OLR Bill Analysis
sSB 816

AN ACT ALLOWING THE CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY TO MAKE LOANS FOR THE COST OF RELATED HEALTH CARE INSTITUTIONS.

SUMMARY

The Connecticut Health and Educational Facilities Authority (CHEFA) is a quasi-public agency that assists in the financing of capital projects for higher education institutions, health care institutions, nursing homes, child care or child development facilities, and other nonprofit organizations. This bill adds “related health care institution” to the types of projects that CHEFA can finance in the case of a “participating health care institution” (see BACKGROUND).

The bill defines “related health care institution” to mean any hospital, health care institution, or institution that is constructed or acquired by a nonprofit, nonstock corporation; or any nonprofit, nonstock, nonsectarian health care center that provides medical, surgical, or dental services. Such hospital, health care institution, or institution must also meet the following criteria: (1) be located outside of Connecticut, (2) be a wholly owned or controlled subsidiary of a Connecticut-licensed health care institution, and (3) be eligible to be Connecticut-licensed if it were located in the state.

By adding “related health care institution” to the types of projects that CHEFA may finance in the case of a participating health care institution, the bill also broadens CHEFA’s authority in terms of its fundamental powers, acquisition authority, bonding-related powers, and authority to set rents and charges.

The bill also makes technical and conforming changes.

EFFECTIVE DATE: July 1, 2019
FUNDAMENTAL POWERS

By adding “related health care institution” to the type of project that CHEFA may finance in the case of a participating health care institution, the bill broadens CHEFA’s authority in terms of the following fundamental powers.

Project Location and Character

Under the bill, CHEFA may determine the location and character of any related health care institution to be financed as a participating health care institution project.

Designated Agent’s Authority

Current law allows CHEFA to designate a participating health care institution, among other entities, to act as its agent for various purposes. The bill allows participating health care institutions to act as CHEFA’s agent under these circumstances relating to projects that are related health care institutions:

1. to determine the location and character of a related health care institution project it undertakes;

2. to construct, reconstruct, renovate, replace, maintain, repair, operate, lease (as lessee or lessor), and regulate the related health care institution;

3. to enter into contracts for any of these purposes, including to manage and operate the related health care institution; and

4. to establish rules and regulations for the use of a related health care institution project it undertakes.

Loans

Under the bill, CHEFA may make loans to a participating health care institution for the following reasons:

1. to cover the cost of a related health care institution;

2. to refinance or refund outstanding obligations or mortgages on a
related health care institution or advances issued for such institution’s cost; and

3. to finance or refinance the cost of a related health care institution to be used to provide housing and auxiliary facilities for staff members, employees, or students of such health care institutions and their immediate families; for physically or mentally handicapped persons; or for any one or more of the above purposes.

**Joint Projects**

The bill allows CHEFA to undertake a related health care institution project for two or more participating health care institutions jointly.

**ACQUISITION OF PROPERTY**

Under the bill, CHEFA may, directly or through a participating health care institution, acquire specified property located in or outside the state as necessary or convenient for constructing and operating a related health care institution, including land, structures, personal property rights-of-way, franchises or other interests in lands.

The bill also allows CHEFA to take title of these in its own name or in the name of a participating health care institution.

**BONDING**

By law, CHEFA may authorize bonds for any of its corporate purposes, including financing eligible projects. The bill allows CHEFA to authorize bonds for purposes related to related health care institutions.

Under the bill, CHEFA may include the following provisions in its resolutions authorizing or issuing bonds:

1. pledges of CHEFA’s and a participating health care institution’s full faith and credit and all or any part of a related health care institution’s revenues to secure payment of the bonds;

2. a limit on CHEFA’s right or its agent’s right to restrict and
regulate the use of the related health care institution;

3. a limit on the amount of money derived from the related health care institution to be spent on operating, administrative, or other CHEFA expenses; and

4. a mortgage of a related health care institution and its site to secure the bondholders.

**Special Capital Reserve Funds**

By law, CHEFA may create or establish one or more special capital reserve funds (SCRFs) for participating health care institutions at the Office of Policy and Management secretary’s and the state treasurer’s discretion. The bill allows CHEFA to pay into these SCRFs any proceeds from the sale of notes or bonds for a related health care institution, to the extent provided in CHEFA’s resolution authorizing the issuance of the notes or bonds. Additionally, CHEFA may not use bonds secured by a SCRF to pay related health care institution costs unless CHEFA makes certain determinations about revenues from the project.

**RENTS AND CHARGES**

The bill gives CHEFA the power to fix, revise, charge, and collect rates, rents, fees, and charges for the use of, and for the services furnished by, a related health care institution. They must be fixed and adjusted to provide sufficient funds, with other available revenues, to pay the (1) cost of maintaining, repairing, and operating the related health care institution and (2) principal of, and interest on, outstanding CHEFA bonds issued for the related health care institution as they become due and payable.

**BACKGROUND**

**Participating Health Care Institution**

By law, a “participating health care institution” is a health care institution that undertakes (1) financing and construction or acquisition of a project or (2) refunding, refinancing of obligations, mortgages, loans, or advances for project costs (CGS § 10a-178(j)).
Examples include the following:

1. any nonprofit, state-aided hospitals or other health care institutions, including the UConn Health Center;

2. any other licensed hospital or health care institution or any nonprofit organization that will receive financing, undertake to construct, or acquire a project that is able to be licensed;

3. any nonprofit, sectarian, tax-exempt facility that is a health care center; or

4. any nonprofit corporation wholly owned by two or more hospitals or other health care institutions that operates a project for such hospitals or other health care institutions, or is a nursing home (CGS § 10a-178(g)).

COMMITTEE ACTION

Higher Education and Employment Advancement Committee

Joint Favorable Substitute
Yea 22  Nay 0  (03/14/2019)