

House of Representatives, April 14, 1998. The Committee on Finance, Revenue and Bonding reported through REP. SCHIESSL, 60th DIST., Chairman of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING BONDING POWERS FOR LOCAL ECONOMIC DEVELOPMENT AND CONCERNING PRIVATE ACTIVITY BONDS.

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

1 Section 1. Section 8-134 of the general
2 statutes is repealed and the following is
3 substituted in lieu thereof:

4 For the purpose of carrying out or
5 administering a redevelopment plan or other
6 functions authorized under this chapter, a
7 municipality, acting by and through its
8 redevelopment agency, is hereby authorized,
9 subject only to the limitations and procedures set
10 forth in this section, to issue from time to time
11 bonds of the municipality which are payable solely
12 from and secured by: (a) A pledge of and lien upon
13 any or all of the income, proceeds, revenues and
14 property of redevelopment projects, including the
15 proceeds of grants, loans, advances or
16 contributions from the federal government, the
17 state or other source, including financial
18 assistance furnished by the municipality or any
19 other public body pursuant to section 8-135; (b)
20 taxes or payments in lieu of taxes, or both, in
21 whole or in part, allocated to and paid into a

22 special fund of the municipality pursuant to the
23 provisions of section 8-134a, AS AMENDED BY
24 SECTION 2 OF THIS ACT; or (c) any combination of
25 the methods in subsections (a) and (b) of this
26 section. FOR THE PURPOSES OF A SPECIFIED PROJECT
27 ONLY, THE CONNECTICUT DEVELOPMENT AUTHORITY MAY,
28 UPON A RESOLUTION WITH RESPECT TO SUCH PROJECT
29 ADOPTED BY THE LEGISLATIVE BODY OF THE
30 MUNICIPALITY, ISSUE AND ADMINISTER BONDS WHICH ARE
31 PAYABLE SOLELY FROM AND SECURED BY THE PLEDGE AND
32 SECURITY PROVIDED FOR IN THIS SECTION SUBJECT TO
33 THE GENERAL TERMS AND PROVISIONS OF LAW APPLICABLE
34 TO THE ISSUANCE OF BONDS BY THE CONNECTICUT
35 DEVELOPMENT AUTHORITY, EXCEPT THAT THE PROVISIONS
36 OF SUBSECTION (b) OF SECTION 32-23j SHALL NOT
37 APPLY. Any bonds payable and secured as provided
38 in this section shall be authorized by a
39 resolution adopted by the legislative body of the
40 municipality, notwithstanding the provisions of
41 any other statute, local law or charter governing
42 the authorization and issuance of bonds generally
43 by the municipality. No such resolution shall be
44 adopted until after a public hearing has been held
45 upon such authorization. Notice of such hearing
46 shall be published not less than five days prior
47 to such hearing in a newspaper having a general
48 circulation in the municipality. Such bonds shall
49 be issued and sold in such manner; bear interest
50 at such rate or rates, including variable rates to
51 be determined in such manner as set forth in the
52 proceedings authorizing the issuance of the bonds;
53 provide for the payment of interest on such dates,
54 whether before or at maturity; be issued at, above
55 or below par; mature at such time or times not
56 exceeding forty years from their date in the case
57 of bonds issued to finance housing and facilities
58 related thereto or thirty years from their date in
59 all other cases; have such rank or priority; be
60 payable in such medium of payment; be issued in
61 such form, including, without limitation,
62 registered or book-entry form, carry such
63 registration and transfer privileges and be made
64 subject to purchase or redemption before maturity
65 at such price or prices and under such terms and
66 conditions, including the condition that such
67 bonds be subject to purchase or redemption on the
68 demand of the owner thereof; and contain such
69 other terms and particulars as the legislative

70 body of the municipality or the officers delegated
71 such authority by the legislative body of the
72 municipality body shall determine. The proceedings
73 under which bonds are authorized to be issued may,
74 subject to the provisions of the general statutes,
75 contain any or all of the following: (1)
76 Provisions respecting custody of the proceeds from
77 the sale of the bonds and any bond anticipation
78 notes, including any requirements that such
79 proceeds be held separate from or not be
80 commingled with other funds of the municipality;
81 (2) provisions for the investment and reinvestment
82 of bond proceeds until such proceeds are used to
83 pay project costs and for the disposition of any
84 excess bond proceeds or investment earnings
85 thereon; (3) provisions for the execution of
86 reimbursement agreements, or similar agreements,
87 in connection with credit facilities, including,
88 but not limited to, letters of credit or policies
89 of bond insurance, remarketing agreements and
90 agreements for the purpose of moderating interest
91 rate fluctuations; (4) provisions for the
92 collection, custody, investment, reinvestment and
93 use of the pledged revenues or other receipts,
94 funds or moneys pledged for payment of bonds as
95 provided in this section; (5) provisions regarding
96 the establishment and maintenance of reserves,
97 sinking funds and any other funds and accounts as
98 shall be approved by the legislative body of the
99 municipality in such amounts as may be established
100 by the legislative body of the municipality and
101 the regulation and disposition thereof, including
102 requirements that any such funds and accounts be
103 held separate from or not be commingled with other
104 funds of the municipality; (6) covenants for the
105 establishment of maintenance requirements with
106 respect to facilities and properties; (7)
107 provisions for the issuance of additional bonds on
108 a parity with bonds issued prior to the issuance
109 of such additional bonds, including establishment
110 of coverage requirements with respect to such
111 bonds as herein provided; (8) provisions regarding
112 the rights and remedies available to the bond
113 owners, note owners or any trustee under any
114 contract, loan agreement, document, instrument or
115 trust indenture in case of a default, including
116 the right to appoint a trustee to represent their
117 interests upon occurrence of any event of default,

118 as defined in any such default proceedings,
119 provided that if any bonds or bond anticipation
120 notes are secured by a trust indenture, the
121 respective owners of such bonds or notes shall
122 have no authority except as set forth in such
123 trust indenture to appoint a separate trustee to
124 represent them; and (9) other provisions or
125 covenants of like or different character from the
126 foregoing which are consistent with this section
127 and which the legislative body of the municipality
128 determines in such proceedings are necessary,
129 convenient or desirable in order to better secure
130 the bonds or bond anticipation notes, or will tend
131 to make the bonds or bond anticipation notes more
132 marketable, and which are in the best interests of
133 the municipality. Any provisions which may be
134 included in proceedings authorizing the issuance
135 of bonds under this section may be included in an
136 indenture of trust duly approved in accordance
137 with this section which secures the bonds and any
138 notes issued in anticipation thereof, and in such
139 case the provisions of such indenture shall be
140 deemed to be a part of such proceedings as though
141 they were expressly included therein. Any pledge
142 made by the municipality shall be valid and
143 binding from the time when the pledge is made, and
144 any revenues or other receipts, funds or moneys so
145 pledged and thereafter received by the
146 municipality shall be subject immediately to the
147 lien of such pledge without any physical delivery
148 thereof or further act. The lien of any such
149 pledge shall be valid and binding as against all
150 parties having claims of any kind in tort,
151 contract or otherwise against the municipality,
152 irrespective of whether such parties have notice
153 of such lien. Neither the resolution nor any other
154 instrument by which a pledge is created need be
155 recorded. The legislative body of the municipality
156 may enter into a trust indenture by and between
157 the municipality and a corporate trustee, which
158 may be any trust company or bank having the powers
159 of a trust company within or without the
160 municipality. Such trust indenture may contain
161 such provisions for protecting and enforcing the
162 rights and remedies of the bond owners and note
163 owners as may be reasonable and proper and not in
164 violation of law, including covenants setting
165 forth the duties of the municipality in relation

166 to the exercise of its powers pursuant to this
167 section and the custody, safeguarding and
168 application of all moneys. The municipality may
169 provide by such trust indenture for the payment of
170 the pledged revenues or other receipts, funds or
171 moneys to the trustee under such trust indenture
172 or to any other depository, and for the method of
173 disbursement thereof, with such safeguards and
174 restrictions as it may determine. All expenses
175 incurred in carrying out such trust indenture may
176 be treated as project costs. Such bonds shall not
177 be included in computing the aggregate
178 indebtedness of the municipality, provided, if
179 such bonds are made payable, in whole or in part,
180 from funds contracted to be advanced by the
181 municipality, the aggregate amount of such funds
182 not yet appropriated to such purpose shall be
183 included in computing the aggregate indebtedness
184 of the municipality. As used in this section,
185 "bonds" means any bonds, including refunding
186 bonds, notes, interim certificates, debentures or
187 other obligations.

188 Sec. 2. Section 8-134a of the general
189 statutes is repealed and the following is
190 substituted in lieu thereof:

191 Any redevelopment plan authorized under this
192 chapter or any proceedings authorizing the
193 issuance of bonds under this chapter may contain a
194 provision that taxes, if any, identified in such
195 plan or such authorizing proceedings and levied
196 upon taxable real OR PERSONAL property, OR BOTH,
197 in a redevelopment project each year, or payments
198 in lieu of such taxes authorized pursuant to
199 chapter 114, or both, by or for the benefit of any
200 one or more municipalities, districts, or other
201 public taxing agencies after the effective date of
202 the ordinance approving the redevelopment plan or
203 such BOND authorizing proceedings, as the case may
204 be, shall be divided as follows: (1) In each
205 fiscal year that portion of the taxes or payments
206 in lieu of taxes, or both, which would be produced
207 by applying the then current tax rate of each of
208 the taxing agencies to the total sum of the
209 assessed value of the taxable property in the
210 redevelopment project on the effective date of
211 such ordinance or the date of such authorizing
212 proceedings, as the case may be, or on any date
213 between such two dates which is identified in such

214 proceedings, shall be allocated to and when
215 collected shall be paid into the funds of the
216 respective taxing agencies in the same manner as
217 taxes by or for said taxing agencies on all other
218 property are paid; and (2) that portion of the
219 assessed taxes or payments in lieu of taxes, or
220 both, each fiscal year in excess of the amount
221 referred to in subdivision (1) of this section
222 shall be allocated to and when collected shall be
223 paid into a special fund of the municipality OR
224 THE CONNECTICUT DEVELOPMENT AUTHORITY AS ISSUER OF
225 SUCH BONDS to be used in each fiscal year, first
226 to pay the principal of and interest due in such
227 fiscal year on loans, moneys advanced to, or
228 indebtedness, whether funded, refunded, assumed,
229 or otherwise, incurred by such municipality OR THE
230 CONNECTICUT DEVELOPMENT AUTHORITY AS ISSUER OF
231 SUCH BONDS to finance or refinance in whole or in
232 part, such redevelopment project, and then, at the
233 option of the municipality OR THE CONNECTICUT
234 DEVELOPMENT AUTHORITY AS ISSUER OF SUCH BONDS, to
235 purchase bonds issued for the project which has
236 generated the increments in taxes or payments in
237 lieu of taxes and then, at the option of the
238 municipality OR THE CONNECTICUT DEVELOPMENT
239 AUTHORITY AS ISSUER OF SUCH BONDS, to reimburse
240 the provider of or reimbursement party with
241 respect to any guarantee, letter of credit, policy
242 of bond insurance, funds deposited in a debt
243 service reserve fund, funds deposited as
244 capitalized interest or other credit enhancement
245 device used to secure payment of debt service on
246 any bonds, notes or other indebtedness OF A
247 MUNICIPALITY OR THE CONNECTICUT DEVELOPMENT
248 AUTHORITY AS ISSUER OF SUCH BONDS issued pursuant
249 to section 8-134, AS AMENDED BY SECTION 1 OF THIS
250 ACT, to finance or refinance such redevelopment
251 project, to the extent of any payments of debt
252 service made therefrom. Unless and until the total
253 assessed valuation of the taxable property in a
254 redevelopment project exceeds the total assessed
255 value of the taxable property in such project as
256 shown by the last assessment list, referred to in
257 subdivision (1) of this section, all of the taxes
258 levied and collected and all of the payments in
259 lieu of taxes due and collected upon the taxable
260 property in such redevelopment project shall be
261 paid into the funds of the respective taxing

262 agencies. When such loans, advances, and
263 indebtedness, if any, and interest thereon, and
264 such debt service reimbursement to the provider of
265 or reimbursement party with respect to such
266 credits, have been paid, in full, all moneys
267 thereafter received from taxes or payments in lieu
268 of taxes, or both, upon the taxable property in
269 such redevelopment project shall be paid into the
270 funds of the respective taxing agencies in the
271 same manner as taxes on all other property are
272 paid.

273 Sec. 3. Section 8-192 of the general statutes
274 is amended by adding subsection (d) as follows:

275 (NEW) (d) For the purposes of carrying out or
276 administering a specified development plan
277 authorized under this chapter, the Connecticut
278 Development Authority may, upon a resolution with
279 respect to such project adopted by the legislative
280 body of the municipality, issue and administer
281 bonds which are payable solely from and secured by
282 the pledge and security provided for in subsection
283 (a) of this section subject to the general terms
284 and provisions of law applicable to the issuance
285 of bonds by the Connecticut Development Authority,
286 except that the provisions of subsection (b) of
287 section 32-23j shall not apply.

288 Sec. 4. Section 8-192a of the general
289 statutes is repealed and the following is
290 substituted in lieu thereof:

291 Any development plan authorized under this
292 chapter or any proceedings authorizing the
293 issuance of bonds under this chapter may contain a
294 provision that taxes, if any, identified in such
295 plan or such authorizing proceeding and levied
296 upon taxable real OR PERSONAL property, OR BOTH,
297 in a development project each year or payments in
298 lieu of such taxes authorized pursuant to chapter
299 114, or both, by or for the benefit of any one or
300 more municipalities, districts or other public
301 taxing agencies after adoption of the development
302 plan as provided by section 8-191 or such
303 authorizing proceedings, as the case may be, shall
304 be divided as follows: (a) In each fiscal year
305 that portion of the taxes or payments in lieu of
306 taxes, or both, which would be produced by
307 applying the then current tax rate of each of the
308 taxing agencies to the total sum of the assessed
309 value of the taxable property in the development

310 project on the effective date of such adoption or
311 the date of such authorizing proceedings, as the
312 case may be, or on any date between such two dates
313 which is identified in such proceedings, shall be
314 allocated to and when collected shall be paid into
315 the funds of the respective taxing agencies in the
316 same manner as taxes by or for said taxing
317 agencies on all other property are paid; and (b)
318 that portion of the assessed taxes or the payments
319 in lieu of taxes, or both, each fiscal year in
320 excess of the amount referred to in subdivision
321 (a) of this section shall be allocated to and when
322 collected shall be paid into a special fund of the
323 municipality OR THE CONNECTICUT DEVELOPMENT
324 AUTHORITY AS ISSUER OF SUCH BONDS to be used in
325 each fiscal year, first to pay the principal of
326 and interest due in such fiscal year on loans,
327 moneys advanced to, or indebtedness, whether
328 funded, refunded, assumed, or otherwise, incurred
329 by such municipality OR THE CONNECTICUT
330 DEVELOPMENT AUTHORITY AS ISSUER OF SUCH BONDS to
331 finance or refinance in whole or in part, such
332 development project, and then, at the option of
333 the municipality OR THE CONNECTICUT DEVELOPMENT
334 AUTHORITY AS ISSUER OF SUCH BONDS, to purchase
335 bonds issued for the project which has generated
336 the tax increments or payments in lieu of taxes
337 and then, at the option of the municipality OR THE
338 CONNECTICUT DEVELOPMENT AUTHORITY AS ISSUER OF
339 SUCH BONDS, to reimburse the provider of or
340 reimbursement party with respect to any guarantee,
341 letter of credit, policy of bond insurance, funds
342 deposited in a debt service reserve fund, funds
343 deposited as capitalized interest or other credit
344 enhancement device used to secure payment of debt
345 service on any bonds, notes or other indebtedness
346 issued pursuant to section 8-192, AS AMENDED BY
347 SECTION 3 OF THIS ACT, to finance or refinance
348 such development project, to the extent of any
349 payments of debt service made therefrom. Unless
350 and until the total assessed valuation of the
351 taxable property in a development project exceeds
352 the total assessed value of the taxable property
353 in such project as shown by the last assessment
354 list referred to in subdivision (a) of this
355 section, all of the taxes levied and collected and
356 all of the payments in lieu of taxes due and
357 collected upon the taxable property in such

358 development project shall be paid into the funds
359 of the respective taxing agencies. When such
360 loans, advances, and indebtedness, if any, and
361 interest thereon, and such debt service
362 reimbursement to the provider of or reimbursement
363 party with respect to such credit enhancement,
364 have been paid in full, all moneys thereafter
365 received from taxes or payments in lieu of taxes,
366 or both, upon the taxable property in such
367 development project shall be paid into the funds
368 of the respective taxing agencies in the same
369 manner as taxes on all other property are paid.

370 Sec. 5. Section 32-227 of the general
371 statutes is repealed and the following is
372 substituted in lieu thereof:

373 (a) For the purpose of carrying out or
374 administering a municipal or business development
375 project, (1) a municipality, acting by and through
376 its implementing agency, may, subject to the
377 limitations and procedures set forth in this
378 section, issue from time to time bonds of the
379 municipality AND (2) THE CONNECTICUT DEVELOPMENT
380 AUTHORITY MAY, UPON A RESOLUTION ADOPTED OF THE
381 LEGISLATIVE BODY OF THE MUNICIPALITY, ISSUE FROM
382 TIME TO TIME BONDS which, IN EITHER CASE, are
383 payable solely from and secured by: [(1)] (A) A
384 pledge of and lien upon any or all of the income,
385 proceeds, revenues and property of development
386 projects, including the proceeds of grants, loans,
387 advances or contributions from the federal
388 government, the state or other source, including
389 financial assistance furnished by the municipality
390 or any other public body pursuant to sections
391 32-220 to 32-234, inclusive; [(2)] (B) taxes or
392 payments in lieu of taxes, or both, in whole or in
393 part, allocated to and paid into a special fund of
394 the municipality OR THE CONNECTICUT DEVELOPMENT
395 AUTHORITY pursuant to the provisions of subsection
396 (c) of this section; or [(3)] (C) any combination
397 of the methods in [subdivisions (1)] SUBPARAGRAPHS
398 (A) and [(2)] (B) of this section. Any bonds
399 payable and secured as provided in this subsection
400 shall be authorized and the appropriation of the
401 proceeds thereof approved by AND SUBJECT TO a
402 resolution adopted by the legislative body of the
403 municipality, notwithstanding the provisions of
404 any other statute, local law or charter governing
405 the authorization and issuance of bonds and the

406 appropriation of the proceeds thereof generally by
407 the municipality. No such resolution shall be
408 adopted until after a public hearing has been held
409 upon such authorization. Notice of such hearing
410 shall be published not less than five days prior
411 to such hearing in a newspaper having a general
412 circulation in the municipality. [Such] ANY SUCH
413 bonds OF A MUNICIPALITY OR THE CONNECTICUT
414 DEVELOPMENT AUTHORITY shall be issued and sold in
415 such manner; bear interest at such rate or rates,
416 including variable rates; provide for the payment
417 of interest on such dates, whether before or at
418 maturity; be issued at, above or below par; mature
419 at such time or times not exceeding thirty years
420 from their date; have such rank or priority; be
421 payable in such medium of payment; be issued in
422 such form, including, without limitation,
423 registered or book-entry form; carry such
424 registration and transfer privileges and be made
425 subject to purchase or redemption before maturity
426 at such price or prices and under such terms and
427 conditions, including the condition that such
428 bonds be subject to purchase or redemption on the
429 demand of the owner thereof; and contain such
430 other terms and particulars as the legislative
431 body of the municipality or the officers delegated
432 such authority by the legislative body of the
433 municipality shall determine. ANY SUCH BONDS OF
434 THE CONNECTICUT DEVELOPMENT AUTHORITY SHALL BE
435 ISSUED AND SOLD IN THE MANNER AND SUBJECT TO THE
436 GENERAL TERMS AND PROVISIONS OF LAW APPLICABLE TO
437 ISSUANCE OF BONDS BY THE CONNECTICUT DEVELOPMENT
438 AUTHORITY, EXCEPT THAT THE PROVISIONS OF
439 SUBSECTION (b) OF SECTION 32-23j SHALL NOT APPLY.
440 The proceedings under which bonds are authorized
441 to be issued may, subject to the provisions of
442 indenture or to any other depository agreement,
443 provide for the method of disbursement thereof,
444 with such safeguards and restrictions as it may
445 determine. Any pledge made by the municipality OR
446 THE CONNECTICUT DEVELOPMENT AUTHORITY FOR BONDS
447 ISSUED AS PROVIDED IN THIS SUBSECTION shall be
448 valid and binding from the time when the pledge is
449 made, and any revenues or other receipts, funds or
450 moneys so pledged and thereafter received by the
451 municipality OR THE CONNECTICUT DEVELOPMENT
452 AUTHORITY shall be subject to the lien of such
453 pledge without any physical delivery thereof or

454 further act. The lien of any such pledge shall be
455 valid and binding as against all parties having
456 claims of any kind in tort, contract or otherwise
457 against the municipality OR CONNECTICUT
458 DEVELOPMENT AUTHORITY, irrespective of whether
459 such parties have notice of such lien. Neither the
460 resolution nor any other instrument by which a
461 pledge is created need be recorded. All expenses
462 incurred in carrying out such financing may be
463 treated as project costs. Such bonds shall not be
464 included in computing the aggregate indebtedness
465 of the municipality, provided, if such bonds are
466 made payable, in whole or in part, from funds
467 contracted to be advanced by the municipality, the
468 aggregate amount of such funds not yet
469 appropriated to such purpose shall be included in
470 computing the aggregate indebtedness of the
471 municipality. As used in this section, "bonds"
472 means any bonds, including refunding bonds, notes,
473 temporary notes, interim certificates, debentures
474 or other obligations. Temporary notes issued in
475 accordance with this subsection in anticipation of
476 the receipt of the proceeds of bond issues may be
477 issued for a period of not more than five years,
478 and notes issued for a shorter period of time may
479 be renewed by the issue of other notes, provided
480 the period from the date of the original notes to
481 the maturity of the last notes issued in renewal
482 thereof shall not exceed five years.

483 (b) For the purpose of carrying out or
484 administering a municipal or business development
485 project, a municipality or its implementing agency
486 may accept grants, advances, loans or other
487 financial assistance from the federal government,
488 the state or other source and may do any and all
489 things necessary or desirable to secure such
490 financial aid. To assist any project located in
491 the area in which it is authorized to act, any
492 public body, including the state, or any city,
493 town, borough, authority, district, subdivision or
494 agency of the state, may, upon such terms as it
495 determines, furnish service or facilities, provide
496 property, lend or contribute funds, and take any
497 other action of a character which it is authorized
498 to perform for other purposes. To obtain funds for
499 the temporary and definitive financing of any
500 project, a municipality or implementing agency
501 may, in addition to other action authorized under

502 this act or other law, issue its general
503 obligation bonds, notes, temporary notes or other
504 obligations secured by a pledge of the
505 municipality's full faith and credit. Such bonds,
506 notes, temporary notes and other obligations shall
507 be authorized in accordance with the requirements
508 for the authorization of such obligations
509 generally by the municipality and the
510 authorization, issuance and sale thereof shall be
511 subject to the limitations contained in the
512 general statutes, including provisions on the
513 limitation of the aggregate indebtedness of the
514 municipality. Notwithstanding the provisions of
515 sections 7-264, 7-378 and 7-378a, and any other
516 public or special act or charter or bond ordinance
517 or bond resolution which limits the issuance or
518 renewal of temporary notes issued in anticipation
519 of the receipt of the proceeds of bond issues to a
520 period of time of less than five years from the
521 date of the original notes or requires a reduction
522 in the principal amount of such notes or renewal
523 notes prior to the fifth anniversary of the date
524 of the original notes, such temporary notes may be
525 issued for a period of not more than five years,
526 and notes issued for a shorter period of time may
527 be renewed by the issue of other notes, provided
528 the period from the date of the original notes to
529 the maturity of the last notes issued in renewal
530 thereof shall not exceed five years.

531 (c) Any development plan authorized under
532 sections 32-220 to 32-234, inclusive, AS AMENDED,
533 or any proceedings authorizing the issuance of
534 bonds under said sections may contain a provision
535 that taxes, if any, identified in such plan or
536 such authorizing proceedings and levied upon
537 taxable real OR PERSONAL property, OR BOTH, in a
538 project each year or payments in lieu of such
539 taxes authorized pursuant to chapter 114, or both,
540 by or for the benefit of any one or more
541 municipalities, districts or other public taxing
542 agencies, as the case may be, shall be divided as
543 follows: (1) In each fiscal year that portion of
544 the taxes or payments in lieu of taxes, or both,
545 which would be produced by applying the then
546 current tax rate of each of the taxing agencies to
547 the total sum of the assessed value of the taxable
548 property in the project on the effective date of
549 such adoption or the date of such authorizing

598 party with respect to such credit enhancement,
599 have been paid in full, all moneys thereafter
600 received from taxes or payments in lieu of taxes,
601 or both, upon the taxable property in such
602 development project shall be paid into the funds
603 of the respective taxing agencies in the same
604 manner as taxes on all other property are paid.

605 (d) Notwithstanding the provisions of
606 subsection (a) or (b) of this section and any
607 other public or special act or charter or bond
608 ordinance or bond resolution which limits the
609 renewal of temporary notes issued pursuant to said
610 subsections in anticipation of the receipt of the
611 proceeds of bond issues to five years from the
612 date of the original notes, any municipality may
613 renew temporary notes in accordance with the
614 provisions of this section for an additional
615 period of not more than four years from the end of
616 such five-year period. The officers or board
617 authorized to issue the bonds or determine the
618 particulars of the bonds may adopt a resolution
619 authorizing the renewal of temporary notes for
620 such additional period under the following
621 conditions: (1) All project grant payments and
622 bond sale proceeds received shall be promptly
623 applied toward project costs or toward payment of
624 such temporary notes as the same shall become due
625 and payable or shall be deposited in trust for
626 such purposes; (2) no later than the end of each
627 period of twelve months after the end of such
628 five-year period a portion of such temporary notes
629 equal to at least one-twentieth of the
630 municipality's estimated cost of the project shall
631 be retired from funds other than project grants or
632 land sale proceeds or note proceeds; (3) the
633 interest on all temporary notes renewed after such
634 five-year period shall be paid from funds other
635 than project grants or land sale proceeds or note
636 proceeds; (4) the principal amount of each bond
637 issue when sold shall be reduced by the amounts
638 spent under subdivision (2) of this section, and
639 the principal of such bonds shall be paid in
640 annual instalments commencing no later than one
641 year from the date of issue; and (5) the maximum
642 authorized term of the bonds when sold shall be
643 reduced by not less than the number of months from
644 the end of such five-year period to the date of
645 issue. Any anticipated federal or state project

646 grants or land sale proceeds may be used in
647 computing the municipality's cost of the project.
648 Any municipality in which such resolution is
649 passed shall include in its annual budget or shall
650 otherwise appropriate sufficient funds to make the
651 payments required by subdivisions (2) and (3) of
652 this subsection.

653 Sec. 6. (NEW) (a) Two or more municipalities
654 may jointly issue bonds from time to time at their
655 discretion, subject to the approval of the
656 legislative body of each municipality for the
657 purpose of paying all or any part of the cost of
658 any project or activity, including acquisition of
659 necessary land and equipment therefor, entered
660 into jointly. The municipalities may issue such
661 types of bonds as they may determine, including,
662 without limiting the generality of the foregoing,
663 bonds payable as to principal and interest: (1)
664 From their revenues generally; (2) exclusively
665 from the income and revenues of a particular
666 project; or (3) exclusively from the income and
667 revenues of certain designated projects, whether
668 or not they are financed in whole or in part from
669 the proceeds of such bonds. Any such bonds may be
670 additionally secured by a pledge of any grant or
671 contribution from a participating municipality,
672 the state or any political subdivision, agency or
673 instrumentality thereof, any federal agency or any
674 private corporation, copartnership, association or
675 individual, or a pledge of any income or revenues
676 of the authority, or a mortgage on any project or
677 other property of the authority. Whenever and for
678 so long as the municipalities have issued and have
679 outstanding bonds pursuant to sections 10 to 15,
680 inclusive, the municipalities shall fix, charge
681 and collect rates, rents, fees and other charges.
682 No person executing the bonds shall be liable
683 personally on the bonds by reason of the issuance
684 thereof. The bonds and other obligations of the
685 municipalities, and such bonds and obligations
686 shall so state on their face, shall not be a debt
687 of the state or any political subdivision thereof,
688 and no person other than the municipalities shall
689 be liable thereon, nor shall such bonds or
690 obligations be payable out of any funds or
691 properties other than those of a participating
692 municipality. Except to the extent and for the
693 purpose therein expressly provided by other laws,

694 such bonds shall not constitute an indebtedness
695 within the meaning of any statutory limitation on
696 the indebtedness of any participating
697 municipality. Bonds of participating
698 municipalities are declared to be issued for an
699 essential public and governmental purpose. In
700 anticipation of the sale of such revenue bonds the
701 municipalities may issue negotiable bond
702 anticipation notes and may renew the same from
703 time to time, but the maximum maturity of any such
704 note, including renewals thereof, shall not exceed
705 five years from the date of issue of the original
706 note. Such notes shall be paid from any revenues
707 of the municipalities available therefor and not
708 otherwise pledged, or from the proceeds of sale of
709 the revenue bonds of the municipalities in
710 anticipation of which they were issued. The notes
711 shall be issued in the same manner as the revenue
712 bonds. Such notes and the resolution or
713 resolutions authorizing the same may contain any
714 provisions, conditions or limitations which a bond
715 resolution of the municipalities may contain.

716 (b) Bonds of the municipalities may be issued
717 as serial bonds or as term bonds, or the
718 municipalities, in their discretion, may issue
719 bonds of both types. Bonds shall be authorized by
720 resolution of the members of the municipality and
721 shall bear such date or dates, mature at such time
722 or times, not exceeding fifty years from their
723 respective dates, bear interest at such rate or
724 rates, or have provisions for the manner of
725 determining such rate or rates, payable at such
726 time or times, be in such denominations, be in
727 such form, either coupon or registered, carry such
728 registration privileges, be executed in such
729 manner, be payable in lawful money of the United
730 States of America at such place or places, and be
731 subject to such terms of redemption, as such
732 resolution or resolutions may provide. The revenue
733 bonds or notes may be sold at public or private
734 sale for such price or prices as the
735 municipalities shall determine. Pending
736 preparation of the definitive bonds, the
737 municipalities may issue interim receipts or
738 certificates which shall be exchanged for such
739 definitive bonds.

740 (c) Any resolution or resolutions authorizing
741 any revenue bonds or any issue of revenue bonds

742 may contain provisions, which shall be a part of
743 the contract with the holders of the revenue bonds
744 to be authorized, as to: (1) Pledging all or any
745 part of the revenues of a project or any
746 revenue-producing contract or contracts made by
747 the municipalities with any individual,
748 partnership, corporation or association or other
749 body, public or private, to secure the payment of
750 the revenue bonds or of any particular issue of
751 revenue bonds, subject to such agreements with
752 bondholders as may then exist; (2) the rentals,
753 fees and other charges to be charged, and the
754 amounts to be raised in each year thereby, and the
755 use and disposition of the revenues; (3) the
756 setting aside of reserves or sinking funds or
757 other funds or accounts as the municipalities may
758 establish and the regulation and disposition
759 thereof, including requirements that any such
760 funds and accounts be held separate from or not be
761 commingled with other funds of the municipalities;
762 (4) limitations on the right of the authority or
763 its agent to restrict and regulate the use of the
764 project; (5) limitations on the purpose to which
765 the proceeds of sale of any issue of revenue bonds
766 then or thereafter to be issued may be applied and
767 pledging such proceeds to secure the payment of
768 the revenue bonds or any issue of the revenue
769 bonds; (6) limitations on the issuance of
770 additional bonds; the terms upon which additional
771 bonds may be issued and secured; the refunding of
772 outstanding bonds; (7) the procedure, if any, by
773 which the terms of any contract with bondholders
774 may be amended or abrogated, the amount of bonds
775 the holders of which must consent thereto, and the
776 manner in which such consent may be given; (8)
777 limitations on the amount of moneys derived from
778 the project to be expended for operating,
779 administrative or other expenses of the authority;
780 (9) defining the acts or omissions to act which
781 shall constitute a default in the duties of the
782 authority to holders of its obligations and
783 providing the rights and remedies of such holders
784 in the event of a default; (10) the mortgaging of
785 a project and the site thereof for the purpose of
786 securing the bondholders; and (11) provisions for
787 the execution of reimbursement agreements or
788 similar agreements in connection with credit
789 facilities including but not limited to, letters

790 of credit or policies of bond insurance,
791 remarketing agreements and agreements for the
792 purpose of moderating interest rate fluctuations.

793 (d) If any officer whose signature or a
794 facsimile of whose signature appears on any bonds
795 or coupons ceases to be such officer before
796 delivery of such bonds, such signature or such
797 facsimile shall nevertheless be valid and
798 sufficient for all purposes the same as if he had
799 remained in office until such delivery. All such
800 bonds shall be deemed to be negotiable instruments
801 under the provisions of the general statutes.

802 (e) Bonds may be issued without obtaining the
803 consent of any commission, board, bureau or agency
804 of the state or of any political subdivision, and
805 without any other proceedings or the happening of
806 other conditions or things than those proceedings,
807 conditions or things which are specifically
808 required by said sections.

809 (f) The municipalities shall have power out
810 of any funds available therefor to purchase its
811 bonds or notes. The municipalities may hold,
812 pledge, cancel or resell such bonds, subject to
813 and in accordance with agreements with
814 bondholders.

815 (g) The municipalities shall cause a copy of
816 any bond resolution adopted by it to be filed for
817 public inspection in its office and in the office
818 of the clerk of each participating municipality
819 and may thereupon cause to be published at least
820 once in a newspaper published or circulating in
821 each participating municipality a notice stating
822 the fact and date of such adoption and the places
823 where such bond resolution has been so filed for
824 public inspection and also the date of the first
825 publication of such notice and also stating that
826 any action or proceeding of any kind or nature in
827 any court questioning the validity or proper
828 authorization of bonds provided for by the bond
829 resolution, or the validity of any covenants,
830 agreements or contracts provided for by the bond
831 resolution, shall be commenced within twenty days
832 after the first publication of such notice. If any
833 such notice is published and if no action or
834 proceeding questioning the validity or proper
835 authorization of bonds provided for by the bond
836 resolution referred to in such notice, or the
837 validity of any covenants, agreements or contracts

838 provided for by the bond resolution is commenced
839 or instituted within twenty days after the first
840 publication of said notice, then all residents and
841 taxpayers and owners of property in each
842 participating municipality and all other persons
843 shall be forever barred and foreclosed from
844 instituting or commencing any action or proceeding
845 in any court, or from pleading any defense to any
846 action or proceeding, questioning the validity or
847 proper authorization of such bonds, or the
848 validity of such covenants, agreements or
849 contracts, and said bonds, covenants, agreements
850 and contracts shall be conclusively deemed to be
851 valid and binding obligations in accordance with
852 their terms and tenor.

853 Sec. 7. (NEW) In the discretion of the
854 municipalities any bonds issued under sections 6
855 to 11, inclusive, of this act may be secured by a
856 trust indenture by way of conveyance, deed of
857 trust or mortgage of any project or any other
858 property of the municipalities, whether or not
859 financed in whole or in part from the proceeds of
860 such bonds, or by a trust agreement by and between
861 the municipalities and a corporate trustee, which
862 may be any trust company or bank having the powers
863 of a trust company within or without the state or
864 by both such conveyance, deed of trust or mortgage
865 and indenture or trust agreement. Such trust
866 indenture or agreement may pledge or assign any or
867 all fees, rents and other charges to be received
868 or proceeds of any contract or contracts pledged,
869 and may convey or mortgage any property of the
870 authority. Such trust indenture or agreement may
871 contain such provisions for protecting and
872 enforcing the rights and remedies of the
873 bondholders as may be reasonable and proper and
874 not in violation of law, including particularly
875 such provisions as have hereinabove been
876 specifically authorized to be included in any
877 resolution or resolutions of the authority
878 authorizing the issue of bonds. Any bank or trust
879 company incorporated under the laws of the state
880 may act as depository of the proceeds of such
881 bonds or of revenues or other moneys and may
882 furnish such indemnifying bonds or pledge such
883 securities as may be required by the authority.
884 Such trust indenture may set forth the rights and
885 remedies of the bondholders and of the trustee,

886 and may restrict the individual right of action by
887 bondholders. In addition to the foregoing, such
888 trust indenture or agreement may contain such
889 other provisions as the municipalities may deem
890 reasonable and proper for the security of the
891 bondholders. All expenses incurred in carrying out
892 the provisions of such trust indenture or
893 agreement may be treated as a part of the cost of
894 a project.

895 Sec. 8. (NEW) Any holder of bonds, notes,
896 certificates or other evidences of borrowing
897 issued under the provisions of sections 6 to
898 11, inclusive, of this act or of any of the
899 coupons appertaining thereto, and the trustee
900 under any trust indenture or agreement, except to
901 the extent the rights herein given may be
902 restricted by such trust indenture or agreement,
903 may, either at law or in equity, by suit, action,
904 injunction, mandamus or other proceedings, protect
905 and enforce any and all rights under the
906 provisions of the general statutes or granted by
907 said sections or under such trust indenture or
908 agreement or the resolution authorizing the
909 issuance of such bonds, notes or certificates, and
910 may enforce and compel the performance of all
911 duties required by said sections or by such trust
912 indenture or agreement or resolution to be
913 performed by the municipalities or by any officer
914 or agent thereof, including the fixing, charging
915 and collection of fees, rents and other charges.

916 Sec. 9. (NEW) The exercise of the powers
917 granted by sections 6 to 11, inclusive, of this
918 act shall be in all respects for the benefit of
919 the inhabitants of the state, for the increase of
920 their commerce and for the promotion of their
921 safety, health, welfare, convenience and
922 prosperity, and as the operation and maintenance
923 of any project which the municipalities may
924 undertake constitute the performance of an
925 essential governmental function, no municipalities
926 shall be required to pay any taxes or assessments
927 upon any project acquired and constructed by it
928 under the provisions of said sections; and the
929 bonds, notes, certificates or other evidences of
930 debt issued under the provisions of said sections,
931 their transfer and the income therefrom, including
932 any profit made on the sale thereof, shall at all

933 times be free and exempt from taxation by the
934 state and by any political subdivision thereof.

935 Sec. 10. (NEW) Bonds issued by the
936 municipalities under the provisions of sections 6
937 to 11, inclusive, of this act shall be securities
938 in which all public officers and public bodies of
939 the state and its political subdivisions, all
940 insurance companies, trust companies, banking
941 associations, investment companies and executors,
942 administrators, trustees and other fiduciaries may
943 properly and legally invest funds, including
944 capital in their control or belonging to them.
945 Such bonds shall be securities which may properly
946 and legally be deposited with and received by any
947 state or municipal officer or any agency or
948 political subdivision of the state for any purpose
949 for which the deposit of bonds or obligations is
950 now or may hereafter be authorized by law.

951 Sec. 11. (NEW) For the purpose of aiding the
952 planning, undertaking, acquisition, construction
953 or operation of any project for which bonds have
954 been issued under sections 6 to 11, inclusive, of
955 this act, any participating municipality may,
956 pursuant to resolution adopted by its legislative
957 body in the manner provided for adoption of a
958 resolution authorizing bonds of such municipality
959 and with or without consideration and upon such
960 terms and conditions as may be agreed to by and
961 between the municipality and the authority,
962 unconditionally guarantee the punctual payment of
963 the principal of and interest on any bonds of the
964 municipalities and pledge the full faith and
965 credit of the municipality to the payment thereof.
966 Any guaranty of bonds of the municipalities made
967 pursuant to this section shall be evidenced by
968 endorsement thereof on such bonds, executed in the
969 name of the municipality and on its behalf by such
970 officer thereof as may be designated in the
971 resolution authorizing such guaranty, and such
972 municipality shall thereupon and thereafter be
973 obligated to pay the principal of and interest on
974 said bonds in the same manner and to the same
975 extent as in the case of bonds issued by it. As
976 part of the guarantee of the municipality for
977 payment of principal and interest on the bonds,
978 the municipality may pledge to and agree with the
979 owners of bonds issued under this chapter and with
980 those persons who may enter into contracts with

981 the municipality or the authority or any successor
982 agency pursuant to the provisions of this chapter
983 that it will not limit or alter the rights thereby
984 vested in the bondowners, the municipalities or
985 any contracting party until such bonds, together
986 with the interest thereon, are fully met and
987 discharged and such contracts are fully performed
988 on the part of the municipality, provided nothing
989 in this subsection shall preclude such limitation
990 or alteration if and when adequate provision shall
991 be made by law for the protection of the owners of
992 such bonds of the municipality or the authority or
993 those entering into such contracts with the
994 municipality. The municipalities are authorized to
995 include this pledge and undertaking for the
996 municipality in such bonds or contracts. To the
997 extent provided in such agreement or agreements,
998 the obligations of the municipality thereunder
999 shall be obligatory upon the municipality and the
1000 inhabitants and property thereof, and thereafter
1001 the municipality shall appropriate in each year
1002 during the term of such agreement, and there shall
1003 be available on or before the date when the same
1004 are payable, an amount of money which, together
1005 with other revenue available for such purpose,
1006 shall be sufficient to pay such principal and
1007 interest guaranteed by it and payable thereunder
1008 in that year, and there shall be included in the
1009 tax levy for each such year an amount which,
1010 together with other revenues available for such
1011 purpose, shall be sufficient to meet such
1012 appropriation. Any such agreement shall be valid,
1013 binding and enforceable against the municipality
1014 if approved by action of the legislative body of
1015 such municipality. Any such guaranty of bonds of
1016 an authority may be made, and any resolution
1017 authorizing such guaranty may be adopted,
1018 notwithstanding any statutory debt or other
1019 limitations, but the principal amount of bonds so
1020 guaranteed shall, after their issuance, be
1021 included in the gross debt of such municipality
1022 for the purpose of determining the indebtedness of
1023 such municipality under subsection (b) of section
1024 7-374 of the general statutes. The principal
1025 amount of bonds so guaranteed and included in
1026 gross debt shall be deducted and is declared to be
1027 and to constitute a deduction from such gross debt
1028 under and for all the purposes of said subsection

1029 (b) of section 7-374, (1) from and after the time
1030 of issuance of said bonds until the end of the
1031 fiscal year beginning next after the completion of
1032 acquisition and construction of the project to be
1033 financed from the proceeds of such bonds and (2)
1034 during any subsequent fiscal year if the revenues
1035 of the authority in the preceding fiscal year are
1036 sufficient to pay its expenses of operation and
1037 maintenance in such year and all amounts payable
1038 in such year on account of the principal and
1039 interest on all such guaranteed bonds, and all
1040 bonds of the municipalities issued under section
1041 10 of this act.

1042 Sec. 12. Section 15 of public act 86-350 is
1043 repealed and the following is substituted in lieu
1044 thereof:

1045 The [term] PAYMENT OBLIGATIONS of any
1046 contingency reserve loan agreement, or
1047 modification thereof, between the Municipal
1048 Liability Trust Fund Committee established
1049 pursuant to section 19 of public act 86-350, and
1050 an interlocal risk management agency, which
1051 agreement was made in accordance with public act
1052 86-350, shall be [extended for two years]
1053 RELEASED, notwithstanding the provision of any
1054 such agreement regarding repayment of such loan.

1055 Sec. 13. Section 8-187 of the general
1056 statutes is repealed and the following is
1057 substituted in lieu thereof:

1058 As used in this chapter, (1) "municipality"
1059 means a town, city, consolidated town and city or
1060 consolidated town and borough; (2) "legislative
1061 body" means (A) the board of selectmen in a town
1062 that does not have a charter, special act or home
1063 rule ordinance relating to its government or (B)
1064 the council, board of aldermen, representative
1065 town meeting, board of selectmen or other elected
1066 legislative body described in a charter, special
1067 act or home rule ordinance relating to government
1068 in a city, consolidated town and city,
1069 consolidated town and borough or a town having a
1070 charter, special act, consolidation ordinance or
1071 home rule ordinance relating to its government;
1072 (3) "development agency" means the agency
1073 designated by a municipality under section 8-188
1074 through which the municipality may exercise the
1075 powers granted under this chapter; (4)
1076 "development project" means a project conducted by

1077 a municipality for the assembly, improvement and
1078 disposition of land or buildings or both to be
1079 used principally for industrial or business
1080 purposes and includes vacated commercial plants;
1081 (5) "vacated commercial plants" means buildings
1082 formerly used principally for business or
1083 industrial purposes of which more than fifty per
1084 cent of the usable floor space is, or which it is
1085 anticipated, within eighteen months, shall be,
1086 unused or substantially underutilized; (6)
1087 "project area" means the area within which the
1088 development project is located; (7) "commissioner"
1089 means the Commissioner of Economic and Community
1090 Development; (8) "planning commission" means the
1091 planning and zoning commission designated pursuant
1092 to section 8-4a or the planning commission created
1093 pursuant to section 8-19; (9) "real property"
1094 means land, subterranean or subsurface rights,
1095 structures, any and all easements, air rights and
1096 franchises and every estate, right or interest
1097 therein; and (10) "business purpose" includes, but
1098 is not limited to, any commercial, financial or
1099 retail enterprise and includes any enterprise
1100 which promotes tourism AND ANY PROPERTY THAT
1101 PRODUCES INCOME.

1102 Sec. 14. Section 32-141 of the general
1103 statutes is repealed and the following is
1104 substituted in lieu thereof:

1105 (a) The total amount of private activity
1106 bonds which may be issued by state issuers in any
1107 calendar year, under the state ceiling in effect
1108 for such year, shall be allocated as follows: (1)
1109 Forty per cent to the Connecticut Housing Finance
1110 Authority; (2) thirty-two per cent to the
1111 Connecticut Development Authority; (3) eighteen
1112 per cent to municipalities and political
1113 subdivisions, departments, agencies, authorities
1114 and other bodies of municipalities; and (4) ten
1115 per cent for contingencies. Notwithstanding the
1116 provisions of this section to the contrary, for
1117 the calendar year commencing January 1, 1991, such
1118 bonds shall be allocated as follows: (A) Forty per
1119 cent to the Connecticut Housing Finance Authority;
1120 (B) seventeen per cent to the Connecticut
1121 Development Authority; (C) eighteen per cent to
1122 municipalities and political subdivisions,
1123 departments, agencies, authorities and other
1124 bodies of municipalities; (D) fifteen per cent to

1125 the Connecticut Higher Educational Supplemental
1126 Loan Authority; and (E) ten per cent for
1127 contingencies.

1128 (b) No municipality or political subdivision,
1129 department, agency, authority or other body of a
1130 municipality shall issue any private activity
1131 bonds, and no state issuer shall issue private
1132 activity bonds which are allocated under
1133 subsection (a) of this section for contingencies
1134 [, without first obtaining the approval of] UNLESS
1135 (1) THE PROJECT OR PROGRAM TO BE FINANCED IS
1136 CONSISTENT WITH THE STATE PLAN OF CONSERVATION AND
1137 DEVELOPMENT, THE CONSOLIDATED PLAN FOR HOUSING AND
1138 COMMUNITY DEVELOPMENT AND THE ACTION PLAN FOR
1139 HOUSING AND COMMUNITY DEVELOPMENT AND (2) the
1140 Secretary of the Office of Policy and Management
1141 APPROVES THE ISSUANCE. The secretary shall adopt
1142 regulations in accordance with chapter 54,
1143 establishing procedures and standards for the
1144 submission and review of applications for such
1145 approvals.

1146 (c) The secretary shall monitor the needs of
1147 all state issuers for private activity bonds and
1148 shall be responsible for ensuring that no private
1149 activity bonds are issued which exceed any
1150 allocation under subsection (a) of this section,
1151 except as provided under section 32-142.

1152 Sec. 15. This act shall take effect from its
1153 passage, except that section 14 shall take effect
1154 July 1, 1998, and sections 1 to 11, inclusive,
1155 shall take effect October 1, 1998.

1156 PD COMMITTEE VOTE: YEA 12 NAY 7 JFS C/R FIN
1157 FIN COMMITTEE VOTE: YEA 32 NAY 13 JF

* * * * *

"THE FOLLOWING FISCAL IMPACT STATEMENT AND BILL ANALYSIS ARE PREPARED FOR THE BENEFIT OF 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 HOUSE THEREOF FOR ANY PURPOSE."

* * * * *

FISCAL IMPACT STATEMENT - BILL NUMBER sHB 5483

STATE IMPACT	Revenue Loss, see explanation below
MUNICIPAL IMPACT	Potential Grand List Increase, see explanation below
STATE AGENCY(S)	Office of Policy and Management, Connecticut Development Authority (quasi-public)

EXPLANATION OF ESTIMATES:

STATE IMPACT: Section 12 of the bill will result in an \$8.6 million revenue loss to the General Fund in FY 1998-99, because it forgives repayment of a loan to the Connecticut Interlocal Risk Management Agency (CIRMA).

In 1987, the State of Connecticut provided an interest free loan of \$8.6 million for 10 years, to CIRMA. The loan was intended to provide a contingency reserve for the liability-automobile-property insurance pool. The term of the loan was extended by two years (until 1998-99) during the 1996 legislative session. The \$8.6 million loan repayment is currently included in the Other Revenue - Miscellaneous category of the FY 1998-99 General Fund revenue schedule.

Any increase in administrative costs to Connecticut Development Authority (CDA) due to its ability to issue bonds for municipalities, is expected to be offset through user fees. CDA already has statutory authority to impose user fees for the services it renders.

Any bonds issued by CDA to fund these projects will not

have an impact on General Fund debt service because the bonds are not obligations of the state.

MUNICIPAL IMPACT: The bill will result in a cost saving of \$8.6 million to municipalities that are members of CIRMA. The money would have been used to repay the loan to the state.

It may result in a future grand list increase if a municipality chooses to adopt its economic development provisions and is able to finance a successful project.

The administrative cost to municipalities for the various procedures, notification and filing requirements in the bill is expected to be minimal. Potential costs could be reduced if two or more municipalities jointly issue revenue bonds.

* * * * *

OLR BILL ANALYSIS

sHB 5483

AN ACT CONCERNING BONDING POWERS FOR LOCAL ECONOMIC DEVELOPMENT AND CONCERNING PRIVATE ACTIVITY BONDS

SUMMARY: This bill expands local options to finance development projects. It allows the Connecticut Development Authority (CDA) to issue bonds for these projects on behalf of towns if their legislative bodies approve. The bill adds another revenue source that can be used to repay the bonds CDA or the towns issued for these projects.

The bill allows towns jointly to issue bonds for any project or activity under the same conditions governing those issued by a public recreational facilities authority. The towns can issue these bonds if their legislative bodies approve.

The bill requires local projects and programs funded with private activity bonds issued by municipalities to be consistent with three state plans: the State Plan of Conservation and Development, the Consolidated Plan for Housing and Community Development, and the Action Plan for Housing and Community Development. The state must prepare the latter two plans to receive federal housing

funds. Projects and activities funded with private activity bonds issued by state agencies must already be consistent with these plans.

The bill releases an interlocal risk management agency from the payment obligations imposed under a loan agreement with the Municipal Liability Trust Fund Committee. It eliminates the current requirement extending the agreement's terms for two years.

EFFECTIVE DATE: Upon passage for the provisions governing the Municipal Liability Trust Fund, July 1, 1998 for the provisions governing private activity bonds, and October 1, 1998 for those governing municipal bonding.

FURTHER EXPLANATION

Municipal Development Projects

The bill allows CDA to issue bonds for specific redevelopment, municipal, and Manufacturing Assistance Act projects. The laws governing these projects allow towns to acquire, assemble, and improve land, and sell it to developers. The towns must first designate the areas they want to develop and adopt plans to do so. The laws specify the procedures towns must follow when acquiring properties and issuing bonds to finance the projects.

Under the bill, CDA can issue bonds for a project if the town's legislative body approves. CDA is not liable for these bonds but must issue them the same way it issues its own bonds. And it does not have to create a reserve fund for the project bonds it issues. Instead, the bill requires the town to back the CDA-issued bonds the same way it backs its own bonds.

The bill expands the extent to which the bonds issued by CDA or the towns for development projects can be paid through tax increment financing. Current law allows towns to repay bonds with the extra tax revenue generated by real property (i.e., land and building) designated in the project's development plan. The bill allows them and CDA to repay the bonds with the extra tax revenue generated by personal property, such as machinery and equipment, or a combination of real and personal property. It also makes several conforming

technical changes.

The bill expands the kinds of business projects that can be funded with bonds issued for municipal development projects. Current law allows these bonds to fund commercial, financial, retail, and tourism promotion projects. The bill allows them to fund any project that produces income, such as apartments.

Intertown Projects

The bill allows two or more towns jointly to issue revenue bonds for any project, which may include acquiring land and equipment. Towns must issue these bonds in the same manner as those issued by public recreational facilities authorities, which a town may establish by itself or jointly with another town. The bill also allows participating towns to issue general obligation bonds separately to support these projects.

The bill specifies the conditions and procedures under which the participating towns can issue bonds. It allows them to back the bonds with any municipal revenues or income and revenues generated by the project or other designated projects, regardless of whether the latter were funded with the bonds. The bill makes the bonds legal investments for government agencies, insurance companies, and other specified institutions and individuals.

The bill allows the towns to back the bonds by a trust of indenture by way of conveyance or a trust or mortgage deed of any project or property, including those that were funded by other sources. The bill specifies the terms and conditions these documents may contain. It allows bond holders and trustees to protect and enforce their rights under the law, the bond resolution, or the trust indenture or agreement.

The bill exempts the bonds from state and local taxes. It also exempts those projects the towns acquired and constructed from property taxes and other assessments.

BACKGROUND

Private Activity Bonds

Federal law allows states and municipal agencies to issue tax exempt bonds to finance projects and activities that primarily benefit private entities such as businesses building new plants and students seeking college loans. But it also caps the annual amount of bonds which may be issued in each state. Connecticut law apportions the cap among different state agencies and municipalities.

Interlocal Risk Management Agencies

The law allows public agencies, including towns and cities, jointly to form pools designed to insure themselves against workers' compensation claims and other public liability claims. The agencies can borrow funds from the Municipal Liability Trust Fund, which was established to provide municipal liability coverage, help towns exercise greater control over their losses, and enable municipal liability coverage operation.

COMMITTEE ACTION

Planning and Development Committee

Joint Favorable Substitute Change of Reference
Yea 12 Nay 7

Finance, Revenue and Bonding Committee

Joint Favorable Report
Yea 32 Nay 13