIGATION BOND PROCEDURE ACT.

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

1 Section 1. Subsection (b) of section 3-20 of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective July*
3 *1, 2015*):

4 (b) The following terms, when used in this section, shall have the
5 following meanings, unless the context otherwise requires:

6 (1) "Bonds" means general obligations of the state for the payment of
7 the principal of and interest on which, as the same become due, the full
8 faith and credit of the state are pledged; ["bond act"]

9 (2) "Bond act" means a general statute, public act or special act of the
10 General Assembly empowering the State Bond Commission or the
11 State Treasurer to authorize bonds heretofore enacted or hereafter
12 enacted; ["refunding bonds"]

13 (3) "Refunding bonds" means bonds authorized to be issued and
14 sold pursuant to subsection (i) [hereof and hereunder] of this section
15 and the provisions of this chapter; ["resolution"]

16 (4) "Resolution" means a resolution adopted by a majority of the
17 members of the State Bond Commission, [. The] and the adoption of
18 such a resolution is hereby deemed to satisfy and supersede the
19 requirement of any bond act for a written determination signed by the
20 majority of the members of the State Bond Commission and filed in the
21 office of the Secretary of the State; and ["State Bond Commission"]

22 (5) "State Bond Commission" or "commission" means the State Bond
23 Commission as established [herein] in this section.

24 Sec. 2. Subsection (f) of section 3-20 of the general statutes is
25 repealed and the following is substituted in lieu thereof (*Effective July*
26 *1, 2015*):

27 (f) (1) With the exception of refunding bonds, the proceeds of the
28 sale of the bonds and any moneys held or otherwise set aside for the
29 repayment of the bonds shall be deposited with the Treasurer or, at the
30 direction of the Treasurer, with a [commercial bank or] bank and trust
31 company, in trust for the benefit of the state, pending the use or
32 application thereof, for the purpose and projects specified in the bond
33 act empowering the State Bond Commission to authorize such bonds.

34 (2) Any expense incurred in connection with the carrying out of the
35 provisions of this section, including the issuance of refunding bonds,
36 shall be paid from the accrued interest and premiums or from the
37 proceeds of the sale of such bonds or refunding bonds and in the same
38 manner as other obligations of the state, except that expenses incurred
39 in connection with the preparation, issuance and delivery of general
40 obligation bonds issued in accordance with sections 3-17 and 10-183m
41 [.] and delivered to the retirement fund provided for in section 10-183r
42 shall be paid out of the General Fund if sufficient accrued interest and
43 premiums are not available to pay such expenses.

44 (3) With the exception of the proceeds of refunding bonds deposited
45 in a defeasance escrow fund, pending the use or application of any
46 such bond proceeds or any such funds, such proceeds or funds may be
47 deposited with the Treasurer in such fund or funds of the state as
48 appropriate or at the direction of the Treasurer in a [commercial bank
49 or] bank and trust company with or without security to the credit of
50 such fund or funds, or may be invested by, or at the direction of, the
51 Treasurer in bonds or obligations of, or guaranteed by, the state or the
52 United States, or agencies or instrumentalities of the United States, in
53 certificates of deposit, commercial paper, savings accounts and bank
54 acceptances, in the obligations of any state of the United States or any
55 political subdivision thereof or the obligations of any instrumentality,
56 authority or agency of any state or political subdivision thereof,
57 provided [that] at the time of investment such obligations are rated
58 within one of the top two rating categories of any nationally
59 recognized rating service or of any rating service recognized by the
60 Banking Commissioner, and applicable to such obligations, in the
61 obligations of any regional school district in this state, of any
62 municipality in this state or any metropolitan district in this state, and
63 provided further that at the time of investment such obligations of
64 such government entity are rated within one of the top three rating
65 categories of any nationally recognized rating service or of any rating
66 service recognized by the Banking Commissioner, and applicable to
67 such obligations, or in any fund in which a trustee may invest
68 pursuant to section 36a-353, or in investment agreements with
69 financial institutions whose long-term obligations are rated within the
70 top two rating categories of any nationally recognized rating service or
71 of any rating service recognized by the Banking Commissioner or
72 whose short-term obligations are rated within the top rating category
73 of any nationally recognized rating service or of any rating service
74 recognized by the Banking Commissioner, or investment agreements
75 fully secured by obligations of, or guaranteed by, the United States or
76 agencies or instrumentalities of the United States.

77 (4) Except as may be provided [herein] in this section or in any other
78 public or special act, (A) net earnings of investments of proceeds of
79 bonds and such funds, and accrued interest [and premiums] on the
80 issuance of such bonds shall, after payment of expenses incurred by
81 the Treasurer or State Bond Commission in connection with their
82 issuance, if any, be deposited to the credit of the General Fund, and (B)
83 premiums, net of any original issue discount, on the issuance of such
84 bonds shall, after payment of expenses incurred by the Treasurer or
85 State Bond Commission in connection with their issuance, if any, be
86 deposited at the direction of the Treasurer to the credit of an account or
87 fund to fund all or a portion of any purpose or project authorized by
88 the State Bond Commission pursuant to any bond act up to the amount
89 authorized by the State Bond Commission, provided the bonds for
90 such purpose or project are unissued, and provided further that the
91 certificate of determination the Treasurer files with the secretary of the
92 State Bond Commission for such authorized bonds sets forth the
93 amount of the deposit applied to fund each such purpose and project.
94 Upon such filing the Treasurer shall record bonds in the amount of net
95 premium credited to each purpose and project as set forth in the
96 certificate of determination of the Treasurer as deemed issued and
97 retired and the Treasurer shall not thereafter exercise authority to issue
98 bonds in such amount for such purpose or project. Upon such
99 recording by the Treasurer such bonds shall be deemed to have been
100 issued, retired and no longer authorized for issuance or outstanding
101 for the purposes of section 3-21 and for the purpose of aligning the
102 funding of such authorized purpose and project with amounts
103 generated by net premiums, but shall not constitute an actual bond
104 issuance or bond retirement for any other purposes, including, but not
105 limited to, financial reporting purposes.

This act shall take effect as follows and shall amend the following sections:		
Section 1	July 1, 2015	3-20(b)
Sec. 2	July 1, 2015	3-20(f)

Statement of Purpose:

To change the treatment of bond premiums under the State General Obligation Bond Procedure Act.

[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.]