



# Senate

General Assembly

**File No. 215**

February Session, 2024

Substitute Senate Bill No. 304

*Senate, April 3, 2024*

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 IMPLEMENTING THE RECOMMENDATIONS OF THE CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY.***

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

1 Section 1. (NEW) (*Effective July 1, 2024*) Any resident of the state  
2 otherwise qualifying for an authority loan, as defined in section 10a-223  
3 of the general statutes, shall not be disqualified for the authority loan by  
4 reason of being under the age of eighteen years and, for the purpose of  
5 applying for, receiving and repaying an authority loan, any such person  
6 shall be deemed to have the full legal capacity to act and shall have all  
7 the rights, powers, privileges and obligations of a person who is  
8 eighteen years of age or older, with respect to an authority loan.

9 Sec. 2. Subsection (b) of section 10a-232 of the general statutes is  
10 repealed and the following is substituted in lieu thereof (*Effective July 1,*  
11 *2024*):

12 (b) Notwithstanding the foregoing, (1) the constituent units of the

13 state system of higher education may participate in one or more  
14 education loan programs with the authority and may incur  
15 indebtedness pursuant to authority loans, and (2) the authority may  
16 create and establish one or more reserve funds to be known as special  
17 capital reserve funds and may [pay into] fund such special capital  
18 reserve funds with (A) any moneys appropriated and made available by  
19 the state for the purposes of such funds, (B) any proceeds of the sale of  
20 notes or bonds, to the extent provided in the resolution of the authority  
21 authorizing the issuance thereof, [and] (C) any other moneys [which]  
22 that may be made available to the authority for the purpose of such  
23 funds from any other source or sources, and (D) any surety policy or  
24 other similar instrument valued at par and payable or available to be  
25 drawn upon on or before any date by which debt service on the bonds  
26 secured thereby is required to be paid and issued by a financial  
27 institution that is rated "AA" or better by any nationally recognized  
28 statistical rating organization and approved by the State Treasurer. The  
29 [moneys] assets held in or credited to any special capital reserve fund  
30 established under this section, except as hereinafter provided, shall be  
31 used solely for the payment of the principal of notes and bonds of the  
32 authority secured by such capital reserve fund as the same become due,  
33 the purchase of such notes and bonds of the authority, the payment of  
34 interest on such notes and bonds of the authority or the payment of any  
35 redemption premium required to be paid when such bonds are  
36 redeemed prior to maturity or released by the authority; provided, the  
37 authority shall have power to [provide] require that moneys in any such  
38 fund shall not be withdrawn therefrom at any time in such amount as  
39 would reduce the amount of such funds to less than the maximum  
40 amount of principal and interest becoming due by reason of maturity or  
41 a required sinking fund installment in any succeeding calendar year on  
42 the bonds of the authority then outstanding and secured by such special  
43 capital reserve fund, or such lesser amount specified by the authority in  
44 its resolution authorizing the issuance of any such bonds, such amount  
45 being herein referred to as the "required minimum capital reserve",  
46 except for the purpose of paying such principal of, redemption  
47 premium and interest on such bonds of the authority secured by such

48 special capital reserve becoming due and for the payment of which  
49 other moneys of the authority are not available. The authority may  
50 provide that it shall not issue bonds at any time if the required minimum  
51 capital reserve on outstanding bonds secured by a special capital reserve  
52 fund and the bonds then to be issued and secured by a special capital  
53 reserve fund will exceed the amount of such special capital reserve fund  
54 at the time of issuance, unless the authority, at the time of the issuance  
55 of such bonds, shall deposit in such special capital reserve fund from the  
56 proceeds of the bonds so to be issued, or otherwise, an amount which,  
57 together with the amount then in such special capital reserve fund, will  
58 be not less than the required minimum capital reserve. The authority  
59 may, as part of the contract of the authority with the owners of such  
60 bonds, provide that on or before December first, annually, there is  
61 deemed to be appropriated from the state General Fund such sums, if  
62 any, as shall be certified by the chairman of the authority to the Secretary  
63 of the Office of Policy and Management and the Treasurer of the state,  
64 as necessary to restore each such special capital reserve fund to the  
65 amount equal to the required minimum capital reserve of such fund,  
66 and such amounts shall be allotted and paid to the authority. For the  
67 purpose of evaluation of any such special capital reserve fund,  
68 obligations acquired as an investment for any such fund shall be valued  
69 at amortized cost. Nothing contained in this section shall preclude the  
70 authority from establishing and creating other debt service reserve  
71 funds in connection with the issuance of bonds or notes of the authority.  
72 Subject to any agreement or agreements with owners of outstanding  
73 notes and bonds of the authority, any amount or amounts allotted and  
74 paid to the authority pursuant to this section shall be repaid to the state  
75 from moneys of the authority at such time as such moneys are not  
76 required for any other of its corporate purposes and in any event shall  
77 be repaid to the state on the date one year after all bonds and notes of  
78 the authority theretofore issued on the date or dates such amount or  
79 amounts are allotted and paid to the authority or thereafter issued,  
80 together with interest on such bonds and notes, with interest on any  
81 unpaid installments of interest and all costs and expenses in connection  
82 with any action or proceeding by or on behalf of the owners thereof, are

83 fully met and discharged. Notwithstanding any other provisions  
 84 contained in this chapter, the aggregate amount of bonds outstanding at  
 85 any time secured by such special capital reserve funds authorized to be  
 86 created and established by this section shall not exceed three hundred  
 87 million dollars and no such bonds shall be issued to pay program costs  
 88 unless the authority is of the opinion and determines that the revenues  
 89 to be derived from the program shall be sufficient [(1)] (i) to pay the  
 90 principal of and interest on the bonds issued to finance the program,  
 91 [(2)] (ii) to establish, increase and maintain any reserves deemed by the  
 92 authority to be advisable to secure the payment of the principal of and  
 93 interest on such bonds, [(3)] (iii) to pay the cost of maintaining and  
 94 servicing the program and keeping it properly insured, and [(4)] (iv) to  
 95 pay such other costs of the program as may be required.

This act shall take effect as follows and shall amend the following sections:		
Section 1	July 1, 2024	New section
Sec. 2	July 1, 2024	10a-232(b)

**Statement of Legislative Commissioners:**

In Section 1, "for the authority loan" was added after "disqualified", "such a loan" was changed to "an authority loan" and "of full age, with respect thereto" was changed to "who is eighteen years of age or older, with respect to an authority loan" for clarity.

**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.*

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**OFA Fiscal Note****State Impact:** None**Municipal Impact:** None**Explanation**

The bill, which makes procedural changes to the Connecticut Higher Education Supplemental Loan Authority (CHESLA), could expand student access to CHESLA loans, but is not anticipated to have a fiscal impact to the state.

**The Out Years****State Impact:** None**Municipal Impact:** None

**OLR Bill Analysis****sSB 304*****AN ACT IMPLEMENTING THE RECOMMENDATIONS OF THE CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY.*****SUMMARY**

This bill allows Connecticut residents who are not yet aged 18 to sign for a Connecticut Higher Education Supplemental Loan Authority (CHESLA) loan. They must be otherwise eligible for the loan, and the bill deems them to have full capacity to act on the loan with all the powers, privileges, and obligations of someone who is aged 18, including as it relates to applying, receiving, and repaying the loan. In practice, some people applying for college are under 18 when an education loan must be signed.

By law, CHESLA may create special capital reserve funds (SCRFs) to pay the interest and principal on bonds it issues. These SCRFs must be backed by money or certain other financial instruments. The bill allows CHESLA to also use a surety policy or other similar instrument, valued at par and payable on or before any date by which debt service is due, to fund SCRFs. The surety policy or other instrument must be issued by a financial institution with at least an "AA" rating by a nationally recognized statistical rating organization and approved by the treasurer. The bill makes minor, technical, and conforming changes, including specifying that notes are treated similarly to bonds.

EFFECTIVE DATE: July 1, 2024

**COMMITTEE ACTION**

Higher Education and Employment Advancement Committee

Joint Favorable Substitute

Yea 14 Nay 7 (03/14/2024)