

OFFICE OF FISCAL ANALYSIS

Legislative Office Building, Room 5200
Hartford, CT 06106 ◊ (860) 240-0200
<http://www.cga.ct.gov/ofa>

sHB-5590

AN ACT CONCERNING BOND COVENANTS AND THE BOND
ISSUANCE CAP AND REQUIRING A STUDY OF BOND
COVENANTS.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 19 \$	FY 20 \$
Treasurer, Debt Serv.	GF - Potential Savings	See Below	See Below

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill delays the bond covenant which requires the state to follow the cap on appropriations to bonds issued between July 1, 2019 and prior to July 1, 2021 from May 15, 2018, and prior to July 1, 2020. The cap on appropriations limits General Fund and Special Transportation Fund appropriations at a specified percentage of estimated revenues beginning in FY 20 at 99.5% of revenue and increasing gradually to 98% of revenue by FY 26.

The bill excludes from the cap on bond issuances bonds which are issued for: 1) refunding outstanding bonds or other indebtedness or 2) for temporary obligations in anticipation of revenue to be received within the next 12 months. This could result in savings in debt service payments to the extent the state is able to refinance outstanding debt at a lower cost.

The bill requires the Office of Policy and Management, the Attorney

Primary Analyst: WL
Contributing Analyst(s):
Reviewer: MM

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General, the Comptroller, and the Treasurer to conduct a study concerning bond covenants. The completion of the study is not anticipated to require additional resources for any of the four agencies required to take part in the study and therefore will have no fiscal impact.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.