

Section V. Capital

Changes to Debt Limit and Amount of Aggregate Indebtedness

Net indebtedness under PA 18-178, the bond act, is 89.33% of the debt limit, \$170 million below the 90% threshold.³ General Obligation (GO) bond authorizations for FY 19 are reduced by \$224 million on a net basis.

April Consensus

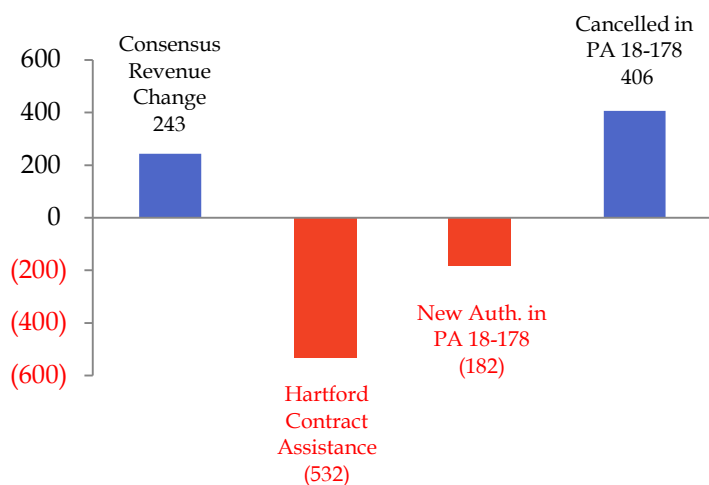
April Consensus increased net tax revenue estimates. Absent other changes, this upward revision provides approximately \$240 million of additional space under the 90% threshold pursuant to C.G.S. 3-21.

Hartford Assistance Agreement

In March 2018, the Municipal Accountability Review Board entered into a contract that assumed state repayment of approximately \$550 million of the city of Hartford’s debt. Under C.G.S. 3-21, debts repaid by the General Fund are counted under the debt limit. The Treasurer estimated that there would be almost \$532 million remaining of debt assumed under the Hartford contract assistance agreement to start FY 19.

The **statutory debt limit**, established in C.G.S. 3-21, caps the aggregate amount of indebtedness that is supported by the General Fund and is set based on net tax revenues times a constant figure (1.6). When aggregate indebtedness reaches 90% of the limit, the Governor must recommend cancellation or reduction of authorized bonds.

Figure 5.1 Impact on GO Bond Authorization Usable Space
In Millions of Dollars



CHANGES TO AUTHORIZATION LEVELS

Public Act 18-178, the 2018 bond act, authorizes an additional \$182 million in GO bonds. Programs with additional or new bond funding are shown in Table 5.1. The act also reduces authorizations by \$406 million. The two major reductions are:

School Construction

The FY 19 Original Budget authorized \$450 million of GO bonds FY 19 for school construction. PA 18-178 reduces this total by \$360 million, to \$90 million. The administration indicated the lower amount is expected to be sufficient to meet program cash flow needs through FY 19. While the state has

reimbursed an estimated \$8 billion for local school construction projects since 1997, there remains approximately \$3 billion worth of projects already approved that may be eligible for reimbursement in the future.

³ The debt certification calculation performed by the Office of the State Treasurer in May 2018 reflected the changes from PA 18-178 and the revised Finance, Revenue, and Bonding Committee Revenue Schedule, as well as other updates to aggregate indebtedness estimates for the start of FY 19.

Grants to Hospitals

The FY 19 Original Budget included authorization for \$100 million of GO bonds for grants to hospitals, in anticipation of an agreement with state hospitals. No such agreement was reached and this bond authorization is cancelled. Because the authorization was for \$20 million per year for five years starting in FY 18, only the \$40 million that otherwise would have been effective in FY 19 is reflected in the changes for FY 19.

All authorization changes, including revised FY 19 amounts, are detailed in Part IV Capital.

Table 5.1 New or Additional Bond Authorization in PA 18-178
In Millions of Dollars

Distressed Municipalities	5.5
Greenways/Recreational Trails	3.0
IT Capital Investment	20.0
School Security	10.0
Dredging	25.0
Bushnell Area Parking	16.0
Libraries	2.5
Urban Act	100.0
Total New/Additional	182.0
Reductions/Cancellations	(406.3)
Net GO Bond Authorization Change	(224.3)