



Written Testimony of Denise L. Nappier
Treasurer of the State of Connecticut

SUBMITTED TO THE GOVERNMENT ADMINISTRATION & ELECTIONS COMMITTEE
FEBRUARY 21, 2007

Senator Slossberg, Representative Caruso, and members of the Government Administration and Elections Committee, thank you for the opportunity to submit written testimony on two bills currently before the Committee which relate to state contracting reform: (1) **Committee Bill No. 41, *An Act Concerning Clean Contracting Standards***; and (2) **Raised Bill No. 7147, *An Act Concerning Comprehensive Reform of the State Contracting Process***.

I would like to register some general concerns about these bills and their potential impact on the State's ability to issue debt and enter into certain investment relationships.

Committee Bill No. 41, as currently drafted, includes a provision that would allow any state contract to be terminated with just fifteen (15) days notice. The State's bond counsel has advised us that any such language that grants this type of power to a third party would make it impossible to issue a clean bond opinion -- thereby posing a substantial impediment to the State's bond issuance activities. Moreover, certain contractual relationships maintained by the Treasury cannot, without significant harm to the State, be unbundled within that timeframe. The State's contract for custodial banking services, for example, required roughly six months to accomplish a transfer from one vendor to another.

Another consideration I offer this Committee is that there is a distinction between investment activities and procurement activities -- the latter, I understand, being the object of this bill. For instance, the purchase and sale of real estate for investment purposes is materially different from the purchase and sale of real estate for state usage.

With respect to Raised Bill No. 7147, there is language that would, we believe, limit some of the pension fund's managers of international investments, and their ability to use foreign subcontractors. Such a restriction would materially and adversely effect the asset allocation of the Connecticut Retirement Plans and Trust Funds. Consequently, I urge this Committee's careful review of this provision and, should it be deemed appropriate, an express exemption for investments by the State's pension and trust funds.

These are only general comments. The Treasury would very much appreciate the opportunity to work with the Committee to tailor the language of these bills to accommodate the circumstances described above.