

TESTIMONY PRESENTED TO THE APPROPRIATIONS COMMITTEE
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Testimony Supporting House Bill No. 5032

AN ACT CONCERNING THE EXPENDITURE CAP AND REDUCING LONG-TERM
LIABILITIES

Senator Bye, Representative Walker and distinguished members of the Appropriations Committee, thank you for the opportunity to offer testimony on House Bill No. 5032, An Act Concerning The Expenditure Cap And Reducing Long-Term Liabilities.

This Governor's bill would exempt from the expenditure cap additional payments to the Teachers' Retirement System (TRS) and the State Employee Retirement System (SERS) above the annually required contribution. The proposal also appropriates \$100 million in FY 2014 for SERS.

The State of Connecticut currently has significant unfunded pension liabilities. At the end of FY 2012, SERS had \$13.3 billion and TRS had \$11.1 billion in unfunded liabilities. These future obligations can reasonably be considered a form of indebtedness. Paying these debts now will ensure the state can meet its future obligations and have a positive impact on the state's credit rating.

Currently, all payments towards the pension systems are not excluded from the expenditure cap. Because of this, Connecticut cannot even use surplus revenue to make additional contributions to pay down this important form of debt without making program reductions in other areas to remain under the expenditure cap.

Excluding payments to the TRS and SERS above the annually required contributions from the spending cap will allow the state to use future surpluses to pay down its unfunded liability. Paying \$100 million today will positively impact the state's ability to meet future obligations. Assuming an 8% return, this investment would be worth more than \$400 million by FY 2033.

Because this bill would amend the definitions of the expenditure cap, it is our belief that it will require 3/5th majority vote by each chamber of the General Assembly.

I would like to again thank the committee for the opportunity to present this testimony. I respectfully request that the committee support this bill and I will be happy to answer any questions you may have.