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sHB-5590
AN ACT CONCERNING BOND COVENANTS AND THE BOND ISSUANCE CAP AND REQUIRING A STUDY OF BOND COVENANTS.
As Amended by House "A" (LCO 5986)
House Calendar No.: 423
Senate Calendar No.: 569

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect
Treasurer, Debt Serv.	TF - See Below
Treasurer, Debt Serv.	GF - See Below

Note: GF=General Fund; TF=Transportation Fund

Municipal Impact:

Municipalities	Effect
Various Municipalities	Potential Revenue Gain

The bill makes changes to bond authorizations and bond related programs. Table 1 below summarizes the increases and reductions made to General Obligation (GO) bonds in FY 19:

Table 1: FY 19 Increases and Reductions to GO Bond Authorizations (in millions)

Description	FY 19 $
General Obligation (GO) Bonds	
New Authorizations	182.0
Reductions to Existing Authorizations	-406.3

Primary Analyst: EMG 5/18/18
Contributing Analyst(s):
Reviewer: MM

TOTAL GO BONDS	**-224.3**

To the extent that the reduced bond authorizations otherwise would have been allocated and spent, the bill has the potential to slightly lower debt service costs after the biennium.

The bill makes a number of changes and corrections to previous bond authorizations, including restoring authorizations to bond programs when necessary to reach allocated levels, and making concurrent cancellations where applicable.

Transportation Bonds

Section 41 requires specified amounts of GO bond funding be allocated for transportation projects for CY 18 and CY 19. These GO transportation allocations are exempted from the GO bond allocation cap established in CY 17. If the increased allocations result in additional issuances beyond what was otherwise allowed under the bond issuance caps, there is a potential for increased debt service payments after the biennium.

Section 44 caps the issuance of Special Tax Obligation bonds that are backed by the Special Transportation Fund (STF) at $750 million for FY 19 and FY 20. This is expected to result in reduced debt service costs within the STF beginning in FY 19.

Bond Cap Exemptions

Section 16 exempts bond refundings and bond anticipation notes from the General Obligation (GO) bond issuance cap. To the extent refundings would not otherwise have been issued without the exemption, and those same issuances lead to debt service savings, there is the possibility for future debt service savings.

Other Changes

The bill establishes or makes changes to several programs within existing bond authorizations. This may change the rate of expenditure of the authorized GO bonds, with a commensurate change in future debt service payments. Established or expanded programs include:

- Expanding the purpose and programs of CTNext, a subsidiary of Connecticut Innovations, Incorporated,
- Establishing a grant for "multimedia interoperable communication systems" for school security projects, and
- Establishing the Apprenticeship Connecticut initiative.

Within the bill, there is an expansion of certain tax credit programs within Connecticut Innovations, Inc., which has an uncertain revenue impact because: 1) it is uncertain how many, if any, additional businesses would choose to participate in the program, and 2) it is unclear how tax credits held by any such business would be impacted by such participation.

Municipal Impact

To the extent that newly authorized bonds, or newly obligated authorizations, are allocated, the amendment will result in an additional revenue gain to various municipalities.

The House amendment "A" struck the underlying bill and replaced the fiscal impact with the one described above.

The Out Years

To the extent that bonds are allocated and issued, debt service payments may extend up to 20 years from the time, and under of the terms, of issuance.