



State of Connecticut
GENERAL ASSEMBLY
STATE CAPITOL
HARTFORD, CONNECTICUT 06106-1591

March 28, 2018

Secretary Ben Barnes
Office of Policy and Management
450 Capitol Avenue
Hartford, Connecticut 06106

State Treasurer
Office of the Treasurer
55 Elm Street
Hartford, Connecticut 06106

Dear Secretary Barnes and Treasurer Nappier,

We are writing to you to emphatically request that you not sign the financial assistance agreement between the State of Connecticut and the City of Hartford. Should you ignore this request and move forward with signing the agreement, we want to make it clear that we intend to reduce Hartford's operating municipal aid to ensure that the state is holding true to its commitment in the bipartisan state budget to only provide the \$40 million agreed to.

We believe the Contract violates the spirit of the historic bipartisan budget that was adopted this past fall. The agreement between legislative leaders and the understanding of legislators who voted for the budget was to provide Hartford two years of additional financial assistance with the goal of helping our capital city get back on its feet. Lawmakers did not vote to pay off more than \$500 million in Hartford's debt over a period of 20 years.

No one is more aware of the state's financial situation than the both of you. And, it is incomprehensible why either of you would make such a significant commitment to tie the hands of your successors, future legislators, and future Governors. We are facing multi-billion dollar deficits starting after next year, and we are already very close to eclipsing the state bond cap.

Constructing a deal like this has consequences that conflict with the goal of improving the financial condition of Hartford as soon as possible. Guaranteeing state financial assistance for such a long period of time undercuts the state's leverage in its relationship with Hartford. A

long-term commitment to cover Hartford's debt service will serve only as a crutch and discourage the city from regaining its independence. Perhaps more importantly, we know that other municipalities may soon find themselves in a situation similar to Hartford, and this Contract is setting a precedent for contracts with other municipalities.

We are asking that you not sign the contract at this time so that all members of the legislature and the public at-large fully understand the Contract and to possibly entertain other alternatives. However, if you are going to sign the contract, we would like to be very clear so that everyone is on the same page with regard to the financial assistance provided to the city of Hartford in this biennium and in the future.

As you know, the FY 2018 FY 2019 biennial budget appropriated an increase of \$40 million in annual municipal aid assistance for the City of Hartford. Of this \$40 million, \$20 million was provided in an appropriation under the Office of Policy and Management titled "municipal restructuring" and \$20 million was appropriated under debt service.

On March 23, 2018 the Office of Policy and Management (OPM) shared with legislative leaders a draft contract between the state and the City of Hartford. This contract however had no exhibits reflecting the state's financial commitment. Yesterday, March 27, 2018 the Office of Fiscal Analysis shared an updated draft that they had received from OPM that did contain exhibits and numbers of financial commitment between the state and the city.

Exhibit C "Bond Debt Service" was shocking to say the least. From this exhibit, it appears that the state will be irrevocably bound to pay as much as \$56.3 million in direct debt service payments. Further, the pledged amount in fiscal year 2019 is written as \$48.6 million on the document by OPM. This is \$8.6 million more than was appropriated for said assistance by the General Assembly.

While we understand that it is OPM's and the Treasurer's intention to restructure the bonds in the near future, and that therefore the actual debt service schedule may be reduced from what is shown in exhibit C, it is our intention to reduce Hartford's operating municipal aid, via the Municipal Revenue Sharing appropriation in FY 2019 by the amount equal to any assistance provided to the City of Hartford that is above \$40 million to uphold the legislature's bipartisan commitment to only provide the \$40 million agreed to as stated in the budget. Please find the annual reduction in operating grants to the city below based on Exhibit C.

Fiscal Year	Debt Service Commitment	Total Commitment of Legislature to Hartford	Reduction in Operating Aid to Hartford
FY 2018	16,017,391	40,000,000	N/A
FY 2019	48,566,231	40,000,000	8,566,231
FY 2020	45,666,625	-	45,666,625
FY 2021	56,314,629	-	56,314,629
FY 2022	54,677,710	-	54,677,710
FY 2023	54,098,049	-	54,098,049
FY 2024	51,251,706	-	51,251,706
FY 2025	47,910,459	-	47,910,459
FY 2026	47,514,279	-	47,514,279
FY 2027	49,167,683	-	49,167,683
FY 2028	45,216,610	-	45,216,610
FY 2029	44,178,642	-	44,178,642
FY 2030	41,776,675	-	41,776,675
FY 2031	40,936,343	-	40,936,343
FY 2032	39,453,813	-	39,453,813
FY 2033	26,774,438	-	26,774,438
FY 2034	22,757,513	-	22,757,513
FY 2035	16,564,538	-	16,564,538
FY 2036	9,948,094	-	9,948,094

We understand that you are looking to make the April 1, 2018 debt payment for the City of Hartford and that the Secretary of the Office of Policy and Management has already signed the contract. Therefore, we believe it is imperative at this time to make sure all parties are on the same page with regard to the legislature's commitment to the City of Hartford.

When the city's outstanding general obligation debt is restructured please immediately forward the debt service payments to legislative leaders so that we can appropriately adjust the previous table.

Sincerely,



Len Fasano
Senate Republican President
Pro Tempore



Themis Klarides
House Republican Leader