



General Assembly

February Session, 2022

Raised Bill No. 384

LCO No. 2683



Referred to Committee on FINANCE, REVENUE AND BONDING

Introduced by:
(FIN)

AN ACT IMPLEMENTING THE TREASURER'S RECOMMENDATIONS CONCERNING THE CONNECTICUT BABY BOND TRUST PROGRAM.

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

1 Section 1. Section 3-36b of the 2022 supplement to the general statutes
2 is repealed and the following is substituted in lieu thereof (*Effective from*
3 *passage*):

4 (a) There is established the Connecticut Baby Bond Trust. The trust
5 shall constitute an instrumentality of the state and shall perform
6 essential governmental functions as provided in sections 3-36a to 3-36h,
7 inclusive, as amended by this act. The trust shall receive and hold all
8 payments and deposits or contributions intended for the trust, as well
9 as gifts, bequests, endowments or federal, state or local grants and any
10 other funds from any public or private source and all earnings until
11 disbursed in accordance with section 3-36c, as amended by this act, 3-
12 36d or 3-36g, as amended by this act.

13 (b) The amounts on deposit in the trust shall not constitute property
14 of the state and the trust shall not be construed to be a department,

15 institution or agency of the state. Amounts on deposit in the trust shall
16 not be commingled with state funds and the state shall have no claim to
17 or against, or interest in, such funds. Any contract entered into by or any
18 obligation of the trust shall not constitute a debt or obligation of the state
19 and the state shall have no obligation to any designated beneficiary or
20 any other person on account of the trust and all amounts obligated to be
21 paid from the trust shall be limited to amounts available for such
22 obligation on deposit in the trust. The amounts on deposit in the trust
23 may only be disbursed in accordance with the provisions of section 3-
24 36c, as amended by this act, 3-36d or 3-36g, as amended by this act. The
25 trust shall continue in existence as long as it holds any deposits or has
26 any obligations and until its existence is terminated by law and upon
27 termination any unclaimed assets shall return to the state. Property of
28 the trust shall not be governed by section 3-61a.

29 (c) The Treasurer shall be responsible for the receipt, maintenance,
30 administration, investing and disbursements of amounts from the trust.
31 The trust shall not receive deposits in any form other than cash.

32 Sec. 2. Section 3-36c of the 2022 supplement to the general statutes is
33 repealed and the following is substituted in lieu thereof (*Effective from*
34 *passage*):

35 The Treasurer, on behalf of the trust and for purposes of the trust,
36 may:

37 (1) Receive and invest moneys in the trust in any instruments,
38 obligations, securities or property in accordance with section 3-36d;

39 (2) Enter into one or more contractual agreements, including
40 contracts for legal, actuarial, accounting, custodial, advisory,
41 management, administrative, advertising, marketing and consulting
42 services for the trust and pay for such services from the assets of the
43 trust;

44 (3) Procure insurance in connection with the trust's property, assets,
45 activities or deposits to the trust;

46 (4) Apply for, accept and expend gifts, grants or donations from
47 public or private sources to enable the trust to carry out its objectives;

48 (5) Adopt regulations in accordance with chapter 54 for purposes of
49 [public act 21-111] sections 3-36b to 3-36i, inclusive, as amended by this
50 act;

51 (6) Sue and be sued;

52 (7) Establish one or more funds within the trust; and

53 (8) Take any other action necessary to carry out the purposes of
54 [public act 21-111] sections 3-36b to 3-36i, inclusive, as amended by this
55 act, and incidental to the duties imposed on the Treasurer pursuant to
56 [public act 21-111] said sections.

57 Sec. 3. Section 3-36e of the 2022 supplement to the general statutes is
58 repealed and the following is substituted in lieu thereof (*Effective from*
59 *passage*):

60 [The property of the trust and the earnings on] Disbursements from
61 the trust shall be exempt from all taxation by the state and all political
62 subdivisions of the state.

63 Sec. 4. Section 3-36f of the 2022 supplement to the general statutes is
64 repealed and the following is substituted in lieu thereof (*Effective from*
65 *passage*):

66 (a) Notwithstanding any provision of the general statutes, to the
67 extent permitted by federal law, no [moneys invested in] disbursements
68 from the Connecticut Baby Bond Trust shall be considered to be an asset
69 or income for purposes of determining an individual's eligibility for
70 assistance under any program administered by the [Department of
71 Social Services] state.

72 (b) Notwithstanding any provision of the general statutes, no
73 [moneys invested in] disbursements from the trust shall be considered
74 to be an asset for purposes of determining an individual's eligibility for

75 need-based, institutional aid grants offered to an individual at the
76 public eligible educational institutions in the state.

77 Sec. 5. Section 3-36g of the 2022 supplement to the general statutes is
78 repealed and the following is substituted in lieu thereof (*Effective from*
79 *passage*):

80 [(a) The Treasurer shall establish in the Connecticut Baby Bond Trust
81 an accounting for each designated beneficiary. Each such accounting
82 shall include the amount transferred to the trust pursuant to section 3-
83 36h, plus the designated beneficiary's pro rata share of total net earnings
84 from investments of sums held in the trust.]

85 [(b)] (a) Upon a designated beneficiary's eighteenth birthday and
86 completion of a financial literacy requirement as prescribed by the
87 Treasurer, such beneficiary shall become eligible to [receive] request an
88 amount, to be used for payment of an eligible expenditure, of up to the
89 total sum of the [accounting under subsection (a) of this section to be
90 used for an eligible expenditure. The Treasurer may adopt regulations,
91 in accordance with the provisions of chapter 54, to carry out the
92 purposes of this section] amount transferred on behalf of the designated
93 beneficiary pursuant to section 3-36h, as amended by this act, and
94 adjusted, if applicable, in accordance with said section, plus the
95 designated beneficiary's pro rata share of total net earnings from
96 investments of sums held in the trust at the time of disbursement.

97 [(c)] (b) A designated beneficiary may submit a claim [for such
98 accounting] pursuant to subsection (a) of this section, in such form and
99 manner as prescribed by the Treasurer, until his or her thirtieth
100 birthday, [as prescribed by the Treasurer,] provided such designated
101 beneficiary is a resident of the state at the time of such claim. If a
102 designated beneficiary (1) is deceased before submitting a valid claim,
103 or (2) fails to submit a valid claim, as determined by the Treasurer,
104 before his or her thirtieth birthday, [such accounting] the sum such
105 designated beneficiary was eligible to claim shall be [credited back to
106 the assets of] retained by the trust for use to credit to designated

107 beneficiaries born in subsequent years.

108 [(d)] (c) Subject to obtaining adequate consent authorizing the
109 disclosure of confidential information related to designated
110 beneficiaries in accordance with all applicable state or federal laws, the
111 Treasurer and the Department of Social Services shall enter into a
112 memorandum of understanding to establish information sharing
113 practices in order to carry out the purposes of [public act 21-111] sections
114 3-36b to 3-36h, inclusive, as amended by this act.

115 Sec. 6. Section 3-36h of the 2022 supplement to the general statutes is
116 repealed and the following is substituted in lieu thereof (*Effective from*
117 *passage*):

118 [Upon] After the birth of a designated beneficiary, the Treasurer may
119 transfer up to three thousand two hundred dollars [from the bond
120 proceeds issued pursuant to section 3-36i] to the trust, [to be credited
121 toward the accounting of such designated beneficiary as described in
122 section 3-36g.] For any year in which the funds [made available]
123 authorized pursuant to section 3-36i, as amended by this act, [is] are
124 insufficient to provide such amount per designated beneficiary, the
125 amount so transferred shall be reduced pro rata and the Treasurer shall
126 adjust the shares of each designated beneficiary accordingly. For any
127 year in which such funds are in excess of the amount sufficient to
128 provide such amount per designated beneficiary, the excess funds shall
129 be retained by the trust for use to credit to designated beneficiaries born
130 in subsequent years.

131 Sec. 7. Section 3-36i of the 2022 supplement to the general statutes is
132 repealed and the following is substituted in lieu thereof (*Effective from*
133 *passage*):

134 (a) The State Bond Commission may authorize the issuance of bonds
135 of the state, in accordance with the provisions of section 3-20, in
136 principal amounts not exceeding in the aggregate six hundred million
137 dollars. The proceeds of the sale of bonds described in this section shall
138 be used for the purpose of funding the transfers provided for under

139 section 3-36h, as amended by this act. The amount authorized for the
 140 issuance and sale of such bonds in each of the following fiscal years shall
 141 not exceed the following corresponding amount for each such fiscal
 142 year, except that, to the extent the State Bond Commission does not
 143 provide for the use of all or a portion of such amount in any such fiscal
 144 year, such amount not provided for shall be carried forward and added
 145 to the authorized amount for the next two succeeding fiscal years, and
 146 provided further, the costs of issuance, including expenses of
 147 implementing the provisions of sections 3-36b to 3-36h, inclusive, as
 148 amended by this act, and capitalized interest, if any, may be added to
 149 the capped amount in each fiscal year, and each of the authorized
 150 amounts shall be effective on July first of the fiscal year indicated as
 151 follows:

T1	Fiscal Year Ending	Amount
T2	June Thirtieth	
T3	2023	[\$50,000,000] <u>\$100,000,000</u>
T4	2024	\$50,000,000
T5	2025	\$50,000,000
T6	2026	\$50,000,000
T7	2027	\$50,000,000
T8	2028	\$50,000,000
T9	2029	\$50,000,000
T10	2030	\$50,000,000
T11	2031	\$50,000,000
T12	2032	\$50,000,000
T13	2033	\$50,000,000
T14	[2034	\$50,000,000]

152 (b) [On or before the first day of September in each year, commencing
 153 September 1, 2022] Commencing with the fiscal year ending June 30,

154 2023, not later than the first day of September of each fiscal year, the
155 Department of Social Services shall inform the Treasurer of the number
156 of designated beneficiaries born in the prior fiscal year. Promptly
157 thereafter, the Treasurer shall submit to the Governor and the Secretary
158 of the Office of Policy and Management, by certified mail, a report of
159 and a calculation of the total amount required to [deposit] be transferred
160 to the trust [for crediting] to credit three thousand two hundred dollars
161 [for the account of] to each such designated beneficiary born in the prior
162 fiscal year. [as described in section 3-36g.]

163 (c) All provisions of section 3-20, or the exercise of any right or power
164 granted thereby which are not inconsistent with the provisions of this
165 section, are hereby adopted and shall apply to all bonds authorized by
166 the State Bond Commission pursuant to this section, and temporary
167 notes in anticipation of the money to be derived from the sale of any
168 such bonds so authorized may be issued in accordance with section 3-
169 20 and from time to time renewed. Such bonds shall mature at such time
170 or times not exceeding twenty years from their respective dates as may
171 be provided in or pursuant to the resolution or resolutions of the State
172 Bond Commission authorizing such bonds. All such bonds, notes or
173 other obligations shall be general obligations of the state and the full
174 faith and credit of the state of Connecticut are pledged for the payment
175 of the principal of and interest on such bonds, notes or other obligations
176 as the same shall become due, and accordingly and as part of the
177 contract of the state with the holders of such bonds, notes or other
178 obligations, appropriation of all amounts necessary for punctual
179 payment of such principal and interest is hereby made, and the
180 Treasurer shall pay such principal and interest as the same become due.
181 [All such bonds, notes or other obligations shall be sold at not less than
182 par and accrued interest in such manner and on such terms as the
183 Treasurer may determine is in the best interest of the state, and shall be
184 signed in the name of the state and on its behalf by the Treasurer. All
185 such bonds, notes or other obligations shall mature at such time or times
186 not later than twenty years after their respective issuance, in such
187 principal amounts and at such times, bear such date or dates, be payable

188 at such place or places, bear interest at such rate or different or varying
189 rates, payable at such time or times, be in such denominations, be in
190 such form with or without interest coupons attached, carry such
191 registration and transfer privileges, be payable in such medium of
192 payment, be subject to such terms of redemption with or without
193 premium and have such additional security, covenant or contract
194 provisions, as appropriate or necessary to improve their marketability,
195 as the Treasurer shall determine prior to their issuance. In connection
196 with such bonds, notes or other obligations, the Treasurer may enter
197 into such paying agent agreements, indentures of trust, escrow
198 agreements or other agreements, with such parties and with such
199 provisions as the Treasurer determines are appropriate or necessary.

200 (d) The Treasurer may obtain from a commercial bank or insurance
201 company authorized to do business within or without this state a letter
202 of credit, line of credit or other liquidity facility or credit facility for the
203 purpose of providing funds for the payments in respect of bonds, notes
204 or other obligations required by the holder thereof to be redeemed or
205 repurchased prior to maturity or for providing additional security for
206 such bonds, notes or other obligations. In connection with any such
207 liquidity facility or credit facility, the Treasurer may enter into any
208 reimbursement agreements, remarketing agreements, standby purchase
209 agreements or any other necessary or appropriate agreements on behalf
210 of the state in connection with securing, insuring or remarketing such
211 bonds, notes or other obligations, on such terms and conditions as the
212 Treasurer determines to be in the best interest of the state. The Treasurer
213 is authorized to pledge the full faith and credit of the state to the state's
214 payment obligations under any such agreement and the Treasurer is
215 authorized to include such pledge in any such agreement as part of the
216 contract with the provider of such liquidity facility or credit facility. The
217 Treasurer shall apply any appropriation for the payment of such bonds,
218 notes or other obligations to such reimbursement repayment if such
219 liquidity facility or credit facility is drawn upon. As part of the contract
220 of the state with the other parties to any agreement entered into
221 pursuant to this subsection for which the full faith and credit of the state

222 is pledged to the state's payment obligations under such agreement,
223 appropriation of all amounts necessary for the punctual payment of the
224 obligations of the state under any such agreement is hereby made and
225 the Treasurer shall pay such amounts as the same become due.

226 (e) In connection with or incidental to the carrying of such bonds,
227 notes or other obligations, or in connection with or incidental to the sale
228 and issuance of such bonds, notes or other obligations, the Treasurer
229 may enter into such contracts as the Treasurer may determine to be
230 necessary or appropriate to place the obligation of the state, as
231 represented by the bonds, notes or other obligations, in whole or in part,
232 on such interest rate or cash flow basis as the Treasurer may determine,
233 including without limitation, interest rate swap agreements, insurance
234 agreements, forward payment conversion agreements, futures
235 contracts, contracts providing for payments based on levels of, or
236 changes in, interest rates or market indices, contracts to manage interest
237 rate risk, including without limitation, interest rate floors or caps,
238 options, puts, calls and similar arrangements. Such contracts shall
239 contain such payment, security, default, remedy and other terms and
240 conditions as the Treasurer may deem appropriate and shall be entered
241 into with such party or parties as the Treasurer may select, after giving
242 due consideration, where applicable, for the creditworthiness of the
243 counter party or counter parties, including any rating by a nationally
244 recognized rating agency, the impact on any rating on outstanding
245 bonds, notes or other obligations or any other criteria as the Treasurer
246 may deem appropriate, provided the unsecured long-term obligations
247 of the counter party or counter parties are rated the same or higher than
248 the underlying rating of the state on the applicable bonds, notes or other
249 obligations by at least one nationally recognized rating agency. The
250 Treasurer is authorized to pledge the full faith and credit of the state to
251 the state's payment obligations under any contract entered into
252 pursuant to this subsection. As part of the contract of the state with the
253 other parties to any agreement entered into pursuant to this subsection
254 for which the full faith and credit of the state is pledged to the state's
255 payment obligations under such agreement, appropriation of all

256 amounts necessary for the punctual payment of the obligations of the
257 state under any such agreement is hereby made and the Treasurer shall
258 pay such amounts as the same become due.

259 (f) The Superior Court shall have jurisdiction to enter judgment
260 against the state founded (1) upon any express contract between the
261 state and the purchasers and subsequent owners and transferees of any
262 bonds, notes or other obligations issued or contracted to be issued by
263 the state pursuant to this section, and (2) upon any agreement entered
264 into pursuant to subsection (c) or (d) of this section. Any action brought
265 under this subsection shall be brought in the superior court for the
266 judicial district of Hartford. The jurisdiction conferred upon the
267 Superior Court by this subsection includes any set-off, claim or demand
268 on the part of the state against any plaintiff commencing an action under
269 this subsection. Such action shall be tried to the court without a jury. All
270 legal defenses, except governmental immunity, shall be reserved to the
271 state. Any action brought under this subsection shall be privileged in
272 respect to assignment for trial upon motion of either party.

273 (g) Any expense incurred in connection with the issuance or renewal
274 of the bonds, notes or other obligations issued pursuant to this section
275 shall be paid from the accrued interest and premiums on such bonds,
276 notes or other obligations, from the proceeds of the sale of such bonds,
277 notes or other obligations or otherwise from the General Fund. The
278 Treasurer is authorized to issue such bonds, notes or other obligations
279 in such form and manner that the interest on such bonds, notes or other
280 obligations may be includable or excludable under the Internal Revenue
281 Code of 1986, or any subsequent corresponding internal revenue code
282 of the United States, as amended from time to time, in the gross income
283 of the holders or owners of such bonds, notes or other obligations. The
284 Treasurer may make representations and agreements for the benefit of
285 the holders or owners of any such bonds, notes or other obligations
286 which are necessary or appropriate to ensure the inclusion or exclusion
287 of interest on such bonds, notes or other obligations of the state from
288 taxation under the Internal Revenue Code of 1986 or any subsequent
289 corresponding internal revenue code of the United States, as amended

290 from time to time, including agreements to pay rebates to the federal
291 government of investment earnings derived from the investment of the
292 proceeds of bonds, notes or other obligations. The Treasurer may make
293 representations and agreements for the benefit of the holders or owners
294 of such bonds, notes or other obligations on behalf of the state to provide
295 secondary market disclosure information. Any such agreement may
296 include: (1) Covenants to provide secondary market disclosure
297 information, (2) arrangements for such information to be provided with
298 the assistance of a paying agent, trustee or other agent, and (3) remedies
299 for breach of such agreement, which remedies may be limited to specific
300 performance. The state shall protect and save harmless any official or
301 former official of the state from financial loss and expense, including
302 legal fees and costs, if any, arising out of any claim, demand, suit or
303 judgment by reason of alleged negligence on the part of such official,
304 while acting in the discharge of his or her official duties, in providing
305 secondary market disclosure information or performing any other
306 duties set forth in any agreement to provide secondary market
307 disclosure information. Nothing in this section shall be construed to
308 preclude the defense of governmental immunity to any such claim,
309 demand or suit. For purposes of this subsection "official" means any
310 person elected or appointed to office or any state employee. This
311 indemnity provision shall not apply to cases of wilful and wanton fraud.

312 (h) All such bonds, notes or other obligations, their transfer and the
313 income therefrom, including any profit on the sale or transfer thereof,
314 shall at all times be exempt from all taxation by the state or under its
315 authority, except for estate or succession taxes, but the interest on such
316 bonds, notes or other obligations shall be included in the computation
317 of any excise or franchise tax. Such bonds, notes or other obligations are
318 hereby made and declared to be (1) legal investments for savings banks
319 and trustees unless otherwise provided in the instrument creating the
320 trust, (2) securities in which all public officers and bodies, all insurance
321 companies and associations and persons carrying on an insurance
322 business, all banks, bankers, trust companies, savings banks and savings
323 associations, including savings and loan associations, building and loan

324 associations, investment companies and persons carrying on a banking
 325 or investment business, all administrators, guardians, executors,
 326 trustees and other fiduciaries and all persons who are or may be
 327 authorized to invest in bonds, notes or other obligations of the state,
 328 may properly and legally invest funds, including capital in their control
 329 or belonging to them, and (3) securities that may be deposited with and
 330 shall be received by all public officers and bodies for any purpose for
 331 which the deposit of bonds, notes or other obligations of the state is or
 332 may be authorized.]

333 Sec. 8. Section 3-13c of the 2022 supplement to the general statutes is
 334 repealed and the following is substituted in lieu thereof (*Effective from*
 335 *passage*):

336 [Trust funds as] As used in sections 3-13 to 3-13e, inclusive, and 3-
 337 31b₂, [shall be construed to include] "trust funds" includes the
 338 Connecticut Municipal Employees' Retirement Fund A, the Connecticut
 339 Municipal Employees' Retirement Fund B, the Soldiers, Sailors and
 340 Marines Fund, the Family and Medical Leave Insurance Trust Fund, the
 341 State's Attorneys' Retirement Fund, the Teachers' Annuity Fund, the
 342 Teachers' Pension Fund, the Teachers' Survivorship and Dependency
 343 Fund, the School Fund, the State Employees Retirement Fund, the
 344 Hospital Insurance Fund, the Policemen and Firemen Survivor's Benefit
 345 Fund, any trust fund described in subdivision (1) of subsection (b) of
 346 section 7-450 that is administered, held or invested by the State
 347 Treasurer, the Connecticut Baby Bond Trust and all other trust funds
 348 administered, held or invested by the State Treasurer.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	3-36b
Sec. 2	<i>from passage</i>	3-36c
Sec. 3	<i>from passage</i>	3-36e
Sec. 4	<i>from passage</i>	3-36f
Sec. 5	<i>from passage</i>	3-36g
Sec. 6	<i>from passage</i>	3-36h

Sec. 7	<i>from passage</i>	3-36i
Sec. 8	<i>from passage</i>	3-13c

Statement of Purpose:

To implement the Treasurer's recommendations concerning the Connecticut Baby Bond Trust program.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]