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Testimony to Finance Revenue & Bonding Committee re Raised Bill 5590, An Act Concerning Bond Covenants and the Bond Issuance Cap.

Good afternoon Senator Fonfara, Senator Frantz, Representative Rojas and Members of the Committee. I am Jim Horan, CEO of the Connecticut Association for Human Services (CAHS). CAHS is a statewide nonprofit agency that works to reduce poverty and promote equity and economic success for children and families through policy and program initiatives.

I am testifying today on Raised Bill 5590, An Act Concerning Bond Covenants and the Bond Issuance Cap. Thank you for raising this bill, and the opportunity to testify about it today. This bill would delay the inclusion of certain bond covenants for bonds issued during certain time periods and exclude refunding bonds and temporary borrowings from the calculation of the bond issuance cap.

CAHS strongly advises this Committee to **repeal the Bond Lock before it begins in May 2018.**

Last October, the legislature created new spending cap, bonding cap, and volatility cap provisions. Section 706 of the implementer bill also requires state bonds to lock in the bonding, spending, and volatility caps in bond covenants the state issues after May 15, 2018, just 43 days from now. The state will not be able to fix bond covenants except in limited circumstances, tying the legislature's hands for the 10 year life of the bonds.

This may seem like a good idea, an understandable attempt to impose more fiscal discipline to balance the budget and avoid recurring billion-dollar deficits. However, it appears that the legislature has not fully thought through the consequences of this provision. It will threaten the ability to spend, raise revenue and generate badly-needed economic growth. Ironically, this provision to foster stability is in fact a very risky move, and an over-reaction.

The Connecticut Association for Human Services' focus is on reducing child and family poverty, promoting equity, and economic success for lower-income people. We are concerned that the legislature will not be able to spend funds that may be needed to meet the needs of lower-income people because of the Bond Lock. Already, the legislature has cut health insurance and services, and is struggling to restore some of these cuts that both parties recognize went too far.

What will happen when needs increase in the face a recession, as is almost inevitable in the next 10 years, the life of state bonds. On the other hand, if revenue grows due to rapid economic growth, the legislature may not be able to spend it on programs that would further stimulate growth, like

workforce training programs that meet the needs of employers or improvements to transportation infrastructure.

In any case, the Bond Lock and Spending Cap will force the legislature to address billions of dollars in increased costs in coming years, including \$3.8 billion in state employee and teacher pension obligations and other nonfunctional expenses, primarily with cuts. This will reduce the state's ability to meet residents' needs and spur economic development. **Therefore, it is imperative that this Committee and the full General Assembly move to repeal the Bond Lock before it begins in May 2018.**

While CAHS approaches this issue from the needs of lower-income children and families, others with a different focus have called for delaying implementation of the Bond Lock. The Commission on Fiscal Stability and Economic Growth recommends delaying implementation for one year. That would give the legislature time to fully understand the consequences of the bond lock and make any changes that are warranted.

The Fiscal Stability Commission is encouraging measures to improve the vitality of Connecticut's cities, reduce disparities in education, and fund transportation. These measures can foster economic growth and equity. The Bond Lock will impede the ability of future legislatures and governors of either party from being able to move the state forward.

Thank you for the opportunity to testify. I am happy to answer any questions now, or to follow up with any questions you may have. I can be reached at jhoran@cahs.org.