



General Assembly

February Session, 2004

Raised Bill No. 5666

LCO No. 2523

02523 _____ APP

Referred to Committee on Appropriations

Introduced by:
(APP)

AN ACT CONCERNING THE AMOUNT OF UNAPPROPRIATED SURPLUS TRANSFERRED TO THE BUDGET RESERVE FUND, THE TRANSFER OF PROJECTED SURPLUS TO THE BUDGET RESERVE FUND, THE AUTHORITY OF THE TREASURER WITH RESPECT TO THE USE OF UNAPPROPRIATED SURPLUS IN EXCESS OF THAT TRANSFERRED TO THE BUDGET RESERVE FUND, AND THE ESTABLISHMENT OF AN ACCOUNT TO FUND THE TWENTY-SEVENTH STATE PAYROLL PERIOD.

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

1 Section 1. Section 4-30a of the general statutes, as amended by
2 section 56 of public act 03-2, is repealed and the following is
3 substituted in lieu thereof (*Effective July 1, 2004*):

4 (a) [After] The Budget Reserve Fund shall be funded as follows: (1)
5 If the cumulative financial monthly statement issued by the
6 Comptroller pursuant to section 3-115 includes a revised, estimated
7 projected surplus, the Treasurer shall transfer, during such month,
8 one-twelfth the amount of such surplus to the Budget Reserve Fund;
9 (2) after the accounts for the General Fund have been closed for the
10 fiscal year ending June 30, 2004, and each fiscal year thereafter, and the
11 Comptroller has determined the amount of unappropriated surplus in

12 said fund, after any amounts required by provision of law to be
13 transferred for other purposes have been deducted, the amount of such
14 surplus shall be transferred by the [State] Treasurer to a special fund to
15 be known as the Budget Reserve Fund. When the amount in said fund
16 equals [ten] fifteen per cent of the net General Fund appropriations for
17 the fiscal year in progress, no further transfers shall be made by the
18 Treasurer to said fund and the amount of such surplus in excess of that
19 transferred to said fund shall be deemed to be appropriated: [to] (1) To
20 the State Employees Retirement Fund, in addition to the contributions
21 required pursuant to section 5-156a, [but not exceeding five per cent of
22 the unfunded past service liability of the system as set forth in the most
23 recent actuarial valuation certified by the Retirement Commission.
24 Such surplus in excess of the amounts transferred to the Budget
25 Reserve Fund and the state employees retirement system shall be
26 deemed to be appropriated for: (1) Redeeming] in such amounts
27 deemed by the Treasurer to be in the best interests of the state; (2) to
28 the Teachers' Retirement Fund, in addition to the contribution required
29 pursuant to section 10-183z, in such amounts deemed by the Treasurer
30 to be in the best interests of the state; (3) to redeem prior to maturity
31 any outstanding indebtedness of the state selected by the Treasurer in
32 the best interests of the state; [(2) purchasing] (4) to purchase
33 outstanding indebtedness of the state in the open market at such prices
34 and on such terms and conditions as the Treasurer shall determine to
35 be in the best interests of the state for the purpose of extinguishing or
36 defeasing such debt; [(3) providing] (5) for the defeasance of any
37 outstanding indebtedness of the state selected by the Treasurer in the
38 best interests of the state by irrevocably placing with an escrow agent
39 in trust an amount to be used solely for, and sufficient to satisfy,
40 scheduled payments of both interest and principal on such
41 indebtedness; or [(4)] (6) any combination of these methods. Pending
42 the use or application of such amount for the payment of interest and
43 principal, such amount may be invested in (A) direct obligations of the
44 United States government, including state and local government
45 treasury securities that the United States Treasury issues specifically to

46 provide state and local governments with required cash flows at yields
 47 that do not exceed Internal Revenue Service arbitrage limits, (B)
 48 obligations guaranteed by the United States government, and (C)
 49 securities backed by United States government obligations as collateral
 50 and for which interest and principal payments on the collateral
 51 generally flow immediately through to the security holder.

52 (b) Moneys in said Budget Reserve Fund shall be expended only as
 53 provided in this subsection. When in any fiscal year the Comptroller
 54 has determined the amount of a deficit applicable with respect to the
 55 immediately preceding fiscal year, to the extent necessary, the amount
 56 of funds credited to said Budget Reserve Fund shall be deemed to be
 57 appropriated for purposes of funding such deficit.

58 (c) The Treasurer is authorized to invest all or any part of said fund
 59 in accordance with the provisions of section 3-31a. The interest derived
 60 from the investment of said fund shall be credited to the General Fund.

61 Sec. 2. (NEW) (*Effective from passage*) There is established the "GAAP
 62 Salary Reserve Account" which shall be a separate nonlapsing account
 63 within the General Fund. The purpose of the account is to provide
 64 funds required for the additional state payroll period occurring every
 65 eleventh fiscal year. For the fiscal year beginning July 1, 2004, and each
 66 fiscal year thereafter, the General Assembly shall appropriate one-
 67 tenth of the estimated cost of such additional payroll period, except for
 68 the fiscal years beginning July 1, 2005, to July 1, 2008, inclusive, the
 69 General Assembly shall appropriate two-tenths of such estimated cost.

This act shall take effect as follows:	
Section 1	<i>July 1, 2004</i>
Sec. 2	<i>from passage</i>

Statement of Purpose:

To increase the amount of unappropriated surplus transferred to the Budget Reserve Fund, to provide a mechanism for the immediate transfer of a projected surplus into the fund, to give the Treasurer

more flexibility with regard to bonded indebtedness and unfunded pension liability paid down with unappropriated surplus, and to create a long-term funding approach to address the twenty-seventh payroll cycle.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]