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SB-1227
AN ACT CONCERNING THE BONDING AUTHORITY OF THE CONNECTICUT MUNICIPAL REDEVELOPMENT AUTHORITY, THE REPORTING OF MATERIAL FINANCIAL OBLIGATIONS BY STATE AGENCIES, TAX-EXEMPT PROCEEDS FUND REFERENCES, AND THE NOTIFICATION OF THE SALE OR LEASE OF PROJECTS FINANCED WITH BOND PROCEEDS.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 24 $	FY 25 $
Treasurer, Debt Serv.	GF - Potential Savings	See Below	See Below

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill requires that any bonds issued by the Municipal Redevelopment Authority (MRDA) use special capital reserve funds (SCRF) overseen by the Treasurer, and limits MRDA's aggregate SCRF-backed debt to $50 million. To the extent MRDA issues SCRF-backed bonds in the future instead of non-SCRF-backed state-backed bonds or that MRDA's debt is limited to $50 million where it otherwise would have been greater, there is the potential for cost savings.

Background

MRDA was established within the 2019 Budget Act and empowered to issue bonds backed by the state that were not specifically subject to SCRF requirements. To date, MRDA has not issued any bonds.

Primary Analyst: EMG 4/17/23
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Reviewer: MM

SCRF-backed bonds are a contingent liability of the state.[1] 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 MRDA.

[1] Contingent liabilities do not count against the state's statutory limits on General Obligation bonding.