The Office Of State Treasurer
Denise L. Nappier
Statement

FOR IMMEDIATE RELEASE
October 21, 2017

Budget Advisory from State Treasurer Denise L. Nappier

HARTFORD, CT – There has been news of welcome progress at the General Assembly toward agreement on a biennial budget; however, we have yet to see the specifics of what that budget will include. As the legislature continues its deliberations, I must urge caution on four important issues that have been widely reported as remaining on the table:

1. The state may not have the cash to pay its bills if a cap on bond issuance is not accompanied by a similar cap on bond funded capital spending. Furthermore, the pipeline of capital projects already underway reduces the ability to achieve short-term savings. Thus, if the State spends more on capital projects than we can raise through bond sales, we would need to cover those project costs with the State's operating cash from its cash pool. This would drain cash resources, and could require external borrowing. Moreover, while my office is responsible for funding State obligations, we don't control expenditures. Therefore, any effective cap on bond funded capital expenditures should place the responsibility for enforcing the cap on the Governor, the Office of Policy and Management, and agencies making the expenditures.

2. We must fully fund the actuarially required contributions for the State's pension plans in order to maintain progress toward funding sufficiency. Even with the recent robust investment performance that may improve the funding status of our pension funds, we still have a considerable way to go. Let's not resort to gimmicks that slow our progress.

3. We must be sure to adhere to the bond covenant adopted in 2008 in conjunction with the sale of pension obligation bonds to boost the resources of the Teachers' Retirement Fund ("TRF"). Any language allowing the State's actuarially required contributions to be extended into the future could restrict our ability to carry out contractual obligations and result in a costly legal breach. Altering the required State contribution should not occur without formal legal analysis.

4. Any plan to deposit increased employee pension contributions by teachers into the General Fund instead of directly into the TRF could result in significant tax liability for teachers. It also could jeopardize the tax-exempt status of the entire TRF.

My staff and I stand ready to provide additional information on these, or other, issues as the General Assembly prepares detailed budget documents.

# # #

CONTACT: David Barrett, Director of Communications, (860) 702-3164
David.S.Barrett@Ct.Gov