



Senate

General Assembly

File No. 172

January Session, 2025

Substitute Senate Bill No. 1261

Senate, March 20, 2025

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 EXPANDING THE ALLIANCE DISTRICT EDUCATOR AND COUNSELOR LOAN SUBSIDY PROGRAM AND THE HIGH PRIORITY OCCUPATION LOAN SUBSIDY PROGRAM.

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

1 Section 1. Section 10a-247 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective July 1, 2025*):

3 (a) The Connecticut Higher Education Supplemental Loan Authority
4 shall establish, subject to available funding pursuant to section 10a-247a,
5 as amended by this act, an Alliance District [Educator and Counselor]
6 Loan Subsidy Program for the purpose of subsidizing interest rates on
7 authority loans, as defined in section 10a-223, to (1) teachers,
8 paraeducators and school counselors who are employed by a local or
9 regional board of education or a technical education and career school
10 in a school district designated as an alliance district pursuant to section
11 10-262u, and [who] meet the eligibility criteria [as] established [by the
12 authority and the Commissioner of Education] pursuant to subsection

13 (b) of this section, and (2) individuals who are employed in a high
14 priority occupation by a local or regional board of education or a
15 technical education and career school in a school district designated as
16 an alliance district pursuant to section 10-262u and meet eligibility
17 criteria established pursuant to subsection (c) of this section.

18 (b) The authority shall enter into a memorandum of agreement with
19 the Commissioner of Education to establish the eligibility criteria and
20 administrative guidelines for the Alliance District [Educator and
21 Counselor] Loan Subsidy Program for teachers, paraeducators and
22 school counselors. Such eligibility criteria and guidelines shall include,
23 but need not be limited to, (1) applicant eligibility, (2) interest rate
24 subsidies and principal limits on authority loans subject to the Alliance
25 District [Educator and Counselor] Loan Subsidy Program, (3) the
26 process for verifying the employment of applicants, and (4) the
27 requirement that an interest rate subsidy through the Alliance District
28 [Educator and Counselor] Loan Subsidy Program shall terminate for
29 any subsidy recipient who ceases to meet the employment requirements
30 of such program during the term of such recipient's loan from the
31 authority.

32 (c) The Department of Education shall consult with the authority to:
33 (1) Designate, as high priority occupations under the Alliance District
34 Loan Subsidy Program, occupations that (A) promote the health,
35 welfare or education of residents of municipalities with a school district
36 designated as an alliance district, (B) have a high demand for their
37 services, as determined by the department and the authority, and (C)
38 are experiencing or are projected to experience a workforce shortage
39 that may affect the level of services provided; (2) establish
40 administrative guidelines for the implementation and operation of the
41 program for individuals employed in a high priority occupation in a
42 municipality with a school district designated as an alliance district; and
43 (3) establish eligibility criteria for the program for such individuals,
44 which shall include, but need not be limited to, (A) applicant
45 requirements, including employment requirements, (B) interest rate
46 subsidies and principal limits on authority loans subject to the program,

47 (C) the process for verifying the employment of applicants, and (D) the
48 requirement that an interest rate subsidy through the program shall
49 terminate for any subsidy recipient who ceases to meet the employment
50 requirements of the program during the term of such recipient's
51 authority loan.

52 Sec. 2. Section 10a-247a of the general statutes is repealed and the
53 following is substituted in lieu thereof (*Effective July 1, 2025*):

54 The Connecticut Higher Education Supplemental Loan Authority
55 shall maintain a separate, nonlapsing account to hold funds for the
56 Alliance District [Educator and Counselor] Loan Subsidy Program
57 established pursuant to section 10a-247, as amended by this act. The
58 account shall contain any moneys required by law to be deposited in the
59 account, including, but not limited to, any state appropriation or the
60 proceeds from the sale of bonds issued for the purpose of section 10a-
61 247, as amended by this act. Moneys in the account shall be used (1) for
62 the purposes of the Alliance District [Educator and Counselor] Loan
63 Subsidy Program and for reasonable and necessary expenses for the
64 administration of such program, (2) for the issuance of authority loans
65 to refinance one or more eligible loans, and (3) to maintain a reserve held
66 by the authority to cover any losses incurred by the authority from the
67 issuance of such authority loans. For the purposes of this section,
68 "authority loans" and "eligible loans" have the same meaning as
69 provided in section 10a-223.

70 Sec. 3. Subsection (g) of section 13 of public act 21-111 is repealed and
71 the following is substituted in lieu thereof (*Effective July 1, 2025*):

72 (g) For the Connecticut Higher Education Supplemental Loan
73 Authority: For the Alliance District [Teacher] Loan Subsidy Program
74 established pursuant to section 10a-247 of the general statutes, as
75 amended by this act, and the High Priority Occupation Loan Subsidy
76 Program established pursuant to section 10a-247e of the general
77 statutes, not exceeding \$7,000,000.

78 Sec. 4. Subsection (b) of section 10a-232 of the general statutes is

79 repealed and the following is substituted in lieu thereof (*Effective July 1,*
80 *2025*):

81 (b) Notwithstanding the foregoing, (1) the constituent units of the
82 state system of higher education may participate in one or more
83 education loan programs with the authority and may incur
84 indebtedness pursuant to authority loans, and (2) the authority may
85 create and establish one or more reserve funds to be known as special
86 capital reserve funds and may fund such special capital reserve funds
87 with (A) any moneys appropriated and made available by the state for
88 the purposes of such funds, (B) any proceeds of the sale of notes or
89 bonds, to the extent provided in the resolution of the authority
90 authorizing the issuance thereof, (C) any other moneys that may be
91 made available to the authority for the purpose of such funds from any
92 other source or sources, and (D) any surety policy or other similar
93 instrument valued at par and payable or available to be drawn upon on
94 or before any date by which debt service on the bonds secured thereby
95 is required to be paid and issued by a financial institution that, at the
96 time of issuance of such surety policy or similar instrument, is rated
97 "AA" or better by any nationally recognized statistical rating
98 organization and approved by the State Treasurer. The assets held in or
99 credited to any special capital reserve fund established under this
100 section, except as hereinafter provided, shall be used solely for the
101 payment of the principal of notes and bonds of the authority secured by
102 such capital reserve fund as the same become due, the purchase of such
103 notes and bonds of the authority, the payment of interest on such notes
104 and bonds of the authority or the payment of any redemption premium
105 required to be paid when such bonds are redeemed prior to maturity or
106 released by the authority; provided, the authority shall have power to
107 require that moneys in any such fund shall not be withdrawn therefrom
108 at any time in such amount as would reduce the amount of such funds
109 to less than the maximum amount of principal and interest becoming
110 due by reason of maturity or a required sinking fund installment in any
111 succeeding calendar year on the bonds of the authority then outstanding
112 and secured by such special capital reserve fund, or such lesser amount
113 specified by the authority in its resolution authorizing the issuance of

114 any such bonds, such amount being herein referred to as the "required
115 minimum capital reserve", except for the purpose of paying such
116 principal of, redemption premium and interest on such bonds of the
117 authority secured by such special capital reserve becoming due and for
118 the payment of which other moneys of the authority are not available.
119 The authority may provide that it shall not issue bonds at any time if the
120 required minimum capital reserve on outstanding bonds secured by a
121 special capital reserve fund and the bonds then to be issued and secured
122 by a special capital reserve fund will exceed the amount of such special
123 capital reserve fund at the time of issuance, unless the authority, at the
124 time of the issuance of such bonds, shall deposit in such special capital
125 reserve fund from the proceeds of the bonds so to be issued, or
126 otherwise, an amount which, together with the amount then in such
127 special capital reserve fund, will be not less than the required minimum
128 capital reserve. The authority may, as part of the contract of the
129 authority with the owners of such bonds, provide that on or before
130 December first, annually, there is deemed to be appropriated from the
131 state General Fund such sums, if any, as shall be certified by the
132 chairman of the authority to the Secretary of the Office of Policy and
133 Management and the Treasurer of the state, as necessary to restore each
134 such special capital reserve fund to the amount equal to the required
135 minimum capital reserve of such fund, and such amounts shall be
136 allotted and paid to the authority. For the purpose of evaluation of any
137 such special capital reserve fund, obligations acquired as an investment
138 for any such fund shall be valued at amortized cost. Nothing contained
139 in this section shall preclude the authority from establishing and
140 creating other debt service reserve funds in connection with the issuance
141 of bonds or notes of the authority. Subject to any agreement or
142 agreements with owners of outstanding notes and bonds of the
143 authority, any amount or amounts allotted and paid to the authority
144 pursuant to this section shall be repaid to the state from moneys of the
145 authority at such time as such moneys are not required for any other of
146 its corporate purposes and in any event shall be repaid to the state on
147 the date one year after all bonds and notes of the authority theretofore
148 issued on the date or dates such amount or amounts are allotted and

149 paid to the authority or thereafter issued, together with interest on such
 150 bonds and notes, with interest on any unpaid installments of interest
 151 and all costs and expenses in connection with any action or proceeding
 152 by or on behalf of the owners thereof, are fully met and discharged.
 153 Notwithstanding any other provisions contained in this chapter, the
 154 aggregate amount of bonds outstanding at any time secured by such
 155 special capital reserve funds authorized to be created and established by
 156 this section shall not exceed three hundred million dollars and no such
 157 bonds shall be issued to pay program costs unless the authority is of the
 158 opinion and determines that the revenues to be derived from the
 159 program shall be sufficient (i) to pay the principal of and interest on the
 160 bonds issued to finance the program, (ii) to establish, increase and
 161 maintain any reserves deemed by the authority to be advisable to secure
 162 the payment of the principal of and interest on such bonds, (iii) to pay
 163 the cost of maintaining and servicing the program and keeping it
 164 properly insured, and (iv) to pay such other costs of the program as may
 165 be required.

This act shall take effect as follows and shall amend the following sections:

Section 1	July 1, 2025	10a-247
Sec. 2	July 1, 2025	10a-247a
Sec. 3	July 1, 2025	PA 21-111, Sec. 13(g)
Sec. 4	July 1, 2025	10a-232(b)

Statement of Legislative Commissioners:

In Section 1(a)(1), "by a local or regional board of education or a technical education and career school" was moved earlier in the sentence, and in Section 1(a)(2), "in a high priority occupation by a local or regional board of education or a technical education and career school" was moved earlier in the sentence 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.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 26 \$	FY 27 \$
Connecticut Higher Education Supplemental Loan Authority (CHESLA)	CHESLA - See Below	See Below	See Below

Note: CHESLA= Resources of CHESLA

Municipal Impact: None

Explanation

The bill makes changes to two programs administered by the Connecticut Higher Education Supplemental Loan Authority (CHESLA) that have no impact to the state. CHESLA is a quasi-public, self-supporting state agency.

The bill: (1) expands the types of occupations eligible to participate in the Alliance District Loan Subsidy Program; and (2) allows bonds already allocated to CHESLA for the Alliance District Loan Subsidy Program to also be used for the High Priority Occupation Loan Subsidy Program. It is anticipated that CHESLA has sufficient program resources to accommodate any increase in loan volume that occurs as a result of the bill.

The bill does not increase funding to CHESLA or establish any new funding sources for CHESLA or any programs it administers.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to the number of loans CHESLA awards.

OLR Bill Analysis**sSB 1261*****AN ACT EXPANDING THE ALLIANCE DISTRICT EDUCATOR AND COUNSELOR LOAN SUBSIDY PROGRAM AND THE HIGH PRIORITY OCCUPATION LOAN SUBSIDY PROGRAM.*****SUMMARY**

This bill expands eligibility to participate in the alliance district educator and counselor loan subsidy program and correspondingly renames it as the alliance district loan subsidy program. Under current law and practice, the Connecticut Higher Education Supplemental Loan Authority (CHESLA) operates this program, which provides subsidized interest rates on CHESLA loans that refinance the private student loans of teachers, paraeducators, and school counselors employed in an alliance district. The bill:

1. specifies that these school employees must be employed by a local or regional board of education or a technical education and career school and
2. expands the program to make it available to people who are employed in a high priority occupation by a local or regional board of education or a technical education and career school in an alliance district.

Additionally, the bill changes the purpose of a \$7 million bond authorization by (1) specifying it covers the expanded and renamed program and (2) extending the bonding to CHESLA's high priority occupation loan subsidy program (see BACKGROUND).

The bill also makes a change regarding the use of surety policies and other similar instruments to fund CHESLA's special capital reserve funds, which, by law, must be used to pay interest and principal on CHESLA's bonds. Currently, a policy or instrument must have at least

a “AA” rating to be used and the bill specifies that this rating is required at the time of the policy’s or instrument’s issuance.

Finally, the bill makes technical and conforming changes.

EFFECTIVE DATE: July 1, 2025

HIGH PRIORITY OCCUPATIONS AND PROGRAM RULES

The bill requires the state Department of Education (SDE) to consult with CHESLA to designate high priority occupations for purposes of the renamed alliance district loan subsidy program. It requires them to designate occupations that:

1. promote the health, welfare, or education of residents in the municipalities with alliance districts;
2. have high demand for their services as determined by SDE and CHESLA; and
3. have or are projected to have workforce shortages affecting the level of services provided.

The bill requires SDE and CHESLA to establish program guidelines and eligibility criteria, including provisions on application requirements, employment requirements and verification, interest rate subsidies, limits on principal, and termination of an interest rate subsidy if a recipient ceases to meet employment requirements during the term of a program loan.

BACKGROUND

Alliance Districts

As required by CGS § 10-262u, the education commissioner has designated 36 alliance districts for five years, beginning with FY 23. The current designation applies to (1) the 33 school districts with the lowest accountability index scores and (2) three previously designated districts that were no longer among the 33 with the lowest scores. The index is based on several student-centered measures, including statewide assessment results and high school graduation rates, among others.

High Priority Occupation Loan Subsidy Program

Under this program, CHESLA subsidizes interest rates on its loans that refinance eligible loans of people employed in a high priority occupation. CHESLA consults with the Office of Workforce Strategy to designate these occupations and develop program requirements (CGS § 10a-247e).

COMMITTEE ACTION

Higher Education and Employment Advancement Committee

Joint Favorable Substitute

Yea 18 Nay 0 (02/27/2025)