

**Proposed Substitute  
Bill No. 305**

LCO No. 2877

**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:

1 Section 1. Subdivision (1) of subsection (k) of section 10a-179 of the  
2 2020 supplement to the general statutes is repealed and the following is  
3 substituted in lieu thereof (*Effective October 1, 2020*):

4 (k) (1) The authority may form one or more subsidiaries to carry out  
5 the public purposes of the authority and may transfer to any such  
6 subsidiary, including to any subsidiary established by the General  
7 Assembly through public or special act, any moneys and real or  
8 personal property of any kind or nature. Any such subsidiary may be  
9 organized as a stock or nonstock corporation or a limited liability  
10 company. Each such subsidiary shall have and may exercise such  
11 powers of the authority as are set forth in the resolution of the authority  
12 or in a public or special act of the General Assembly prescribing the  
13 purposes for which such subsidiary is formed and such other powers  
14 provided to it by law. Each such subsidiary shall be deemed a quasi-  
15 public agency for purposes of chapter 12 and shall have all the  
16 privileges, immunities, tax exemptions and other exemptions of the  
17 authority, including the privileges, immunities, tax exemptions and  
18 other exemptions provided under the general statutes for special capital  
19 reserve funds. Each such subsidiary shall be subject to suit provided its

20 liability shall be limited solely to the assets, revenues and resources of  
21 the subsidiary and without recourse to the general funds, revenues,  
22 resources or any other assets of the authority. Each such subsidiary is  
23 authorized to assume or take title to property subject to any existing lien,  
24 encumbrance or mortgage and to mortgage, convey or dispose of its  
25 assets and pledge its revenues in order to secure any borrowing, for the  
26 purpose of refinancing, rehabilitating or improving its assets, provided  
27 each such borrowing or mortgage shall be a special obligation of the  
28 subsidiary, which obligation may be in the form of bonds, bond  
29 anticipation notes and other obligations to the extent permitted under  
30 this chapter to fund and refund the same and provide for the rights of  
31 the holders thereof, and to secure the same by pledge of revenues, notes  
32 and other assets and which shall be payable solely from the assets,  
33 revenues and other resources of the subsidiary. The authority shall have  
34 the power to assign to a subsidiary any rights, moneys or other assets it  
35 has under any governmental program including the nursing home loan  
36 program.

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

39 (NEW) (i) The state of Connecticut does hereby pledge to and agree  
40 with the holders of any bonds and notes issued under this chapter and  
41 with those parties who may enter into contracts with the authority or its  
42 successor agency pursuant to the provisions of this chapter that the state  
43 will not limit or alter the rights hereby vested in the authority until such  
44 obligations, together with the interest thereon, are fully met and  
45 discharged and such contracts are fully performed on the part of the  
46 authority, provided nothing contained herein shall preclude such  
47 limitation or alteration if and when adequate provision shall be made  
48 by law for the protection of the holders of such bonds and notes of the  
49 authority or those entering into such contracts with the authority. The  
50 authority is authorized to include this pledge and undertaking for the  
51 state in such bonds and notes or contracts.

52 Sec. 3. Subsection (b) of section 10a-232 of the general statutes is  
53 repealed and the following is substituted in lieu thereof (*Effective October*  
54 *1, 2020*):

55 (b) Notwithstanding the foregoing, (1) the constituent units of the  
56 state system of higher education may participate in one or more  
57 education loan programs with the authority and may incur  
58 indebtedness pursuant to authority loans, and (2) the authority may  
59 create and establish one or more reserve funds to be known as special  
60 capital reserve funds and may pay into such special capital reserve  
61 funds (A) any moneys appropriated and made available by the state for  
62 the purposes of such funds, (B) any proceeds of sale of notes or bonds,  
63 to the extent provided in the resolution of the authority authorizing the  
64 issuance thereof, [and] (C) any other moneys which may be made  
65 available to the authority for the purpose of such funds from any other  
66 source or sources, and (D) any surety policy or other similar instrument  
67 issued by a financial institution that is rated "AA" or better by at least  
68 one nationally recognized statistical rating organization and approved  
69 by the State Treasurer, which surety policy or instrument shall be in a  
70 form prescribed by the State Treasurer and valued at par and payable  
71 or available to be drawn upon on or before any date by which debt  
72 service on the bonds secured thereby is required to be paid. The moneys,  
73 surety policy or similar instrument held in or credited to any special  
74 capital reserve fund established under this section, except as hereinafter  
75 provided, shall be used solely for the payment of the principal of bonds  
76 of the authority secured by such capital reserve fund as the same  
77 become due, the purchase of such bonds of the authority, the payment  
78 of interest on such bonds of the authority or the payment of any  
79 redemption premium required to be paid when such bonds are  
80 redeemed prior to maturity; provided, the authority shall have power  
81 to provide that moneys in any such fund shall not be withdrawn  
82 therefrom at any time in such amount as would reduce the amount of  
83 such funds to less than the maximum amount of principal and interest  
84 becoming due by reason of maturity or a required sinking fund  
85 installment in any succeeding calendar year on the bonds of the

86 authority then outstanding and secured by such special capital reserve  
87 fund, or such lesser amount specified by the authority in its resolution  
88 authorizing the issuance of any such bonds, such amount being herein  
89 referred to as the "required minimum capital reserve", except for the  
90 purpose of paying such principal of, redemption premium and interest  
91 on such bonds of the authority secured by such special capital reserve  
92 becoming due and for the payment of which other moneys of the  
93 authority are not available. The authority may provide that it shall not  
94 issue bonds at any time if the required minimum capital reserve on  
95 outstanding bonds secured by a special capital reserve fund and the  
96 bonds then to be issued and secured by a special capital reserve fund  
97 will exceed the amount of such special capital reserve fund at the time  
98 of issuance, unless the authority, at the time of the issuance of such  
99 bonds, shall deposit in such special capital reserve fund from the  
100 proceeds of the bonds so to be issued, or otherwise, an amount which,  
101 together with the amount then in such special capital reserve fund, will  
102 be not less than the required minimum capital reserve. The authority  
103 may, as part of the contract of the authority with the owners of such  
104 bonds, provide that on or before December first, annually, there is  
105 deemed to be appropriated from the state General Fund such sums, if  
106 any, as shall be certified by the chairman of the authority to the Secretary  
107 of the Office of Policy and Management and the Treasurer of the state,  
108 as necessary to restore each such special capital reserve fund to the  
109 amount equal to the required minimum capital reserve of such fund,  
110 and such amounts shall be allotted and paid to the authority. For the  
111 purpose of evaluation of any such special capital reserve fund,  
112 obligations acquired as an investment for any such fund shall be valued  
113 at amortized cost. Nothing contained in this section shall preclude the  
114 authority from establishing and creating other debt service reserve  
115 funds in connection with the issuance of bonds or notes of the authority.  
116 Subject to any agreement or agreements with owners of outstanding  
117 notes and bonds of the authority, any amount or amounts allotted and  
118 paid to the authority pursuant to this section shall be repaid to the state  
119 from moneys of the authority at such time as such moneys are not

120 required for any other of its corporate purposes and in any event shall  
121 be repaid to the state on the date one year after all bonds and notes of  
122 the authority theretofore issued on the date or dates such amount or  
123 amounts are allotted and paid to the authority or thereafter issued,  
124 together with interest on such bonds and notes, with interest on any  
125 unpaid installments of interest and all costs and expenses in connection  
126 with any action or proceeding by or on behalf of the owners thereof, are  
127 fully met and discharged.

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

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2020</i>	10a-179(k)(1)
Sec. 2	<i>October 1, 2020</i>	10a-230
Sec. 3	<i>October 1, 2020</i>	10a-232(b)