



General Assembly

**Substitute Bill No. 5590**

February Session, 2018



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

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

1 Section 1. Subsection (aa) of section 3-20 of the 2018 supplement to  
2 the general statutes is repealed and the following is substituted in lieu  
3 thereof (*Effective May 15, 2018*):

4 (aa) (1) For each fiscal year during which general obligation bonds  
5 or credit revenue bonds issued on and after May 15, 2018, and prior to  
6 July 1, 2020, shall be outstanding, the state of Connecticut shall comply  
7 with the provisions of (A) section 4-30a of the general statutes, revision  
8 of 1958, revised to January 1, 2017, as amended by section 704 of public  
9 act 17-2 of the June special session, and (B) section 2-33c in effect on  
10 October 31, 2017; [ (C) section 2-33a of the general statutes, revision of  
11 1958, revised to January 1, 2017, as amended by section 709 of public  
12 act 17-2 of the June special session, (D) subsections (d) and (g) of this  
13 section, revision of 1958, revised to January 1, 2017, as amended by  
14 sections 710 and 711 of public act 17-2 of the June special session, and  
15 (E) section 3-21 of the general statutes, revision of 1958, revised to  
16 January 1, 2017, as amended by section 712 of public act 17-2 of the  
17 June special session.] The state of Connecticut does hereby pledge to  
18 and agree with the holders of any bonds, notes and other obligations  
19 issued pursuant to subdivision (2) of this subsection that no public or

20 special act of the General Assembly taking effect on or after May 15,  
21 2018, and prior to July 1, 2028, shall alter the obligation to comply with  
22 the provisions of the sections [and subsections] set forth in  
23 subparagraphs (A) [to (E), inclusive,] and (B) of this subdivision, until  
24 such bonds, notes or other obligations, together with the interest  
25 thereon, are fully met and discharged, provided nothing in this  
26 subsection shall preclude such alteration (i) if and when adequate  
27 provision shall be made by law for the protection of the holders of  
28 such bonds, or (ii) (I) if and when the Governor declares an emergency  
29 or the existence of extraordinary circumstances, in which the  
30 provisions of section 4-85 are invoked, (II) at least three-fifths of the  
31 members of each chamber of the General Assembly vote to alter such  
32 required compliance during the fiscal year for which the emergency or  
33 existence of extraordinary circumstances are determined, and (III) any  
34 such alteration is for the fiscal year in progress only.

35 (2) The Treasurer shall include this pledge and undertaking in  
36 general obligation bonds and credit revenue bonds issued on or after  
37 May 15, 2018, and prior to July 1, 2020, provided such pledge and  
38 undertaking (A) shall be applicable for a period of ten years from the  
39 date of first issuance of such bonds, and (B) shall not apply to  
40 refunding bonds issued for bonds issued under this subdivision.

41 Sec. 2. Section 3-20 of the 2018 supplement to the general statutes is  
42 amended by adding subsection (bb) as follows (*Effective July 1, 2019*):

43 (NEW) (bb) (1) For each fiscal year during which general obligation  
44 bonds or credit revenue bonds issued on and after July 1, 2019, and  
45 prior to July 1, 2021, shall be outstanding, the state of Connecticut shall  
46 comply with the provisions of (A) section 2-33a of the general statutes,  
47 revision of 1958, revised to January 1, 2017, as amended by section 709  
48 of public act 17-2 of the June special session, (B) subsections (d) and (g)  
49 of this section, revision of 1958, revised to January 1, 2017, as amended  
50 by sections 710 and 711 of public act 17-2 of the June special session,  
51 and (C) section 3-21 of the general statutes, revision of 1958, revised to  
52 January 1, 2017, as amended by section 712 of public act 17-2 of the

53 June special session and section 3 of this act. The state of Connecticut  
54 does hereby pledge to and agree with the holders of any bonds, notes  
55 and other obligations issued pursuant to subdivision (2) of this  
56 subsection that no public or special act of the General Assembly taking  
57 effect on or after July 1, 2019, and prior to July 1, 2029, shall alter the  
58 obligation to comply with the provisions of the sections and  
59 subsections set forth in subparagraphs (A) to (C), inclusive, of this  
60 subdivision, until such bonds, notes or other obligations, together with  
61 the interest thereon, are fully met and discharged, provided nothing in  
62 this subsection shall preclude such alteration (i) if and when adequate  
63 provision shall be made by law for the protection of the holders of  
64 such bonds, or (ii) (I) if and when the Governor declares an emergency  
65 or the existence of extraordinary circumstances, in which the  
66 provisions of section 4-85 are invoked, (II) at least three-fifths of the  
67 members of each chamber of the General Assembly vote to alter such  
68 required compliance during the fiscal year for which the emergency or  
69 existence of extraordinary circumstances are determined, and (III) any  
70 such alteration is for the fiscal year in progress only.

71 (2) The Treasurer shall include this pledge and undertaking in  
72 general obligation bonds and credit revenue bonds issued on or after  
73 July 1, 2019, and prior to July 1, 2021, provided such pledge and  
74 undertaking (A) shall be applicable for a period of ten years from the  
75 date of first issuance of such bonds, and (B) shall not apply to  
76 refunding bonds issued for bonds issued under this subdivision.

77 Sec. 3. Subsection (f) of section 3-21 of the 2018 supplement to the  
78 general statutes is repealed and the following is substituted in lieu  
79 thereof (*Effective from passage*):

80 (f) (1) (A) On and after July 1, 2018, the Treasurer may not issue  
81 general obligation bonds or notes pursuant to section 3-20 or credit  
82 revenue bonds pursuant to section 3-20j that exceed in the aggregate  
83 one billion nine hundred million dollars in any fiscal year.  
84 Commencing July 1, 2019, and each fiscal year thereafter, the aggregate  
85 limit shall be adjusted in accordance with any change in the consumer

86 price index for all urban consumers for the preceding calendar year,  
87 less food and energy, as published by the United States Department of  
88 Labor, Bureau of Labor Statistics.

89 (B) Any calculation made pursuant to subparagraph (A) of this  
90 subdivision shall not include (i) any general obligation bonds issued as  
91 part of CSCU 2020, as defined in subdivision (3) of section 10a-91c, or  
92 UConn 2000, as defined in subdivision (25) of section 10a-109c, (ii) any  
93 bonds, notes or other evidences of indebtedness for borrowed money  
94 which are issued for the purpose of refunding other bonds, notes or  
95 other evidences of indebtedness, or (iii) obligations in anticipation of  
96 revenues to be received by the state during the twelve calendar months  
97 next following their issuance.

98 (2) (A) Not later than January 1, 2018, and January first annually  
99 thereafter, the Treasurer shall provide the Governor with a list of  
100 allocated but unissued bonds. The Governor shall post such list on the  
101 Internet web site of the office of the Governor.

102 (B) Notwithstanding section 4-85, the Governor shall not approve  
103 allotment requisitions pursuant to said section that would result in the  
104 issuance of general obligation bonds or notes pursuant to section 3-20  
105 or credit revenue bonds pursuant to section 3-20j that exceed in the  
106 aggregate one billion nine hundred million dollars in any fiscal year.  
107 Commencing July 1, 2019, and each fiscal year thereafter, the aggregate  
108 limit shall be adjusted in accordance with any change in the consumer  
109 price index for all urban consumers for the preceding calendar year,  
110 less food and energy, as published by the United States Department of  
111 Labor, Bureau of Labor Statistics. Not later than April 1, 2018, and  
112 April first annually thereafter, the Governor shall provide the  
113 Treasurer with a list of general obligation bond and credit revenue  
114 bond expenditures that can be made July first commencing the next  
115 fiscal year totaling not more than one billion nine hundred million  
116 dollars. Commencing July 1, 2019, and each fiscal year thereafter, the  
117 aggregate limit shall be adjusted in accordance with any change in the  
118 consumer price index for all urban consumers for the preceding

119 calendar year, less food and energy, as published by the United States  
120 Department of Labor, Bureau of Labor Statistics. The Governor shall  
121 post such list on the Internet web site of the office of the Governor.

122 (C) Any calculation made pursuant to subparagraph (B) of this  
123 subdivision shall not include (i) any general obligation bonds issued as  
124 part of CSCU 2020, as defined in subdivision (3) of section 10a-91c, or  
125 UConn 2000, as defined in subdivision (25) of section 10a-109c, (ii) any  
126 bonds, notes or other evidences of indebtedness for borrowed money  
127 which are issued for the purpose of refunding other bonds, notes or  
128 other evidences of indebtedness, or (iii) obligations in anticipation of  
129 revenues to be received by the state during the twelve calendar months  
130 next following their issuance.

131 Sec. 4. (*Effective from passage*) The Secretary of the Office of Policy  
132 and Management, the Attorney General, the Comptroller and the  
133 Treasurer, or their designees, shall study the use of bond covenants,  
134 including the bond covenant set forth in section 2 of this act, as a  
135 mechanism to dictate state spending and bonding. Such study shall  
136 include, but not be limited to, the legality of such covenants, the  
137 possible long-term financial and economic effects of such covenants,  
138 the possible impact of such covenants on the operations of state  
139 government, including the state's ability to fund social service  
140 programs, public education and workforce development programs,  
141 and recommendations for alternative methods the General Assembly  
142 may use to implement prudent long-term fiscal decision-making. Not  
143 later than January 1, 2019, the secretary, Attorney General,  
144 Comptroller and Treasurer shall jointly submit a report, in accordance  
145 with the provisions of section 11-4a of the general statutes, of the  
146 findings of such study to the joint standing committee of the General  
147 Assembly having cognizance of matters relating to finance, revenue  
148 and bonding.

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>May 15, 2018</i>	3-20(aa)
Sec. 2	<i>July 1, 2019</i>	3-20
Sec. 3	<i>from passage</i>	3-21(f)
Sec. 4	<i>from passage</i>	New section

**FIN**      *Joint Favorable Subst.*