

***TESTIMONY PRESENTED TO THE FINANCE, REVENUE, AND
BONDING COMMITTEE***

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Testimony Opposing Senate Bill No. 40

AN ACT CONCERNING THE USE OF BOND PROCEEDS

Senator Fonfara, Representative Berger and distinguished members of the Finance, Revenue, and Bonding Committee, thank you for the opportunity to offer testimony on Senate Bill No. 40, An Act Concerning the Use of Bond Proceeds.

This bill requires that the Treasurer hold the proceeds from any bond issuance separate from other funds of the state and such proceeds shall not be used for any purpose except for financing the specific program or project that was approved by the State Bond Commission. The Office of Policy and Management is opposed to this bill because it significantly reduces the flexibility of the Treasurer's Office in managing the state's cash flows while resulting in additional interest expense for the state. When a bond issuance occurs those proceeds, prior to their full expenditure, become part of the state's available cash which is useful in managing the daily ebb and flow of the state's cash position. At times, capital projects utilize other fund dollars until such bond issuance occurs. At other times, the General Fund may temporarily require a transfer of bond proceeds to meet the state's daily cash needs. Eliminating this flexibility would require that the Treasurer establish a line of credit or engage in cash flow borrowing, both of which would have a cost to the appropriations budget. It would not make sense to secure additional borrowing when other borrowed funds, for which we are already incurring an interest expense, are available.

I would like to again thank the committee for the opportunity to present this testimony. I respectfully request that the committee oppose this bill.