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FISCAL NOTE (Form 1)
(Office of Fiscal Analysis)
Analyst: J 4-21-92
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Version:

BILL NUMBER: SHB 5931
FILE NUMBER:
AMENDMENTS:

TITLE: "AN ACT CONCERNING THE POWERS OF THE STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY"

FAVORABLY REPORTED BY Finance, Revenue and Bonding

EFFECTIVE DATE: Upon Passage

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FISCAL IMPACT STATEMENT - BILL NUMBER SHB 5931

STATE IMPACT	Potential Savings, Potential Cost, see explanation below
MUNICIPAL IMPACT	None
STATE AGENCY(S)	CT. Health and Educational Facilities Authority, Department of Income Maintenance, University of Connecticut, Connecticut State University

EXPLANATION OF ESTIMATES:

It is anticipated that the bill could result in a savings to the Department of Income Maintenance of approximately \$2 million resulting from the ability of the nursing homes to finance new nursing homes or refinancing existing homes with the assistance of the Connecticut Health and Educational Facilities Authority. Currently, many nursing homes are paying high mortgage rates from the 1980s but they have been unable to refinance due, in part, to decreasing State Medicaid reimbursements. There will be an undeterminable cost savings to DIM as mortgage interest is a significant factor in setting rates under the State Medicaid reimbursement system. The bill provides that if the nursing homes default on their debt service payments to CHEFA the Authority will notify DIM and, as a result, State funds will be withheld from the nursing homes until such time as they make the necessary payments.

The bill also authorizes CHEFA to issue bonds secured by the State's Special Capital Reserve Fund to provide funding for the renovation or new construction of dormitories at the University of Connecticut and the Connecticut State Universities. The bonds issued by CHEFA do not constitute a debt or liability of the State or a pledge of full faith and credit. It is rather, a contingent liability and requires the State to "fill up" the Special Capital Reserve Fund should CHEFA default on the debt services payments.

It is unclear how CHEFA would structure the dormitory revenue bond issues. It is anticipated that there will be administrative costs incurred by the Universities as more preparation and assurances will be required by the Universities to the market in order to prove that these projects will be self sufficient.