
OLR Bill Analysis

sSB 8

AN ACT SUPPORTING GRADUATE STUDENTS IN THE STATE.

SUMMARY

Starting July 1, 2026, this bill requires the Connecticut Higher Education Supplemental Loan Authority (CHESLA) to create, subject to available funding, a Supplemental Graduate Student Loan Program to provide loans to graduate students. It also:

1. authorizes \$30 million in state general obligation bonds for the program (\$10 million in FY 27 and \$20 million in FY 28);
2. carves out at least \$60 million from the state's private activity bond cap for CHESLA; and
3. increases, from \$300 million to \$750 million, the maximum amount of CHESLA's bonds backed by a special capital reserve fund (SCRF) that can be outstanding at any time.

EFFECTIVE DATE: July 1, 2026

SUPPLEMENTAL GRADUATE STUDENT LOAN PROGRAM

The bill makes Supplemental Graduate Student Loan Program loans available to students in or from the state who are in CHESLA-designated advanced academic or professional degree programs that require a bachelor's degree prior to enrollment. The bill requires CHESLA to adopt eligibility criteria and administrative guidelines for the new loan program under its board of directors' existing authority to adopt written procedures for CHESLA's loans.

The bill requires CHESLA to have a separate, nonlapsing program account to contain program funds, including appropriations and bond proceeds. The account must be used to issue loans and for the program's reasonable and necessary administrative expenses.

PRIVATE ACTIVITY BOND CAP

Generally, private activity bonds are bonds issued by quasi-public authorities (such as CHESLA) or municipalities that are not a state obligation because the quasi-public authority or municipality pays the bond's debt service out of a dedicated revenue stream. These bonds would normally be taxable except when they are used to finance projects that serve a significant public benefit, such as housing, economic development, student loans, and energy conservation. The federal government classifies a bond as private activity if more than 10% of its proceeds are used by a private party (such as a quasi-public authority) and more than 10% of the debt service is backed by private resources.

A federal formula caps each state's annual private activity bonding capacity and for 2026 Connecticut's cap is about \$498 million.

Current law allocates the state's cap as follows:

1. 60% for the Connecticut Housing Finance Authority;
2. 12.5% for Connecticut Innovations, Incorporated; and
3. 27.5% for CHESLA, municipalities, and the Connecticut Green Bank, and then for the Connecticut Student Loan Foundation and then for contingencies.

The bill requires allocating to CHESLA at least \$60 million out of the 27.5% portion of the cap that it shares with others.

By law, the State Bond Commission can change an allocation described above during a calendar year when it is in the state's best interest and the General Assembly is not in session (CGS § 32-142).

MAXIMUM AMOUNT OF CHESLA'S OUTSTANDING SCRF-BACKED BONDS

The law authorizes CHESLA to create SCRFs that contain assets (such as state appropriations, bond proceeds, and surety policies) that can be used to pay bondholders. The bill increases, from \$300 million to \$750 million, the maximum amount of CHESLA's bonds that are backed by a SCRF that may be outstanding at any time.

COMMITTEE ACTION

Higher Education and Employment Advancement Committee

Joint Favorable Substitute

Yea 18 Nay 0 (02/24/2026)