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sHB-5590
AN ACT CONCERNING BOND COVENANTS AND THE BOND ISSUANCE CAP AND REQUIRING A STUDY OF BOND COVENANTS.

AMENDMENT

LCO No.: 4794
File Copy No.: 643
House Calendar No.: 423

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 amendment is a strike all amendment and eliminates the fiscal impact indicated in the underlying bill.

Current law requires the state to enter into a bond covenant on May 15, 2018 which requires the state to comply with seven specific caps on appropriations and bonding as they are currently written. The amendment maintains that the bond covenant requirement pertaining to the volatility cap begins on May 15, 2018. For the remaining caps the bond covenant requirement is delayed until July 1, 2019.

The amendment reduces the length of the bond covenant requirements from ten years after first bond issuance to five years. Current law allows alterations to the provisions of the caps in the event of an emergency or the existence of extraordinary circumstances for the current fiscal year. However, the amendment extends this period to include the succeeding fiscal year.

The amendment 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 amendment requires the Office of Policy and Management, the Attorney 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.