



# Senate

General Assembly

**File No. 289**

January Session, 2021

Substitute Senate Bill No. 932

*Senate, April 6, 2021*

The Committee on Higher Education and Employment Advancement reported through SEN. SLAP of the 5th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

***AN ACT CONCERNING AN ALLIANCE DISTRICT TEACHER LOAN SUBSIDY PROGRAM.***

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

1 Section 1. (NEW) (*Effective July 1, 2021*) (a) The Connecticut Higher  
2 Education Supplemental Loan Authority shall establish, subject to  
3 available funding pursuant to section 2 of this act, an Alliance District  
4 Teacher Loan Subsidy Program for the purpose of subsidizing interest  
5 rates on authority loans, as defined in subdivision (3) of section 10a-223  
6 of the general statutes, to teachers who are employed in a district  
7 designated as an alliance district pursuant to section 10-262u of the  
8 general statutes and who meet the eligibility criteria as established by  
9 the authority and the Commissioner of Education.

10 (b) The authority shall enter into a memorandum of agreement with  
11 the Commissioner of Education to establish the eligibility criteria and  
12 administrative guidelines for the Alliance District Teacher Loan Subsidy  
13 Program. Such eligibility criteria and guidelines shall include, but need

14 not be limited to, (1) applicant eligibility, (2) interest rate subsidies and  
15 principal limits on authority loans subject to the Alliance District  
16 Teacher Loan Subsidy Program, (3) the process for verifying the  
17 employment of the applicants, and (4) the requirement that an interest  
18 rate subsidy through the Alliance District Teacher Loan Subsidy  
19 Program shall terminate for any subsidy recipient who ceases to meet  
20 the employment requirements of such program during the term of such  
21 recipient's loan from the authority.

22 Sec. 2. (NEW) (*Effective July 1, 2021*) The Connecticut Higher  
23 Education Supplemental Loan Authority shall maintain a separate,  
24 nonlapsing account to hold funds for the Alliance District Teacher Loan  
25 Subsidy Program established pursuant to section 1 of this act. The  
26 account shall contain any moneys required by law to be deposited in the  
27 account, including, but not limited to, state appropriations or proceeds  
28 from the sale of bonds authorized under section 3 of this act. Moneys in  
29 the account shall be (1) expended by the authority for the purposes of  
30 the Alliance District Teacher Loan Subsidy Program and for reasonable  
31 and necessary expenses for the administration of such program, and (2)  
32 held as a reserve by the authority to cover any losses incurred by the  
33 authority from issuing authority loans to refinance one or more eligible  
34 loans, as defined in section 10a-223 of the general statutes, for the  
35 purposes of the Alliance District Teacher Loan Subsidy Program.

36 Sec. 3. (NEW) (*Effective July 1, 2021*) (a) For the purposes described in  
37 subsection (b) of this section and section 1 of this act, the State Bond  
38 Commission shall have the power from time to time to authorize the  
39 issuance of bonds of the state in one or more series and in principal  
40 amounts not exceeding seven million dollars a year.

41 (b) The proceeds of the sale of such bonds, to the extent of the amount  
42 stated in subsection (a) of this section, shall be used by the Connecticut  
43 Higher Education Supplemental Loan Authority for the purpose of the  
44 Alliance District Teacher Loan Subsidy Program established under  
45 section 1 of this act.

46 (c) All provisions of section 3-20 of the general statutes, or the exercise

47 of any right or power granted thereby, that are not inconsistent with the  
 48 provisions of this section are hereby adopted and shall apply to all  
 49 bonds authorized by the State Bond Commission pursuant to this  
 50 section. Temporary notes in anticipation of the money to be derived  
 51 from the sale of any such bonds so authorized may be issued in  
 52 accordance with section 3-20 of the general statutes and from time to  
 53 time renewed. Such bonds shall mature at such time or times not  
 54 exceeding twenty years from their respective dates as may be provided  
 55 in or pursuant to the resolution or resolutions of the State Bond  
 56 Commission authorizing such bonds. None of such bonds shall be  
 57 authorized except upon a finding by the State Bond Commission that  
 58 there has been filed with it a request for such authorization that is signed  
 59 by or on behalf of the Secretary of the Office of Policy and Management  
 60 and states such terms and conditions as said commission, in its  
 61 discretion, may require. Such bonds issued pursuant to this section shall  
 62 be general obligations of the state and the full faith and credit of the state  
 63 of Connecticut are pledged for the payment of the principal of and  
 64 interest on such bonds as the same become due, and accordingly and as  
 65 part of the contract of the state with the holders of such bonds,  
 66 appropriation of all amounts necessary for punctual payment of such  
 67 principal and interest is hereby made, and the State Treasurer shall pay  
 68 such principal and interest as the same become due.

This act shall take effect as follows and shall amend the following sections:		
Section 1	July 1, 2021	New section
Sec. 2	July 1, 2021	New section
Sec. 3	July 1, 2021	New section

**HED**      *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the 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 chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

**OFA Fiscal Note**

**State Impact:**

Agency Affected	Fund-Effect	FY 22 \$	FY 23 \$
Treasurer, Debt Serv.	GF - Potential Cost	See Below	See Below

Note: GF=General Fund

**Municipal Impact:** None

**Explanation**

The bill authorizes \$7 million of General Obligation (GO) bonds each fiscal year starting in FY 22. To the extent the new bonds authorized are fully allocated and expended, there would be an increase in annual General Fund debt service costs until such bonds are fully repaid. At current market rates, total repayment costs over 20 years for \$7 million of GO bond authorizations are estimated to be approximately \$10 million.

The bill creates an annual new GO bond authorization, which would continue to add \$7 million of new bond authorizations each year until changed or repealed. Additional years of authorization past the initial year would increase the potential costs proportionately - for example, 10 years of authorizations would be \$70 million of bond authorizations at a total estimated debt service cost of \$100 million.

However, when portions of an authorization are specified to become effective in future years, the full authorization amount is typically known at the time of adoption. If considered a valid authorization, the total potential debt service cost is unknowable, given the lack of a finite amount or time frame of the bond authorization.

***The Out Years***

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation and the terms of any bonds issued.

**OLR Bill Analysis****sSB 932*****AN ACT CONCERNING AN ALLIANCE DISTRICT TEACHER LOAN SUBSIDY PROGRAM.*****SUMMARY**

This bill requires the Connecticut Higher Education Supplemental Loan Authority (CHESLA) to establish an Alliance District Teacher Loan Subsidy Program. This program must subsidize interest rates on CHESLA loans to teachers employed in alliance districts (see BACKGROUND), subject to available funding.

Under the bill, CHESLA must enter into a memorandum of agreement with the education commissioner to establish the program's eligibility criteria and administrative guidelines. The authority must also establish a separate, non-lapsing account to hold funds required by law to be deposited there, including state appropriations or bond sale proceeds.

The bill authorizes up to \$7 million per year in general obligation bonds and requires CHESLA to use the proceeds for the Alliance District Teacher Loan Subsidy Program. The bonds are subject to standard statutory bond issuance procedures and repayment requirements.

EFFECTIVE DATE: July 1, 2021

**PROGRAM ELIGIBILITY CRITERIA AND ADMINISTRATIVE GUIDELINES**

The bill requires the loan subsidy program eligibility criteria and guidelines to include at least the following:

1. applicant eligibility,
2. interest rate subsidies and principal limits on authority loans subject to the Alliance District Teacher Loan Subsidy Program,
3. the process for verifying applicants' employment, and

4. the requirement that an interest rate subsidy through the Alliance District Teacher Loan Subsidy Program terminate for a subsidy recipient who no longer meets the program's employment requirements during the loan's term.

## **PROGRAM ACCOUNT EXPENDITURES**

This bill requires CHESLA to spend funds in the program's account for purposes of subsidizing loans under the program. In addition, CHESLA must spend account funds to cover reasonable and necessary expenditures for the program's administration, as well as any losses from issuing authority loans to refinance one or more eligible loans for the purposes of the program. Under the bill, "eligible loans" are loans in repayment that are (1) CHESLA-issued or (2) issued by another private or governmental lender to finance college or university attendance.

## **BACKGROUND**

### ***Alliance Districts***

Alliance districts are the 30 school districts that have the lowest achievement, as rated by the state's accountability index, plus the three districts that were previously among the lowest 30 when the program started in FY 13 (CGS § 10-262u).

For FYs 18-22, the alliance districts are as follows: Ansonia, Bloomfield, Bridgeport, Bristol, Danbury, Derby, East Hartford, East Haven, East Windsor, Groton, Hamden, Hartford, Killingly, Manchester, Meriden, Middletown, Naugatuck, New Britain, New Haven, New London, Norwalk, Norwich, Putnam, Stamford, Thompson, Torrington, Vernon, Waterbury, West Haven, Winchester, Windham, Windsor, and Winsor Locks.

## **COMMITTEE ACTION**

Higher Education and Employment Advancement Committee

Joint Favorable Substitute

Yea 20 Nay 2 (03/18/2021)