OFFICE OF FISCAL ANALYSIS

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sSB-103
AN ACT CONCERNING THE CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY AND THE CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 23 $	FY 24 $
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 using operating funds and allowing issuance for working capital along with "any use or purpose approved" by CHEFA. 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.[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 CHEFA for the newly-eligible projects.

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