



# Senate

General Assembly

**File No. 117**

January Session, 2023

Substitute Senate Bill No. 1104

*Senate, March 20, 2023*

The Committee on Higher Education and Employment Advancement reported through SEN. SLAP of the 5th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

***AN ACT IMPLEMENTING THE RECOMMENDATIONS OF THE CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY.***

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

1 Section 1. Subsections (b) and (c) of section 10a-178 of the general  
2 statutes are repealed and the following is substituted in lieu thereof  
3 (*Effective July 1, 2023*):

4 (b) "Project", in the case of a (1) participating institution for higher  
5 education, means a (A) structure suitable for use as a dormitory or other  
6 housing facility, including housing for staff members, employees or  
7 students at such institution of higher education, dining hall, student  
8 union, administration building, academic building, library, laboratory,  
9 research facility, classroom, athletic facility, health care facility, and  
10 maintenance, storage or utility facility and other structures or facilities  
11 related thereto or required or useful for the instruction of students or  
12 the conducting of research or the operation of an institution for higher

13 education, including parking and other facilities or structures essential  
14 or convenient for the orderly conduct of such institution for higher  
15 education, also including equipment and machinery and other similar  
16 items necessary or convenient for the operation of a particular facility or  
17 structure in the manner for which its use is intended or for the operation  
18 of a participating institution for higher education, or any combination  
19 thereof, [but shall not include such items as books, fuel, supplies or other  
20 items the purchase of which is customarily deemed to result in a current  
21 operating charge; in the case of a participating health care institution,]  
22 or (B) program or service that is in furtherance of the organization or  
23 mission of a participating institution of higher education; (2)  
24 participating health care institution means a (A) structure suitable for  
25 use as a hospital, clinic, or other health care facility, laboratory, laundry,  
26 residence facility, including housing for nurses, interns, staff members,  
27 employees or students at such health care institution and their  
28 immediate families and for physically or mentally handicapped  
29 persons, administration building, research facility, and maintenance,  
30 storage or utility facility and other structures or facilities related thereto  
31 or required or useful for the operation of the project, including parking  
32 and other facilities or structures essential or convenient for the orderly  
33 operation of such project, also including equipment and machinery and  
34 other similar items necessary or convenient for the operation of the  
35 project in the manner for which its use is intended or for the operation  
36 of a participating health care institution, or any combination thereof,  
37 [but shall not include such items as fuel, supplies or other items the  
38 purchase of which is customarily deemed to result in a current operating  
39 charge; in the case of a participating qualified nonprofit organization,]  
40 or (B) program or service that is in furtherance of the organization or  
41 mission of a participating health care institution; (3) participating  
42 qualified nonprofit organization means a (A) structure or facility owned  
43 in its entirety by, or suitable for use in accordance with the charitable or  
44 nonprofit status of the qualified nonprofit organization, also including  
45 equipment and machinery and other similar items necessary or  
46 convenient for the operation of the project in the manner for which its  
47 use is intended or for the operation of a participating qualified nonprofit

48 corporation, or (B) program or service that is furtherance of the  
49 organization or mission of a participating qualified nonprofit  
50 organization; and [, in the case of a participating nursing home,] (4)  
51 participating nursing home means a (A) structure or facility suitable for  
52 use as a nursing home, residential care home, rest home, health care  
53 facility for the handicapped, mental health facility or independent living  
54 facility subject to the licensing requirements of chapter 368v and  
55 appurtenant facilities, equipment and machinery and other similar  
56 items necessary or convenient for the operation of a particular facility or  
57 structure in the manner for which its use is intended or for the operation  
58 of a participating nursing home, or (B) program or service that is in  
59 furtherance of the organization or mission of a participating nursing  
60 home;

61 (c) "Cost" as applied to a project or any portion thereof financed under  
62 the provisions of this chapter embraces all or any part of the cost of  
63 construction and acquisition of all lands, structures, real or personal  
64 property, rights, rights-of-way, franchises, easements and interests  
65 acquired or used for a project, the cost of demolishing or removing any  
66 buildings or structures on land so acquired, including the cost of  
67 acquiring any lands to which such buildings or structures may be  
68 moved, the cost of all machinery and equipment, financing charges,  
69 interest prior to, during and for a period after completion of such  
70 construction, provisions for working capital, reserves for principal and  
71 interest and for extensions, enlargements, additions, replacements,  
72 renovations and improvements, cost of engineering, financial and legal  
73 services, plans, specifications, studies, surveys, estimates of cost and of  
74 revenues, administrative expenses, expenses necessary or incident to  
75 determining the feasibility or practicability of constructing the project  
76 and such other costs and expenses as may be necessary or incident to  
77 the [construction and acquisition of the] project and its operation, the  
78 financing of [such construction and acquisition] the project and the  
79 placing of the project in operation;

80 Sec. 2. Section 10a-186a of the general statutes is repealed and the  
81 following is substituted in lieu thereof (*Effective July 1, 2023*):

82 [(a)] In connection with the issuance of bonds [to finance a project at  
83 a participating nursing home or to refund bonds previously issued by  
84 the authority to finance a project at a participating nursing home, or in  
85 connection with the issuance of bonds to effect a refinancing or other  
86 restructuring with respect to one or more participating nursing homes  
87 as permitted by subsection (b) of this section,] to finance dormitories,  
88 residential facilities, student centers, food service facilities and other  
89 auxiliary service facilities and related buildings and improvements at a  
90 public educational institution [ ] or to finance The University of  
91 Connecticut Health Center clinical services projects, as defined in  
92 subsection (g) of section 10a-114a, [or to finance up to one hundred  
93 million dollars, in the aggregate, for equipment, including installation  
94 and any necessary building renovations or alterations for the  
95 installation and operation of such equipment, for participating health  
96 care institutions at the discretion of the Secretary of the Office of Policy  
97 and Management and the Treasurer,] the authority may create and  
98 establish one or more reserve funds to be known as special capital  
99 reserve funds and may pay into such special capital reserve funds (1)  
100 any moneys appropriated and made available by the state for the  
101 purposes of such funds, (2) any proceeds of the sale of notes or bonds  
102 for a project, to the extent provided in the resolution of the authority  
103 authorizing the issuance thereof, and (3) any other moneys which may  
104 be made available to the authority for the purpose of such funds from  
105 any other source or sources. The moneys held in or credited to any  
106 special capital reserve fund established under this section, except as  
107 hereinafter provided, shall be used solely for the payment of the  
108 principal of and interest, when due, whether at maturity or by  
109 mandatory sinking fund installments, on bonds of the authority secured  
110 by such capital reserve fund as the same become due, the purchase of  
111 such bonds of the authority, the payment of any redemption premium  
112 required to be paid when such bonds are redeemed prior to maturity,  
113 including in any such case by way of reimbursement of a provider of  
114 bond insurance or of a credit or liquidity facility that has paid such  
115 amounts; provided the authority shall have power to provide that  
116 moneys in any such fund shall not be withdrawn therefrom at any time

117 in such amount as would reduce the amount of such funds to less than  
118 the maximum amount of principal and interest becoming due by  
119 reasons of maturity or a required sinking fund installment in the then  
120 current or any succeeding calendar year on the bonds of the authority  
121 then outstanding or the maximum amount permitted to be deposited in  
122 such fund by the Internal Revenue Code of 1986, or any subsequent  
123 corresponding internal revenue code of the United States, as from time  
124 to time amended, to permit the interest on such bonds to be excluded  
125 from gross income for federal tax purposes and secured by such special  
126 capital reserve fund, such amount being herein referred to as the  
127 "required minimum capital reserve", except for the purpose of paying  
128 such principal of, redemption premium and interest on such bonds of  
129 the authority secured by such special capital reserve becoming due and  
130 for the payment of which other moneys of the authority are not  
131 available. The authority may provide that it shall not issue bonds  
132 secured by a special capital reserve fund at any time if the required  
133 minimum capital reserve on the bonds outstanding and the bonds then  
134 to be issued and secured by the same special capital reserve fund at the  
135 time of issuance, unless the authority, at the time of the issuance of such  
136 bonds, shall deposit in such special capital reserve fund from the  
137 proceeds of the bonds so to be issued, or otherwise, an amount which,  
138 together with the amount then in such special capital reserve fund, will  
139 be not less than the required minimum capital reserve. On or before  
140 December first, annually, there is deemed to be appropriated from the  
141 state General Fund such sums, if any, as shall be certified by the  
142 chairman or vice-chairman of the authority to the Secretary of the Office  
143 of Policy and Management and the Treasurer of the state, as necessary  
144 to restore each such special capital reserve fund to the amount equal to  
145 the required minimum capital reserve of such fund, and such amounts  
146 shall be allotted and paid to the authority. For the purpose of evaluation  
147 of any such special capital reserve fund, obligations acquired as an  
148 investment for any such fund shall be valued at market. Nothing  
149 contained in this section shall preclude the authority from establishing  
150 and creating other debt service reserve funds in connection with the  
151 issuance of bonds or notes of the authority which are not special capital

152 reserve funds. Subject to any agreement or agreements with holders of  
153 outstanding notes and bonds of the authority, any amount or amounts  
154 allotted and paid to the authority pursuant to this section shall be repaid  
155 to the state from moneys of the authority at such time as such moneys  
156 are not required for any other of its corporate purposes and in any event  
157 shall be repaid to the state on the date one year after all bonds and notes  
158 of the authority theretofore issued on the date or dates such amount or  
159 amounts are allotted and paid to the authority or thereafter issued,  
160 together with interest on such bonds and notes, with interest on any  
161 unpaid installments of interest and all costs and expenses in connection  
162 with any action or proceeding by or on behalf of the holders thereof, are  
163 fully met and discharged. No bonds secured by a special capital reserve  
164 fund shall be issued to pay project costs unless the authority is of the  
165 opinion and determines that the revenues from the project shall be  
166 sufficient (A) to pay the principal of and interest on the bonds issued to  
167 finance the project, (B) to establish, increase and maintain any reserves  
168 deemed by the authority to be advisable to secure the payment of the  
169 principal of and interest on such bonds, (C) to pay the cost of  
170 maintaining the project in good repair and keeping it properly insured,  
171 and (D) to pay such other costs of the project as may be required.

172 [(b) Notwithstanding the provisions of subsection (a) of this section,  
173 after June 4, 1998, no bonds secured by such a special capital reserve  
174 fund shall be issued by the authority to finance a project at a  
175 participating nursing home, or to refund, refinance or otherwise  
176 restructure bonds issued to finance a project at a participating nursing  
177 home, except for bonds that meet the following requirements: (1) Such  
178 bonds, which may be bonds issued on a pooled or obligated group basis  
179 with respect to more than one participating nursing home, must, at least  
180 in part, refund, refinance or otherwise restructure bonds which are  
181 already secured by a special capital reserve fund pursuant to this  
182 section; (2) the state must be released from any obligation to restore any  
183 special capital reserve fund for the bonds being refunded, refinanced or  
184 otherwise restructured; and (3) the authority and the State Treasurer  
185 and the Secretary of the Office of Policy and Management must approve  
186 such bonds and must determine that the aggregate liability of the state

187 with respect to such bonds will be less than the aggregate liability of the  
188 state with respect to the bonds being refunded, refinanced or otherwise  
189 restructured and that such refunding, refinancing or restructuring is in  
190 the best interest of the state. Any approval and determination by the  
191 authority, the State Treasurer and the secretary under subdivision (3) of  
192 this subsection shall be in lieu of (A) the otherwise required opinion of  
193 sufficiency by the authority set forth in subsection (a) of this section, and  
194 (B) the approval of the State Treasurer and the documentation of the  
195 authority otherwise required under subsection (a) of section 1-124, and  
196 may provide for the waiver or modification of such other requirements  
197 of subsection (a) of this section as the authority, the State Treasurer and  
198 the secretary determine to be necessary or appropriate in order to  
199 effectuate such refunding, refinancing or restructuring, subject to all  
200 applicable tax covenants of the authority and the state.]

201 Sec. 3. Subsection (a) of section 10a-114a of the general statutes is  
202 repealed and the following is substituted in lieu thereof (*Effective July 1,*  
203 *2023*):

204 (a) The University of Connecticut may, when authorized by the board  
205 of trustees, borrow money from the Connecticut Health and Educational  
206 Facilities Authority for any project for The University of Connecticut  
207 Health Center for which the authority would be authorized to make  
208 loans to a participating health care institution pursuant to chapter 187  
209 and to refinance any such borrowing, and in connection with such  
210 borrowing, The University of Connecticut is authorized to enter into any  
211 loan or other agreement and to make such covenants, representations  
212 and indemnities as the board of trustees deems necessary or desirable  
213 to obtain such loans from the authority or to facilitate the issue of bonds  
214 by the authority to finance such loans, including agreements with  
215 providers of letters of credit, insurance or other credit facilities for such  
216 financings. Any such agreement, covenant, representation and  
217 indemnification shall be a full faith and credit obligation of The  
218 University of Connecticut. The University of Connecticut may secure  
219 such obligations by a pledge of the revenues to be derived from the  
220 operation or use of a clinical services project or projects, from rates,

221 amounts, rents, fees, charges and other income and receipts from clinical  
 222 services or from other general revenues of The University of  
 223 Connecticut Health Center, provided any such pledge shall not violate  
 224 any covenant of the state under section 10a-109u. Bonds of the authority  
 225 issued pursuant to this section to finance a clinical services project for  
 226 The University of Connecticut Health Center shall be deemed to have  
 227 been issued to finance a project at a participating health care institution  
 228 for purposes of chapter 187 and shall be eligible for the benefit of a  
 229 special capital reserve fund created and established pursuant to  
 230 [subsection (a) of] section 10a-186a, as amended by this act.

231 Sec. 4. Sections 10a-186b, 10a-186c, 10a-194f, 10a-194g and 10a-194i of  
 232 the general statutes are repealed. (*Effective July 1, 2023*)

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2023</i>	10a-178(b) and (c)
Sec. 2	<i>July 1, 2023</i>	10a-186a
Sec. 3	<i>July 1, 2023</i>	10a-114a(a)
Sec. 4	<i>July 1, 2023</i>	Repealer section

**Statement of Legislative Commissioners:**

In Section 1(b), the subdivision designator (1) was moved to before "participating" for accuracy.

**HED**      *Joint Favorable Subst. -LCO*



The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

**OFA Fiscal Note**

**State Impact:**

Agency Affected	Fund-Effect	FY 24 \$	FY 25 \$
Treasurer, Debt Serv.	GF - Potential Cost	Potential Minimal	Potential Minimal

Note: GF=General Fund

**Municipal Impact:** None

**Explanation**

The bill expands the list of allowable projects for which the Connecticut Health and Educational Facilities Authority (CHEFA) can provide financial assistance through the issuance of bonds, removing a prohibition that such bonds not be used for items currently paid for with operating funds and allowing issuance for things found to be a "program or service that is in furtherance of the organization." Dependent on the manner in which bonds are issued, there is expected to be either no, or minimal, fiscal impact, as differentiated below.

The bill allows CHEFA to issue bonds for newly eligible projects on behalf of eligible organizations. In this case, the debt and all related repayment requirements are held by the eligible organizations, not by CHEFA. This does not result in a fiscal impact to the state.

The bill also would expand the circumstances under which CHEFA may issue debt backed by a special capital reserve fund (SCRF). To the extent this authority is exercised, there is a potential minimal impact to the state's debt service. In order to issue SCRF-backed bonds, CHEFA must get approval from the State Treasurer. The State Treasurer is not expected to approve the issuance of SCRF-backed bonds unless CHEFA can show that it will be able to generate sufficient revenue from its

activities to pay the debt service on the bonds.

### **Background**

SCRF-backed bonds are a contingent liability of the state.<sup>1</sup> The SCRF provides a higher level of repayment security, which results in a lower rate of interest on the bond issuance than the relevant market rate. In the event that the SCRF is drawn down in part or completely, a draw on the General Fund is authorized and the SCRF is fully restored. The draw on the General Fund is deemed to be appropriated and is not subject to the constitutional or statutory appropriations cap. If draws on a SCRF continue, the annual draws on the General Fund required to refill it also continue until the fund is replenished by the bond issuer or the underlying debt is repaid.

### ***The Out Years***

The annualized ongoing fiscal impact identified above would continue into the future subject to the terms of any bonds issued by CHEFA for the newly-eligible projects.

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<sup>1</sup> Contingent liabilities do not count against the state's statutory limits on General Obligation bonding.

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**OLR Bill Analysis****sSB 1104*****AN ACT IMPLEMENTING THE RECOMMENDATIONS OF THE CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY.*****SUMMARY**

By law, the Connecticut Health and Education Financing Authority (CHEFA) can issue bonds to fund projects at higher education institutions, health care institutions, nursing homes, and nonprofits. The bill expands this authority by also allowing CHEFA to fund projects at these institutions that involve programs or services that further their organization or mission.

Under current law, projects at higher education and health care institutions exclude fuel, supplies, and other current customary operating charges (as well as books for higher education institutions). The bill removes this exclusion.

The bill also broadens certain other expenses of a project CHEFA can fund through bonds. It does so by removing the limitation that these other expenses must be necessary and incident to the project's construction and acquisition. Instead, the bill allows it to include all other costs and expenses necessary or incident to the project, its operation and financing, and getting it into operation.

The bill repeals obsolete provisions related to nursing home debt service, including provisions limiting CHEFA bonding authority for bonds secured by a special capital reserve fund (SCRF) that finances certain nursing home projects. These provisions allowed refinancing of certain SCRF-backed bonds that no longer exist. It also eliminates CHEFA's authority under current law to finance up to an aggregate of

\$100 million for equipment for participating health care institutions. (This authority is at the discretion of the OPM secretary and the treasurer under current law.)

The bill also repeals the (1) obsolete Captive Insurance Demonstration Program Grant Fund, (2) program to provide nonprofit hospitals assistance with the digitization of patient records, and (3) program to provide certain nursing homes assistance to install automatic fire extinguishers.

EFFECTIVE DATE: July 1, 2023

**COMMITTEE ACTION**

Higher Education and Employment Advancement Committee

Joint Favorable

Yea 22 Nay 0 (03/07/2023)