



Connecticut General Assembly

Office of Fiscal Analysis  
Office of Legislative Research

TO: Members of the Finance, Revenue, and Bonding Committee  
FROM: OFA & OLR Staff  
RE: Items for April 16, 2013 Agenda

**BILLS FOR JF CONSIDERATION**

**1. S.B. No. 840 AN ACT CONCERNING NEXT GENERATION CONNECTICUT. (FIN)(JFS)**

**Fiscal Impact:**

The bill increases the amount of General Obligation (GO) bonds authorized over a ten-year period for the UConn 2000 infrastructure program by \$1.551 billion. The General Fund debt service cost associated with issuing this amount is \$2.365 billion (comprised of \$814.3 million in interest cost and \$1.551 billion in principal), assuming that the bonds are issued for a 20 year term at an interest rate of 5.0%.

The bill has no fiscal impact in FY 14. It will result in a \$0.64 million increase in General Fund debt service cost in FY 15, assuming that the bonds providing funding for the additional FY 14 authorization of \$6.4 million are issued spring 2014.

**Summary:**

This bill (1) authorizes \$1.551 billion in new bonds under the UConn 2000 infrastructure program; (2) extends Phase III of the program by 6 years, from 2018 to 2024; and (3) adjusts the annual bond limits for the program.

It also extends, from 2018 to 2024, or until completion of the UConn 2000 infrastructure program, UConn's authority to plan, design, acquire, remodel, alter, repair, enlarge, or demolish any real asset or other project on its campuses.

***Project Authorizations***

As Table 1 shows, the bill (1) increases bond authorizations for existing Phase III projects by \$1.016 billion and (2) adds three new projects totaling \$535 million.

**Table 1. Phase III Project Authorizations**

<i>Project</i>	<i>Current Authorization</i>	<i>Proposed Authorization</i>	<i>Change</i>
Academic and Research Facilities (new)	\$0	\$450,000,000	\$450,000,000
Avery Point Renovation (new)	0	15,000,000	15,000,000
Deferred Maintenance/Code/ADA Renovation Lump Sum	215,000,000	805,000,000	590,000,000
Equipment, Library, Collections & Telecommunications	200,000,000	470,000,000	270,000,000
Hartford Relocation Acquisition/Renovation (new)	0	70,000,000	70,000,000
Parking Garage #3	15,000,000	78,000,000	63,000,000
Residential Life Facilities	90,000,000	162,000,000	72,000,000
Stamford Campus Improvements/Housing	3,000,000	13,000,000	10,000,000
Deferred Maintenance/ Code/ ADA Renovation Sum – Health Center	50,000,000	61,000,000	11,000,000
<b>TOTAL CHANGE</b>			<b>\$1,551,000,000</b>

**Annual Bond Limits**

To conform to the increased bond authorizations, the bill (1) adjusts the annual bond limits for the UConn 2000 program from FY 14 through FY 18 and (2) adds new limits for FY 19 through FY 24 (see Table 2). By law, any difference between the amount actually issued in any year and the cap can be carried forward to any succeeding fiscal year. Financing transaction costs can be added to the caps.

**Table 2: Annual Bond Limits for UConn 2000**

<b>FY</b>	<b>Current Limit (Millions)</b>	<b>Proposed Limit (Millions)</b>	<b>Change (Millions)</b>
2014	\$198.0	\$204.4	\$6.4
2015	208.5	315.5	107
2016	199.5	312.1	112.6
2017	160.9	266.4	105.5
2018	91.0	269.5	178.5
2019	-	251	251
2020	-	269	269
2021	-	191.5	191.5
2022	-	144	144
2023	-	112	112
2024	-	73.5	73.5

EFFECTIVE DATE: July 1, 2013

**2. S.B. No. 838 AN ACT ESTABLISHING A FUND FOR BIOSCIENCE INNOVATION. (CE,FIN)(JF)**

**Fiscal Impact:**

The bill authorizes \$200 million in General Obligation (GO) bonds. The General Fund debt service cost associated with issuing this amount is \$305 million (comprised of \$105 million in interest cost and \$200 million in principal), assuming that the bonds are issued for a 20 year term at an interest rate of 5.0%.

The bill has no fiscal impact in FY 14. It will result in a \$1.0 million increase in General Fund debt service cost in FY 15, assuming that the bonds providing funding for the \$10.0 million FY 14 authorization are issued spring 2014.

**Summary:**

This bill creates a fund for improving or developing a wide range of commercially viable bioscience products and services and capitalizes it by authorizing up to \$200 million in state general obligation bonds over 10 years according to the schedule below.

**Schedule for Issuing Bonds under SB 838**

<b>FY</b>	<b>Amount</b>
2013	\$10 million
2014	10 million
2015	15 million
2016	15 million
2017	25 million
2018	25 million
2019	25 million
2020	25 million
2021	25 million
2022	25 million

The State Bond Commission must issue the bonds under a memorandum of understanding, subject to its approval, between Connecticut Innovations, Inc.

(CII, the fund's administrator), the Office of Policy and Management, and the treasurer.

CII can use the fund's proceeds to make grants, loans, equity investments, and other forms of financial assistance for projects proposed by nonprofit corporations, for-profit start-ups and early stage businesses, and colleges and universities. Repayments and returns on the fund's investment must be returned to the fund or used for the other purposes the bill specifies.

The bill establishes a 13-member Bioscience Innovation Advisory Committee to approve proposed projects, with CII providing the administrative support. CII can use up to 5% of each year's authorized amount to cover the cost of administering the fund. The board must include four members appointed by the governor; the public health and economic and community development commissioners, who serve ex officio; and the CII executive director, who must chair the board. The members must have knowledge and experience in relevant businesses and sciences related to health care delivery, medical devices, life sciences, insurance, or information technology.

EFFECTIVE DATE: Upon passage

### **3. [S.B. No. 842](#) AN ACT AUTHORIZING AND ADJUSTING BONDS OF THE STATE FOR CAPITAL IMPROVEMENTS, TRANSPORTATION AND OTHER PURPOSES. (FIN)(JFS)**

#### **Fiscal Impact:**

The bill: (1) authorizes \$1.454 billion in General Obligation (GO) bonds in FY 14 and \$1.507 billion in FY 15; (2) cancels \$10.2 million in GO bonds in FY 14; (3) authorizes \$380.4 million in Clean Water Fund revenue bonds in FY 14 and \$332.0 million in FY 15; (4) authorizes \$706.9 million in Special Tax Obligation (STO) bonds in FY 14; and (5) authorizes the State Treasurer to issue bonds to refinance outstanding Economic Recovery Notes (ERNs) and to finance the historical deficit under Generally Accepted Accounting Principles (GAAP).

Assuming that the GO bond are issued over a 20-year term at an interest rate of 5.0%, the General Fund debt service cost associated with issuing \$1.454 billion is \$2.218 billion (comprised of \$763 million in interest cost and \$1.454 billion in principal). The debt service cost associated with issuing \$1.507 billion is \$2.298 billion (comprised of \$791 million in interest cost and \$1.507 billion in principal).

Assuming that the Clean Water Fund (CWF) revenue bonds are issued over a 20-year term at a 5.0% interest rate, the debt service cost to bond \$380.4 million is \$580.2 million (comprised of \$199.7 million in interest and \$380.4 million in principal). The debt service cost to bond \$332.0 million is \$506.3 million (comprised of \$174.3 million in interest and \$506.3 million in principal). The debt service cost for these bonds is paid primarily<sup>1</sup> with revenue from: (1) investment earnings on the reserves and assets held in the reserve fund required by statute, and (2) loan payments from towns who receive CWF low-interest loans. Based on current projected CWF expenditures for the biennium, it is expected that no General Fund subsidy will be needed for the revenue bonds authorized in the bill.

Assuming that the STO bond are issued over a 20-year term at an interest rate of 5.5%, the Special Transportation Fund debt service cost associated with issuing \$706.9 million is \$1.183 billion (comprised of \$476.2 million in interest cost and \$706.9 million in principal).

The bill authorizes the State Treasurer to issue bonds to: (1) refinance outstanding ERNs and (2) finance the historical GAAP deficit. Table 3 summarizes the refinancing plan for the outstanding ERNs. The figures assume that the bonds will be issued for a five-year term at a 3% interest rate. The fiscal impact of the plan compared with the Governor's proposal is a General Fund debt service cost of \$14 million.

**Table 3: Economic Recovery Notes Refinancing Plan**

Cash Needs to Support Retirement of Economic Recovery Notes (ERNs) \$ - millions					
	Current Law	Governor's Recommended	Dif: Governor - Current Law	Committee	Dif: Committee - Governor
FY	ERNs [1]	ERNs	ERNs	ERNs	ERNs and GAAP Deficit
	Debt Service	Debt Service	Debt Service	Debt Service	Debt Service
14	208	58	(150)	12	(46)
15	208	58	(150)	12	(46)
16	208	169	(39)	215	46
17	-	185	185	215	30
18	-	185	185	215	30
<b>TOTAL</b>	<b>624</b>	<b>655</b>	<b>31</b>	<b>669</b>	<b>14</b>

[1] The FY 09 deficit of \$947.6 million was financed through the Nov 2009 issuance of \$915.8 million in Economic Recovery Notes at an interest rate of 2.34% over a term of seven years.

Cash to pay down ERNs would be budgeted in the Treasurer's (General Obligation) Debt Service line item.

<sup>1</sup> A General Fund subsidy is only needed if the revenue from these two sources is not sufficient to cover the debt service on the CWF revenue bonds.

The financing plan for amortizing the historical GAAP deficit is summarized in Table 4. The plan covers a 13-year period rather than the 15-year amortization period proposed by the Governor. It has no fiscal impact when compared with the Governor’s proposal.

**Table 4: Financing Plan for the Historical GAAP Deficit**

Cash Needs to Support Historical Deficit per Generally Accepted Accounting Principles (GAAP) \$ - millions											
	Current Law	Governor's Recommended			Dif: Governor - Current	Committee			Dif: Committee - Governor		
FY	GAAP Deficit [1]	GAAP Deficit [2]	GAAP Deficit [3]	Total	GAAP Deficit	GAAP Deficit	GAAP Deficit	Total	GAAP Deficit	GAAP Deficit	Total
	Cash	Debt Service	Cash	Cash	Cash	Debt Service	Cash	Cash	Debt Service	Cash	Cash
14	80	-	30	30	(50)	-	-	-	-	(30)	(30)
15	80	-	30	30	(50)	-	-	-	-	(30)	(30)
16	80	72	30	102	(50)	72	35	107	-	5	5
17	80	72	30	102	(50)	72	35	107	-	5	5
18	80	72	30	102	(50)	72	35	107	-	5	5
19	80	72	30	102	(50)	72	35	107	-	5	5
20	80	72	30	102	(50)	72	35	107	-	5	5
21	80	72	30	102	(50)	72	35	107	-	5	5
22	80	72	30	102	(50)	72	35	107	-	5	5
23	80	72	30	102	(50)	72	35	107	-	5	5
24	80	72	30	102	(50)	72	35	107	-	5	5
25	80	72	30	102	(50)	72	35	107	-	5	5
26	80	72	30	102	(50)	72	35	107	-	5	5
27	80	72	30	102	(50)	72	35	107	-	5	5
28	80	72	30	102	(50)	72	35	107	-	5	5
TOTAL	1,200	936	450	1,386	(750)	936	450	1,386	-	0	0

[1] The historical GAAP deficit is the cumulative difference between booking expenses when they are paid rather than incurred. Note: on a prospective basis, agencies will receive appropriations related to GAAP payments so that the deficit does not grow; the Governor plan provides \$55.9 million in FY 14 and \$76.7 million in FY 15 to various state agencies for this purpose.

[2] Debt Service Cost to borrow appx 1/2 of the \$1.2 billion historical GAAP Deficit.

[3] The Miscellaneous Accounts line items in the budget of the State Comptroller contain \$30 million appropriations to cover this.

Table 5 summarizes the combined fiscal impact of the ERN refinancing plan and the amortization of the historical GAAP deficit. The combined fiscal impact compared with the Governor’s proposal is a General Fund debt service cost of \$14 million.

**Table 5: Summary of ERN Refinancing and Amortization of the Historical GAAP Deficit**

<b>Cash Needs to Support Retirement of Economic Recovery Notes and Historical Deficit per Generally Accepted Accounting Principles \$ - millions</b>					
	Current Law	Governor's Recommended	Dif: Governor - Current Law	Committee	Dif: Committee - Governor
FY	Total	Total	Total	Total	Total
14	288	88	(200)	12	(76)
15	288	88	(200)	12	(76)
16	288	271	(17)	322	51
17	80	287	207	322	35
18	80	287	207	322	35
19	80	102	22	107	5
20	80	102	22	107	5
21	80	102	22	107	5
22	80	102	22	107	5
23	80	102	22	107	5
24	80	102	22	107	5
25	80	102	22	107	5
26	80	102	22	107	5
27	80	102	22	107	5
28	80	102	22	107	5
<b>TOTAL</b>	<b>1,824</b>	<b>2,041</b>	<b>217</b>	<b>2,055</b>	<b>14</b>