Proposed Substitute
Bill No. 305
LCO No. 2877

February Session, 2020

AN ACT CONCERNING THE CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY AND THE CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY.

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

Section 1. Subdivision (1) of subsection (k) of section 10a-179 of the 2020 supplement to the general statutes is repealed and the following is substituted in lieu thereof (Effective October 1, 2020):

(k) (1) The authority may form one or more subsidiaries to carry out the public purposes of the authority and may transfer to any such subsidiary, including to any subsidiary established by the General Assembly through public or special act, any moneys and real or personal property of any kind or nature. Any such subsidiary may be organized as a stock or nonstock corporation or a limited liability company. Each such subsidiary shall have and may exercise such powers of the authority as are set forth in the resolution of the authority or in a public or special act of the General Assembly prescribing the purposes for which such subsidiary is formed and such other powers provided to it by law. Each such subsidiary shall be deemed a quasi-public agency for purposes of chapter 12 and shall have all the privileges, immunities, tax exemptions and other exemptions of the authority, including the privileges, immunities, tax exemptions and other exemptions provided under the general statutes for special capital reserve funds. Each such subsidiary shall be subject to suit provided its
liability shall be limited solely to the assets, revenues and resources of
the subsidiary and without recourse to the general funds, revenues,
resources or any other assets of the authority. Each such subsidiary is
authorized to assume or take title to property subject to any existing lien,
encumbrance or mortgage and to mortgage, convey or dispose of its
assets and pledge its revenues in order to secure any borrowing, for the
purpose of refinancing, rehabilitating or improving its assets, provided
each such borrowing or mortgage shall be a special obligation of the
subsidiary, which obligation may be in the form of bonds, bond
anticipation notes and other obligations to the extent permitted under
this chapter to fund and refund the same and provide for the rights of
the holders thereof, and to secure the same by pledge of revenues, notes
and other assets and which shall be payable solely from the assets,
revenues and other resources of the subsidiary. The authority shall have
the power to assign to a subsidiary any rights, moneys or other assets it
has under any governmental program including the nursing home loan
program.

Sec. 2. Section 10a-230 of the general statutes is amended by adding
subsection (i) as follows (Effective October 1, 2020):

(NEW) (i) The state of Connecticut does hereby pledge to and agree
with the holders of any bonds and notes issued under this chapter and
with those parties who may enter into contracts with the authority or its
successor agency pursuant to the provisions of this chapter that the state
will not limit or alter the rights hereby vested in the authority until such
obligations, together with the interest thereon, are fully met and
discharged and such contracts are fully performed on the part of the
authority, provided nothing contained herein shall preclude such
limitation or alteration if and when adequate provision shall be made
by law for the protection of the holders of such bonds and notes of the
authority or those entering into such contracts with the authority. The
authority is authorized to include this pledge and undertaking for the
state in such bonds and notes or contracts.
Sec. 3. Subsection (b) of section 10a-232 of the general statutes is repealed and the following is substituted in lieu thereof (Effective October 1, 2020):

(b) Notwithstanding the foregoing, (1) the constituent units of the state system of higher education may participate in one or more education loan programs with the authority and may incur indebtedness pursuant to authority loans, and (2) the authority may create and establish one or more reserve funds to be known as special capital reserve funds and may pay into such special capital reserve funds (A) any moneys appropriated and made available by the state for the purposes of such funds, (B) any proceeds of sale of notes or bonds, to the extent provided in the resolution of the authority authorizing the issuance thereof, [and] (C) any other moneys which may be made available to the authority for the purpose of such funds from any other source or sources, and (D) any surety policy or other similar instrument issued by a financial institution that is rated "AA" or better by at least one nationally recognized statistical rating organization and approved by the State Treasurer, which surety policy or instrument shall be in a form prescribed by the State Treasurer and valued at par and payable or available to be drawn upon on or before any date by which debt service on the bonds secured thereby is required to be paid. The moneys, surety policy or similar instrument held in or credited to any special capital reserve fund established under this section, except as hereinafter provided, shall be used solely for the payment of the principal of bonds of the authority secured by such capital reserve fund as the same become due, the purchase of such bonds of the authority, the payment of interest on such bonds of the authority or the payment of any redemption premium required to be paid when such bonds are redeemed prior to maturity; provided, the authority shall have power to provide that moneys in any such fund shall not be withdrawn therefrom at any time in such amount as would reduce the amount of such funds to less than the maximum amount of principal and interest becoming due by reason of maturity or a required sinking fund installment in any succeeding calendar year on the bonds of the
authority then outstanding and secured by such special capital reserve fund, or such lesser amount specified by the authority in its resolution authorizing the issuance of any such bonds, such amount being herein referred to as the "required minimum capital reserve", except for the purpose of paying such principal of, redemption premium and interest on such bonds of the authority secured by such special capital reserve becoming due and for the payment of which other moneys of the authority are not available. The authority may provide that it shall not issue bonds at any time if the required minimum capital reserve on outstanding bonds secured by a special capital reserve fund and the bonds then to be issued and secured by a special capital reserve fund will exceed the amount of such special capital reserve fund at the time of issuance, unless the authority, at the time of the issuance of such bonds, shall deposit in such special capital reserve fund from the proceeds of the bonds so to be issued, or otherwise, an amount which, together with the amount then in such special capital reserve fund, will be not less than the required minimum capital reserve. The authority may, as part of the contract of the authority with the owners of such bonds, provide that on or before December first, annually, there is deemed to be appropriated from the state General Fund such sums, if any, as shall be certified by the chairman of the authority to the Secretary of the Office of Policy and Management and the Treasurer of the state, as necessary to restore each such special capital reserve fund to the amount equal to the required minimum capital reserve of such fund, and such amounts shall be allotted and paid to the authority. For the purpose of evaluation of any such special capital reserve fund, obligations acquired as an investment for any such fund shall be valued at amortized cost. Nothing contained in this section shall preclude the authority from establishing and creating other debt service reserve funds in connection with the issuance of bonds or notes of the authority. Subject to any agreement or agreements with owners of outstanding notes and bonds of the authority, any amount or amounts allotted and paid to the authority pursuant to this section shall be repaid to the state from moneys of the authority at such time as such moneys are not
required for any other of its corporate purposes and in any event shall
be repaid to the state on the date one year after all bonds and notes of
the authority theretofore issued on the date or dates such amount or
amounts are allotted and paid to the authority or thereafter issued,
together with interest on such bonds and notes, with interest on any
unpaid installments of interest and all costs and expenses in connection
with any action or proceeding by or on behalf of the owners thereof, are
fully met and discharged.

(c) Notwithstanding any other provisions contained in this chapter,
the aggregate amount of bonds outstanding at any time secured by such
special capital reserve funds authorized to be created and established by
this section shall not exceed [three] five hundred million dollars and no
such bonds shall be issued to pay program costs unless the authority is
of the opinion and determines that the revenues to be derived from the
program shall be sufficient (1) to pay the principal of and interest on the
bonds issued to finance the program, (2) to establish, increase and
maintain any reserves deemed by the authority to be advisable to secure
the payment of the principal of and interest on such bonds, (3) to pay
the cost of maintaining and servicing the program and keeping it
properly insured, and (4) to pay such other costs of the program as may
be required.

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

<table>
<thead>
<tr>
<th>Section 1</th>
<th>October 1, 2020</th>
<th>10a-179(k)(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sec. 2</td>
<td>October 1, 2020</td>
<td>10a-230</td>
</tr>
<tr>
<td>Sec. 3</td>
<td>October 1, 2020</td>
<td>10a-232(b)</td>
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