



House of Representatives

General Assembly

File No. 185

February Session, 2018

House Bill No. 5284

House of Representatives, April 4, 2018

The Committee on Planning and Development reported through REP. LEMAR of the 96th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

AN ACT CONCERNING THE LYMAN DRIVE WATER MAIN PROJECT IN TORRINGTON.

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

- 1 Section 1. (*Effective from passage*) Notwithstanding the provisions of
- 2 any general statute or special act, any bonds authorized by the State
- 3 Bond Commission for the purpose of funding a new water main in the
- 4 Lyman Drive area of Torrington in order to provide residents of said
- 5 area with potable drinking water shall mature at such time or times
- 6 not exceeding thirty years from their respective dates of issuance.

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

Section 1	<i>from passage</i>	New section
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PD *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

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

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect
Torrington	Potential Cost - See Below

Explanation

The bill, which would increase the maturity dates on bonds issued by the state to support potable water projects in a specified area of Torrington, has the potential to increase costs to the state and to Torrington.

Current law allows the state to issue revenue bonds for municipal drinking water projects that meet certain requirements. The funds are issued as loans to municipalities and the revenue bonds are supported by municipal repayment of these loans. The bill would allow any such bonds and subsequent loans to Torrington for a water main project in the Lyman Drive area to be issued with 30 year maturities, rather than the 20 year maturities specified for all other projects.

There are no current bond authorizations specific to the identified project. The project may be eligible for loans under an existing authorization that supports drinking water projects, but would need state approval to be part of a funding priority list. To the extent that such an authorization is approved in the future, there are areas of potential cost based on a possible negative effect on the state's credit

rating and increased borrowing costs associated with extended maturity dates.

While bonds issued for longer terms typically have lower annual payments than those bonds issued for shorter terms (approximately five to 20 percent lower annual payments for 30 year bonds versus 20 year bonds), the total interest paid is higher (approximately 40 to 60 percent higher for 30 year bonds versus 20 year bonds). The amount of interest paid increases due to slower pay down of the principal balance and because financial markets typically require higher interest rates for longer issuances. Should the state issue bonds that require Torrington repay a loan, total interest costs paid by Torrington are expected to be 40 to 60 percent higher for a 30 year repayment than a 20 year repayment.

Please note, the State has limited bond issuances to maturity dates of 20 years or less. Issuance of a bond with a 30 year maturity has the potential to diminish the state's credit rating and therefore raise overall borrowing costs for some or all of the state's bonding. While the specific impacts are unknown, small changes in credit rating can have a large impact on borrowing terms, which may be multiplied by the number and amount of future bond issuances that are adversely impacted.

The Out Years

The ongoing fiscal impact identified above would continue until such loans were repaid.

OLR Bill Analysis

HB 5284

AN ACT CONCERNING THE LYMAN DRIVE WATER MAIN PROJECT IN TORRINGTON.

SUMMARY

The Office of Legislative Research does not analyze Special Acts.

COMMITTEE ACTION

Planning and Development Committee

Joint Favorable

Yea 22 Nay 0 (03/16/2018)