

PA10-095

HB5535

Finance	420-421, 479-486, 657-659, 662-663	15
House	1014, 1116-1117	3
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**CONNECTICUT  
GENERAL ASSEMBLY  
HOUSE**

**PROCEEDINGS  
2010**

**VOL.53  
PART 4  
895– 1168**

Mr. Speaker, I rise to move items to today's Consent Calendar. The items are as follows: Calendar Number 130, Calendar Number 272, Calendar Number 317 and Calendar Number 348. We will be taking action on these later in today's session.

HB5215  
HB5535  
HB5376  
HB5281

Thank you, Mr. Speaker.

SPEAKER DONOVAN:

Thank you, madam.

Without objection, these items are placed on today's Consent Calendar.

Will the Clerk please call Calendar Number 330?

THE CLERK:

On page one, Calendar 330, Senate Joint Resolution Number 17, RESOLUTION CONFIRMING THE NOMINATION OF THE HONORABLE DAVID A. DEE OF AVON TO BE A MEMBER OF THE JUDICIAL REVIEW COUNCIL AS AN ALTERNATE FAMILY SUPPORT MAGISTRATE, favorable report of the Committee on Executive and Legislative Nominations.

SPEAKER DONOVAN:

I'd like to call on the Chair of Executive and Legislative Nominations, Representative Janowski.

REP. JANOWSKI (56th):

Thank you, Mr. Speaker.

ch/gdm/gbr  
HOUSE OF REPRESENTATIVES

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April 20, 2010

Technology.

SPEAKER DONOVAN:

Deputy Majority Leader Olson, you have the floor,  
madam.

REP. OLSON (46th):

Thank you, Mr. Speaker.

Mr. Speaker, we are about to vote on today's  
Consent Calendar. We are going to be voting on items  
that we moved previously to the Consent -- previously  
in today's session to the Consent Calendar. They are  
Calendar Numbers 130, 272, 317, 348 and 306.

HB5215 HB5635  
HB5376 HB5281  
HB5529

- Thank you, Mr. Speaker.

SPEAKER DONOVAN:

Question before us is on passage of the bills on  
today's Consent Calendar. Will you remark? Will you  
remark?

If not, staff and guests please come to the well  
of the House. Members take their seats. The machine  
will be open.

THE CLERK:

The House of Representatives is voting by roll  
call. Members to the chamber. The House is voting  
today's Consent Calendar by roll call. Members to the  
chamber.

SPEAKER DONOVAN:

Have all the members voted? Have all the members voted? Please check the role call board to make sure your vote has been properly cast.

If all the members have voted, the machine will be locked and the Clerk will please take a tally.

Would the Clerk please announce the tally?

THE CLERK:

On today's Consent Calendar.

Total Number voting	144
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Necessary for adoption	73
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Those voting Yea	144
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Those voting Nay	0
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Those absent and not voting	7
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SPEAKER DONOVAN:

Consent Calendar passes.

Will the Clerk please call Calendar 259?

THE CLERK:

On page 17, Calendar 259, Substitute for House Bill Number 5442, AN ACT CONCERNING ABSENTEE VOTING BY MEMBERS OF THE MILITARY AND BY CITIZENS LIVING ABROAD, favorable report of the Committee on Government Administration and Elections.

SPEAKER DONOVAN:

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**CONNECTICUT  
GENERAL ASSEMBLY  
SENATE**

**PROCEEDINGS  
2010**

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3251 - 3554**

THE CHAIR:

Seeing no objection, so ordered.

SENATOR LOONEY:

Thank you, Mr. President.

Mr. President, moving to calendar page 10,  
Calendar 449, House Bill Number 5495. Mr. President,  
I move to place that item on the consent calendar.

THE CHAIR:

Seeing no objection, so ordered.

SENATOR LOONEY:

Thank you, Mr. President. Mr. President, moving  
to calendar page 11, Calendar 451, Substitute for  
House Bill Number 5535. Mr. President, move to place  
this item on the consent calendar.

THE CHAIR:

Seeing no objection, so ordered.

SENATOR LOONEY:

Thank you, Mr. President.

Mr. President, moving to calendar page 12,  
Calendar 473, Substitute for House Bill Number 5059.  
Mr. President, move to place this item on the consent  
calendar.

THE CHAIR:

Seeing no objection, so ordered.

Bill 121; calendar page 7, Calendar 377, Substitute for House Bill 5291; Calendar page 8, Calendar 398, Substitute for Senate Bill 231; calendar page 9, Calendar 442, Substitute for House Bill 5141; calendar page 10, Calendar 449, House Bill 5495; calendar page 11, Calendar 451, Substitute for House Bill 5535; Calendar 465, Substitute for House Bill 44 -- 5448; calendar page 12, Calendar 466, Substitute for House Bill 5289; Calendar 473, Substitute for House Bill 5059; Calendar 476, Substitute for House Bill 5117; calendar page 13. Calendar 478, House Bill 5290; Calendar 481, Substitute for House Bill 5119; Calendar 482, Substitute for House Bill 5120; calendar page 15, Calendar 492, Substitute for House Bill 5446; Calendar 494, House Bill 5315; Calendar 504, Substitute for House Bill 5306; calendar page 20, Calendar 532, Substitute for House Bill 5033; calendar page 21, Calendar 534, Substitute for House Bill 5543; Calendar 539, Substitute for House Bill 5350; calendar page 25, Calendar 561, Substitute for House Bill 5419; calendar page 36, Calendar 374, Substitute for House Bill 5225; calendar page 37, Calendar 415, House Bill 5131; calendar page 38, Calendar 454, Substitute for House Bill 5526.

Mr. President, that completes the items placed on Consent Calendar Number 2.

THE CHAIR:

Please call for a roll call vote. The machine will be open.

THE CLERK:

The Senate is now voting by roll on the consent calendar. Will all Senators please return to the chamber. Senate is voting by roll on the consent calendar. Will all Senators please return to the chamber.

THE CHAIR:

Have all Senators voted? If all Senators have voted, please check your vote. The machine will be locked. The Clerk will call the tally.

THE CLERK:

Motion is adoption of Consent Calendar Number 2.

Total number voting

35

Necessary for Adoption 18

Those voting Yea 35

Those voting Nay 0

Those absent and not voting 1

THE CHAIR:

Consent calendar Number 2 passes.

Senator Looney.

SENATOR LOONEY:

Yes, thank you, Mr. President.

Mr. President, I would move that any items on the consent calendar requires additional action by the House of Representatives be immediately transmitted to that chamber.

THE CHAIR:

Without objection, so ordered, sir.

SENATOR LOONEY:

And also any other items acted upon today, not on the consent calendar requiring action by the House of Representatives. Also would move that those items be immediately transmitted.

THE CHAIR:

Seeing no objection, sir, so ordered.

SENATOR LOONEY:

Thank you, Mr. President.

Mr. President, I would yield to any members seeking recognition for announcements or points of personal privilege.

THE CHAIR:

At this time, I will entertain any points of

**JOINT  
STANDING  
COMMITTEE  
HEARINGS**

**FINANCE  
REVENUE  
AND BONDING  
PART 2  
280 – 559**

**2010**

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tmj/gbr FINANCE, REVENUE AND BONDING COMMITTEE  
March 22, 2010 10:00 A.M.

you, I'm going to comment briefly on a couple of other bills, three or four bills also on today's agenda then Deputy Secretary Cicchetti will comment on a number of bills on the agenda. And then we'll both be available to talk about the securitization bill before you, if that's okay.

SENATOR DAILY: That's fine, thank you.

DEPUTY TREASURER HOWARD RIFKIN: So very quickly, I want to comment on a number of bills on your agenda specifically. First, Senate Bill 443, AN ACT CONCERNING THE CANCELLATION OF UNISSUED BOND FUND AUTHORIZATIONS.

This would, in fact, represent about 9.2 million of unspent fund proceeds that would be eligible to go to the General Fund, the General Fund Revenue. Once this bill is passed and the Bond Commission acts on it. There's a small amount of 181,000 that would be transferred to the University of Connecticut under self liquidating funds. And these acts go back to the 1970s for the most part. We've done significant amounts of due diligence to ensure that these are able to be essentially scooped up.

SB27 HB5535

The second bill is AN ACT CONCERNING COLLATERAL FOR SECURITIES LENDING BY THE STATE TREASURER, Senate Bill 431. This was before you last year. We've come back with a modified proposal that would allow us to use as collateral in securities lending transactions highly rated debt of G10 countries to serve as collateral. This would allow us to, under our current securities lending program, to also loan out where appropriate the -- our interest in securities of non-domestic companies. This would represent about two million dollars a

year additional revenue to the state pension funds. And we urge your consideration, favorable consideration of that bill.

The next one is Senate Bill 27, AN ACT LIMITING STATE BOND AUTHORIZATIONS. Just for the record, I have submitted more detailed written testimony on this bill and some substitute language, which we think will clarify the intent and make sure that the process of sunseting bond authorizations is done consistent with principles of the process of our issuance of bonds.

Finally, House Bill 5535, which is AN ACT CONCERNING A MONTHLY REPORT FROM THE STATE TREASURER REGARDING THE STATE'S CASH BALANCE. Just for the record, the Treasurer does not have a problem with this bill at all. There is some concern about subsection 4 of the bill and because of what it asks us to submit and how we actually track the common cash pool. There's money that comes in and out on a daily basis. We think that what is implied in subsection 4 is probably too narrow. We have also -- I have attached this part of my written testimony, substitute language that we think will make the bill work and I ask for consideration of that.

Those are the other bills that I have to comment on. I'll turn it over to Secretary Cicchetti and then we'll come back and talk about securitization.

DEPUTY SECRETARY MICHAEL CICHETTI: Thank you, Howard. Representative Staples, Senator Daily, Representative Candelora, members of the committee, for the record, my name is Michael Cicchetti, Deputy Secretary of the Office of Policy and Management. I wanted to comment on a couple of bills, two of which are the

SB 25 SB 27  
SB 431 SB 443  
SB 477 SB 478  
SB 484 SB 485  
HB 5528 HB 5529  
HB 5534

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COMMITTEE

March 22, 2010  
10:00 A.M.

REP. MINER: Thank you, Good morning, Senator -

SENATOR DAILY: You've been well replaced, but we do miss you.

REP. MINER: Does this cut into my three minutes?

SENATOR DAILY: Yes. Thank you very much for your testimony. We'll be happy to read your comments.

REP. MINER: Unbelievable. Do I get another minute?

Good morning, Senator Daily, Representative Staples, Senator Roraback and Representative Candelora, members of the Finance, Revenue and Bonding Committee. I want to thank you first of all for the razing, and second of all, for raising House Bill 5087 and House Bill 5535.

I think if you had a chance to take a look at them, which I'm sure you have, House Bill 5087 proposed to move the point at which a fiscal note is drafted to a point much earlier in the process than it currently exists. It occurred to me that what goes on right now is the committee of cognizance votes to draft a bill, votes to raise a bill, votes to pass a bill out of committee and if it's sent to the floor by either chamber, it then garners a fiscal note. And quite often that information I think would be helpful to the beginning committee rather than any other committee of cognizance later on in the process.

In addition it requires information about how many private -- public sector jobs would be created as a part of that piece of legislation. I think you all know that about 43 percent of the current budget is proposed to come from

both business tax and income tax. And as we start to look into the future and know that our federal funding and other pass through pieces of revenue are going to diminish, it would be important for us to know where we should be trying to grow jobs and how we should be trying to grow them rather than having an impact -- a negative impact on them.

5535 deals with reporting from the Treasurer's Office on cash -- our common cash pool. And I think you all know that we don't fund the bills of the state of Connecticut out of different pots of money, we fund them out of one big pot of, in some cases, cash that's generated from income tax, sales tax, other revenues like that that I would call more localized revenue. And in the other case, federal pass through dollars such as the ARRA funds, and then thirdly from bond proceeds.

The Treasurer was here this morning talking about some of those bond proceeds. And what many of us have been trying to figure out is what percentage of our common cash pool is made up of good old fashioned cash raised through the tax policy of the state of Connecticut versus those other forms of revenue, which are in many cases, unsustainable. No one is predicting that the federal stimulus money is going to go on forever. So we need to look at what portion of our current bills are being paid for with those dollars and try to figure out how we're going to get through 2011, 2012, 2013 and ongoing.

My understanding is that there are a number of pieces in the later section, which were drafted in an effort to try and provide a little more detail so that we would know how much cash is coming in, how much cash is going out. What

percentage of those dollars are made up from what funding source and so on. I understand from the testimony this morning that Section 4 might be a little more problematic because of some of the sizes of federal dollars and the intricacies with which they come in.

But I would hope that the committee would work with the Treasurer's Office to try and perhaps rewrite that section in a way that allows us to keep the sanctity, let's say, of that portion so that we know where those dollars come from. I think it would be important for this committee and others.

Frankly as a member of the Appropriations Committee, I struggle almost every day with members who are trying diligently to fund programs that are important to them and their constituents. And I certainly mean no disrespect in saying that we're focusing on dollar values that are in the thousands when our problems are in the millions. And I think if we had a level of detail on our cash projections where we could look out six months, eight months and know that we're in trouble, I think we probably would recognize that we're in a lot of trouble already. And it may have eluded many of us, not because we don't care, but because we don't get the information provided. So that aspect of that bill that allows it go to both Appropriations, Finance and then the other members would be helpful. Thank you.

SENATOR DAILY: Thank you very much, Craig. Are there questions of Representative Miner? Representative Candelora.

REP. CANDELORA: Thank you, Madam Chair and thank you for coming today to testify on both of

these bills. As we've had discussions, this area is I think particularly of interest to me and I think other members of the committee. And I think what it sort of points to is I guess, trying to -- in understanding the cash flow, trying to also understand some of the short term borrowing that does go on in the Treasurer's office.

And I was wondering if you could just answer for me, maybe, of -- or speak to that issue of the short term cash borrowing that Connecticut has engaged in, in particular. I know in the Appropriations Committee you've had some discussions about the debt service and at what level we are going to be funding that debt service.

REP. MINER: Well, it's my understanding that the budget that we're currently operating under has appropriations for both this year and next year for what I think we would generally refer to as capital projects, projects that have gone through bond authorization and then other lines of credit, commercial lines of credit and so on. So we've built our debt service to accommodate all those different types of borrowing. And if I understand it correctly, I think currently this year we have about a two million dollar authorization just to establish lines of credit.

So if the Governor deemed or the Treasurer deemed that we needed cash to pay the electric bill, theoretically, they could exercise those lines of credit. We've already paid up front, the points, I believe, necessary to have those dollars. I think it's about 580 million dollars available to us. And that would be triggered, I think, it's within a couple of days so that we could have ready cash to do

that.

Because of our common cash pool now, it may not be necessary for us to borrow money that way. We may actually get a better rate borrowing it on a capital projects need and then work out of the float, but I think what it's allowed is for us to operate with less of a sense of urgency.

People always talk about California, for instance, and they say, "Well, at least we're not like California." I suspect the reason we're not like California is because most of us aren't acutely aware of the fact that our common cash pool is made up of a much larger percentage of borrowed money now than it ever was. And so if you continue to pay your bills with borrowed cash, yet don't run out of money, the illusion is that we're still all right.

REP. CANDELORA: And so you make reference to the lines of credit and you know, the commercial paper. So as I understand this we have short term borrowing that we've done for cash flow purposes. So that borrowing is separate from say, the billion dollars in ERNs that we've issued and the securitization that we're looking at doing in the amount of 1.3 billion.

On top of those two issues, what I hear you're saying is that we also have short term borrowing. As you said, like the line of credit, we have 580 million dollars and the Treasurer's Office has taken out in a line of credit. And I'm just wondering what other mechanism -- if we don't have this bill, what would be the mechanism for the Legislature to know about these things, because -- you know, is there an authorization process that we need to put a stamp on in order for these things to happen?

REP. MINER: Well, my understanding is that the Treasurer's Office can function within certain parameters in and of the office itself. And then beyond that there's an authorization required out of the Governor's office.

So that the Governor last year, I believe, signed a letter authorizing the Treasurer to borrow money on a short term basis for emergency cash. And so that allows the Treasurer to go into the marketplace, not for purposes of cash to pay capital needs, but for purposes of cash to pay payroll, electric bills, send the check to municipalities as it's required, recognizing that there probably is going to come a time where we haven't dealt with the deficit in a sufficient way to keep our expenditures in line with our revenues. So my understanding is that that authorization is in place and my understanding is that we have budgeted up front for the potential of if that circumstance were to occur.

REP. CANDELORA: And aside from the line of credit, do we know what amount of commercial paper for short term borrowing that the Treasurer is seeking?

REP. MINER: I don't know the answer to that question. I suspect that that information might be available somewhere. Again, this isn't -- this seems to me to be an area of the state government that a lot of people don't have an interest in and don't like to talk about because it's not glitzy. It's not like doing something nice for the environment. It's really the mundane dollars and cents part of government.

And so you almost have to get into a rather

long exchange of emails or hard paper correspondence with the Treasurer's office or OPM or OFA and some combination thereof to try and get a lot of these questions answered. But I think to the extent we can make more information available on the front end to committee members on both the Finance and Appropriations Committees, I think the picture will become clearer to a lot of people.

REP. CANDELORA: Thank you. I appreciate your testimony. I think we all understand it is within the Treasurer's purview to manage our cash, but it makes sense that we would need to know these things. Especially going through the next budget years of where our cash flow is so that the policy decisions that we make today, like just having this debate on the securitization piece and what lines that we're going to be looking to securitize, that we would have the big picture in front of us so when we make those policy decisions, we have the full picture.

REP. MINER: I was actually kind of fascinated to listen to that discussion while I was waiting. And it didn't occur to me prior to today that part of this securitization of the energy fund was actually part of a tax bill that would have gone away or would go away on people's electric bill. We secure -- well, we didn't securitize -- we actually had electric bills created in such a way that paid for the stranded costs of power companies back when we made that more competitive process, deregulated it.

And I've been here long enough now to actually have the possibility of seeing that sunset, no pun intended. The likelihood sounds like we may securitize those dollars and people will pay it on their electric bill not knowing that

it's no longer being used to pay for what was stranded in that electricity decision. So if you're not in the right place at the right time around here, generally, you don't get the information. And I think any way that we can provide it in a broader spectrum to more people, the better off we'll be.

SENATOR DAILY: Martin Mador followed by Doug Cahill, John Rote and Mayor Melody Currey.

MARTIN MADOR: Good afternoon, Senator Daily, Representative Staples, members of the committee. I'm Martin Mador. I'm the volunteer legislative chair for the Sierra Club, Connecticut chapter. I hold a master's of environmental management from Yale School of Forestry and Environmental Studies.

I want to spend the first of my three minutes talking about the securitization of the energy funds. I endorse everything that Jeff Gaudiosi said to you originally. Taking these funds away from the energy programs is simply a bad idea. We thought this was off the table. We were a little bit surprised to see it come back.

SB484

In my testimony I list nine very cogent reasons why we do not want to do this and instead of reading that, I'm going to ask that you read my testimony, and of course, listen to a number of other witnesses who, as Senator Daily pointed out, will be talking on this.

Now, for the next two minutes, I'd like to talk about 5534, AN ACT ESTABLISHING A REVENUE ACCOUNTABILITY COMMISSION, and here I'm speaking for myself. It will certainly require Herculean efforts in the coming year to address both the current 500 million dollar deficit and

**JOINT  
STANDING  
COMMITTEE  
HEARINGS**

**FINANCE  
REVENUE  
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PART 3  
560 – 837**

**2010**



## Testimony of Howard G. Rifkin

### Deputy Treasurer of the State of Connecticut

SUBMITTED TO THE FINANCE, REVENUE AND BONDING COMMITTEE

MARCH 22, 2010

Senator Daily, Representative Staples, and members of the Finance, Revenue and Bonding Committee, thank you for the opportunity to appear before you today. There are five bills on the agenda for today's public hearing for which we offer our comments: two bills were submitted by the Treasurer; another has been offered by the Governor; and the remaining two were raised by this Committee.

First, the good news. Both bills submitted by the Treasury would generate revenues. The first is Senate Bill 443, An Act Concerning the Cancellation of Unissued Bond Fund Authorizations. This bill, if enacted, would cancel unissued authorizations from certain inactive bond funds and, with the approval of the State Bond Commission, allow the remaining cash balances in these bond funds to be transferred to the General Fund in accordance with section 3-21(b) of the general statutes. Passage of this legislation would release over \$9.22 million of unspent bond proceeds to the State's General Fund, and approximately \$181,000 that could be transferred to university self-liquidating funds. If the required action is taken by both the Legislature and the Bond Commission before June 2010, the proceeds could be credited to the General Fund for the 2010 fiscal year.

The second bill offered by the Treasury is Senate Bill 431, An Act Concerning Collateral for Securities Lending by the State Treasurer. This proposal would amend current statute to expand the category of collateral that may serve as consideration for the lending of securities from combined investment funds established pursuant to section 3-31b. Passage of this legislation would enable the Treasury to generate investment income of approximately \$2 million annually, depending on market conditions. By way of background, existing law limits the types of collateral that may serve as consideration for repurchase agreements and securities lending to cash or securities guaranteed by U.S. government or any U.S. agency. Since the statute was enacted in the 1970's, the economy has grown considerably more global, and the pension fund would benefit from being able to lend its international securities. In order to fully accomplish that, we seek legislative change that would add to the categories of collateral, and allow for highly rated debt of G10 countries to serve as collateral. In this way, we believe that investment income to the pension fund would be maximized without materially increasing risk, particularly given that the external firm managing the securities lending program fully indemnifies the State against any potential losses that may arise from lending securities. With respect to repurchase agreements, the securities would be collateralized in excess of 100 percent.

Turning to the other bills on today's agenda, you have before you a submittal from Governor Rell, Senate Bill 27, An Act Limiting State Bond Authorizations. The bill, as we understand it, endeavors to do two things: the first is to sunset legislative bond authorizations that have not received any allocation from the State Bond Commission in five years; the second is a requirement that the debt limit be calculated on the basis of consensus revenue estimates or the revenue estimates adopted annually by the Finance, Revenue & Bonding Committee, whichever is more recent.

We believe the first provision may inadvertently create more problems than it seeks to address. Specifically, it must be very clear what is meant by "any specific item of authorization," given that existing bond authorizations take several different forms. For example, there are programmatic

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bond authorizations such as those for school construction. It is likely intended that such programmatic bond authorizations be outside the sun setting provision -- one could say that these are not "specific items," or one could say that the program is a specific item of authorization that has received an allocation and therefore will not sunset. However, one could also interpret each increase in the programmatic amount as a new specific item with a five year provision, and need to track whether an allocation against the increased amount has been made. It is also possible to interpret this as meaning that each school project is a specific item of authorization.

Given this ambiguity, we respectfully suggest alternative language that would require OPM to prepare an annual report of authorizations that will sunset before the beginning of the next regular legislative session. In order to identify what "specific items of authorization" will sunset absent legislative action, we suggest that OPM submit a report to the co-chairs of Finance, Revenue and Bonding at the beginning of each regular legislative session that identifies those specific items which OPM believes have expired or will expire absent legislative action in that session, and that this report be conclusive. This will provide definitive guidance to the Treasurer's Office (for bonding purposes), bond counsel, and the General Assembly as to the items that, absent action, will have expired. We have offered proposed language for your consideration, as well as to OPM, and have included it with this testimony.

As for the second objective of the bill, it would require calculation of the debt limit on the basis of consensus revenues issued three times in a given year, rather than revenues adopted by the Finance, Revenue and Bonding Committee. Thus, the debt limit could go up or down in the course of a fiscal year. The problems presented by this potential fluctuation are two-fold.

- The debt limit could preclude issuing bonds to fund capital expenditures already made. Once the Bond Commission has allocated bond funds, the State is authorized to incur expenditures. In most cases, these expenditures are funded on an interim basis from the State's common cash, and the relevant accounts develop negative balances. Periodically, the State issues bonds to fund these expenditures; bond proceeds increase the State's common cash and the "red balances" in the relevant accounts are brought back to zero. (This mechanism simplifies recordkeeping for Federal tax purposes, among other things.) Since the debt limit is tested when bonds are issued, not when the capital expenditures are made, if the debt limit is reduced it could prevent issuing bonds to fund capital expenditures already made.
- The debt limit could preclude completing a project partially funded. The State issues bonds periodically in the course of the year, as market conditions and cash needs indicate, and thus a capital project may be bonded in stages. If the debt limit is reduced in the course of a year, it may be impossible to fully fund a project.

Turning to other proposals raised by this Committee, I'd like to offer a brief comment on House Bill 5535, An Act Concerning a Monthly Report from the State Treasurer Regarding the State's Cash Balance. As a threshold matter, we frequently and gladly share weekly reports of the State's cash balance, and would not object to formally codifying this practice. One provision of this bill, however, is unclear and may, based on our interpretation, be difficult to implement.

Specifically, the bill calls for a report to include "the amounts in the common cash fund, with all components and the amounts thereof separately listed." A challenge arises because the common cash pool includes revenue sources that have daily inflows and outflows, such as funds received under the American Recovery and Reinvestment Act of 2009 ("ARRA"). ARRA funds are revenue sources for, and are credited to, the balances of individual funds (such as the General Fund and the

Transportation Fund). Moreover, most ARRA funds are received as reimbursements for state expenditures, and arrive after the disbursement by the state on ARRA-funded projects or programs (generally, federal reimbursement draw downs are timed so that they are received via electronic transfer in state bank accounts when disbursements, on average, clear state bank accounts). Thus, there is not a separate, traceable ARRA cash balance. As such, we would respectfully recommend deleting subsection (4) of the bill for this reason or, alternatively, substituting language that we have proposed and attached.

With respect to Senate Bill 484, *An Act Concerning the Governor's Revenue Plan*, the Treasury and OPM have previously submitted a detailed plan identifying a number of potential options to securitize or finance a \$1.3 billion revenue shortfall for Fiscal Year 2011.

The State Treasurer's Office stands ready to work with you and provide whatever additional assistance and information you may need in arriving at a decision on this question.

PROPOSED SUBSTITUTE LANGUAGE FOR H.B. 5535AAC A MONTHLY REPORT FROM THE STATE TREASURER  
REGARDING THE STATE'S CASH BALANCE

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(Treasurer's proposed substitute language is double-underlined below.)

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

Section 1. Section 3-37 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2010*):

(a) The Treasurer shall, annually, on or before December thirty-first, submit a final audited report to the Governor and a copy of such report to the Investment Advisory Council, which shall include the following information concerning the activities of the office of the State Treasurer for the immediately preceding fiscal year ending June thirtieth: (1) Complete financial statements and accompanying footnotes for the combined investment funds prepared in accordance with generally accepted accounting principles, which financial statements shall be audited in accordance with generally accepted auditing standards and supplementary schedules depicting the interests of the component retirement plans and trust funds; (2) complete financial statements and accompanying footnotes for the Short Term Investment Fund prepared in accordance with generally accepted accounting principles and supplementary schedules listing all assets held by the Short Term Investment Fund; (3) a discussion and review of the performance of the combined investment funds and Short Term Investment Fund for such fiscal year in accordance with recognized and appropriate performance presentation and disclosure, including an analysis of the return earned by the portfolio and each combined investment fund as well as the risk profile of the portfolio and each combined investment fund according to investment industry standards; (4) the activities and transactions in such reasonable detail as is appropriate of the cash management division including information on the state's cash receipts and disbursements for the fiscal year, and the debt management division including the financial statements of the tax-exempt proceeds fund prepared in accordance with generally accepted accounting principles; (5) financial statements and accompanying footnotes as well as a summary of operating results for the Second Injury Fund for such fiscal year; (6) a financial summary and report on the activities of the state's unclaimed property program for such fiscal year; (7) a listing of the companies from which state funds were divested based upon such companies' business in Sudan, pursuant to the provisions of section 3-21e, and any companies identified by the Treasurer as companies from which investment of state funds has been declared impermissible by the Treasurer, pursuant to the provisions of section 3-21e; and (8) such other information as the Treasurer deems of interest to the public.

(b) Commencing October 1, 2010, and monthly thereafter, the Treasurer shall submit a report to the chairpersons and ranking members of the joint standing committees of the General Assembly having cognizance of matters relating to finance, revenue and bonding and appropriations and the budgets of state agencies, and to the legislative Office of Fiscal Analysis. Such report shall include the following information for the month two months prior to the month in which the report is submitted: (1) A weekly list of the cash balance,

with amount and percentage of sources, such as the common cash pool, bond fund investments, and Transportation Fund investments, with accompanying footnotes; (2) a year-to-date total, on an ongoing basis, of authorized but unissued bonds, including assumptions in bond issuance, and any changes from month to month in such assumptions; (3) any other debt instruments or commercial paper issued, the types and amounts, with accompanying footnotes; and (4) the amounts in the common cash fund, with all components, such as bank and different investment accounts, and the amounts thereof separately listed.

[(b) The report] (c) The reports required pursuant to this section shall be made available to the public in hard copy and accessible electronically by means of the Internet or other media or systems available to the public.