OLR Bill Analysis
sSB 852

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

SUMMARY

This bill makes several changes in the statutes governing the quasi-public Connecticut Health and Educational Facilities Authority (CHEFA) and their subsidiary, the Connecticut Higher Education Supplemental Loan Authority (CHESLA). CHEFA assists in the financing of capital projects for nonprofit colleges, health care institutions, nursing homes, child care facilities, and other nonprofit organizations. CHESLA provides higher education financing programs for students and their families.

Principally, the bill:

1. expands the types of projects that CHEFA can finance and the types of eligible costs for these projects;

2. allows certain out-of-state “related health care institutions” to qualify for CHEFA assistance;

3. allows CHEFA to transfer money, real estate, or personal property or make loans to any of its subsidiaries established by the legislature, not just subsidiaries CHEFA itself established, as under current law;

4. expands the types of education assistance programs CHESLA may offer to include more than just loans or grants;

5. adds to the CHESLA statutes a pledge to CHESLA’s bond holders and contracting parties;

6. allows CHESLA to pay into its special capital reserve fund
(SCRF) using any surety policy or similar instrument issued by a financial institution rated "AA" or better; and

7. increases the aggregate amount of bonds that may be secured by CHESLA’s SCRF.

The bill also makes minor, technical, and conforming changes.

EFFECTIVE DATE: October 1, 2021

§ 1 — GENERAL CHEFA PROJECT SCOPE

Existing law lists several types of projects eligible for CHEFA financial assistance. For example, eligible higher education projects may include, among other things, (1) buildings for employee and student housing, administration, academics, and research; (2) maintenance and parking facilities; and (3) equipment and machinery.

The bill expands the definition of “project” for higher education institutions, health care institutions, qualified nonprofit organizations, and nursing homes to allow CHEFA to consider a project for any use or purpose approved by the authority.

The bill also removes the prohibition on higher education and health care institution projects including items such as fuel and supplies (or books for higher education institutions) or other items that typically result in an operating charge.

The bill also expands the definition of “project cost” to include, in addition to the current list of eligible expenses (e.g., construction, property acquisition, machinery, and financing charges), any other expenses necessary to finance a project.

§§ 2-5 — HEALTH CARE INSTITUTIONS UNDER CHEFA LAWS

Related Health Care Institutions

The bill adds “related health care institution” to the types of health care institutions eligible for CHEFA assistance. Under the bill, a “related health care institution” is a hospital, health care institution,
nonprofit, nonstock corporation, or nonprofit, nonstock health care center that:

1. (a) is located in another state; (b) would qualify as a health care institution under the CHEFA laws if it were located in this state; and (c) is wholly or partially owned or controlled by a nonprofit, nonstock Connecticut corporation that is or controls a health care institution in Connecticut; or

2. (a) is located in New York, Rhode Island, or Massachusetts; (b) would qualify as a health care institution for CHEFA purposes if it were located here; (c) is wholly or partially owned or controlled by a such a corporation in another state that would qualify as a health care institution if located here or controls a health care institution located here; and (d) is wholly or partially under common ownership or control as a health care institution located here.

In most respects, the bill grants CHEFA the same authority regarding “related health care institutions” as under existing law for other eligible health care institutions. For example, the bill allows CHEFA to:

1. make loans to a related health care institution to cover project costs or to refinance or refund outstanding obligations on a project;

2. authorize bonds for purposes related to the health care institutions and include certain provisions in its resolutions authorizing or issuing bonds; and

3. acquire, directly or through a participating health care institution, property located within or outside of the state as necessary or convenient to construct or operate a project.

Under current law, CHEFA may establish one or more SCRFs in connection with financing for participating health care institutions at the Office of Policy and Management secretary’s and the state
treasurer’s discretion. The bill prohibits CHEFA from doing so for related health care institutions.

By law, the CHEFA board is comprised of 10 members, eight of which are governor-appointed. Two of these eight members must be current or retired trustees, directors, officers, or employees of health care institutions. The bill prohibits trustees, directors, officers, or employees of related health care institutions from serving on the board.

**Health Care Centers (§ 2)**

Under current law, one type of eligible health care institution under the CHEFA statutes is a nonprofit, nonstock, nonsectarian facility which is a health care center under the insurance statutes. The bill removes the condition that these entities must be nonsectarian.

**§ 6 — CHEFA SUBSIDIARIES**

The bill allows CHEFA to (1) transfer any money, real estate, or personal property or (2) make loans to any of its subsidiaries established by law. Current law allows the authority to make transfers or loans only to self-formed subsidiaries (e.g., CHESLA).

**§§ 7 & 8 — CHESLA EDUCATION ASSISTANCE PROGRAM DEFINITION**

The bill expands the types of education assistance programs that CHESLA may offer to include any other form of educational assistance in addition to grants and loans.

**§ 9 — CHESLA BONDHOLDER PROTECTIONS**

The bill promises certain actions to assure payments to CHESLA’s bondholders or anyone entering into a contract with the authority or its successor agency.

Under the bill, the state pledges not to limit or alter CHESLA’s rights until (1) the bonds are paid off, (2) contracts are fully performed on the part of the authority, or (3) it makes adequate provisions to protect the bondholders or contracting parties. The authority may include this pledge in its bonds, notes, or contracts.
§ 10 — CHESLA BONDING AND SCRF

Existing law authorizes CHESLA to establish SCRFs. The bill allows CHESLA to pay into them using any surety policy or similar instrument meeting specified requirements and issued by a financial institution rated "AA" or better by a nationally recognized organization. CHESLA may do so in a form prescribed by the state treasurer, and the treasurer must approve the rating organization.

The bill also increases the aggregate amount of bonds that may be secured by the CHESLA SCRFs from a maximum of $300 million to a maximum of $500 million.

COMMITTEE ACTION

Higher Education and Employment Advancement Committee

Joint Favorable Substitute

Yea  22  Nay  0  (03/18/2021)