



OFFICE OF  
STATE TREASURER  
DENISE L. NAPPIER

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# NEWS

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## NAPPIER ANNOUNCES TREASURY'S TOP ACHIEVEMENTS IN 1999

### *Major Changes to College Savings Program, Record-Setting Bond Sales, Successful Negotiations with Fleet Bank, Taxpayer Savings Top List*

Connecticut Treasurer Denise L. Nappier today announced the "top ten" achievements of 1999 at the State Treasurer's Office, as she completed her first year as the state's Treasurer. Among the year's highlights are a series of successful efforts to improve opportunities for Connecticut families and reduce costs to taxpayers.

"To many, the arrogant, deliberate and unprecedented law-breaking by my predecessor, Paul Silvester, and his co-conspirators may be the most significant revelation of the year. In the aftermath of the Silvester schemes, I take great pride in the efforts of my office to restore integrity and public confidence. However, that is far from all this year has been about," Nappier said. Highlights of 1999 include:

1. **Enabled more families to save for college** by lowering the fees and strengthening the Connecticut Higher Education Trust (CHET) program.
2. Achieved a **considerable increase in Fleet Bank's financial commitment to community reinvestment** in Connecticut and additional divestiture of branches through negotiations with the Bank as part of its merger process with BankBoston.
3. Improved prospects for individuals seeking economic self-sufficiency by leading the effort to outline a statewide plan to expand the availability of **Individual Development Accounts (IDAs)** – matched savings accounts for low and moderate income families.
4. Managed the **pension fund investments to highest level in state history**.
5. Conducted four record-setting **state bond sales**, achieving more than \$3 million in **savings to taxpayers** over the life of the bonds.
6. Initiated review that uncovered a projected shortfall in the **Second Injury Fund** and impaneled a Blue Ribbon Commission to address the problem in a way that will have the least impact on Connecticut businesses.
7. **Returned more unclaimed property** to rightful owners than in any year in the history of the unclaimed property program.
8. **Saved \$78 million in taxpayer money** by retiring high interest bonds.
9. Managed **Short-Term Investment Fund** to new heights.

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10. Opened the financial services merger process to public comment in Connecticut by working with Attorney General Blumenthal to convene a **successful public hearing** on the Fleet-BankBoston merger.

"The new foundation has been set, and in the year ahead we will continue to chart a course that will ensure the effective management of public resources, high standards of professionalism and integrity, and expansion of opportunity for the citizens and businesses of Connecticut," Nappier said.

#### **CHANGES TO COLLEGE SAVINGS PROGRAM LOWER FEES, STRENGTHEN PROGRAM**

Nappier replaced Collegiate Capital as manager of the state's higher education savings program with one of the nation's leading non-profit financial services organizations, TIAA-CREF, a well-respected Wall Street investor, in an action initiated prior to Silvester's court appearance in September.

"For every resident of Connecticut interested in saving money to pay for a college education, this was excellent news that we worked hard to achieve," Nappier said at the December announcement. "I'm looking forward to a reinvigorated program that will provide solid investments, lower fees and greater access for citizens throughout our state. Overall, the fees charged to account owners by the CHET program will be cut by more than half, moving from among the highest in the country to among the lowest – and the program will be on a solid foundation for the future." The program will resume accepting applications in March 2000.

#### **COMMUNITY REINVESTMENT COMMITMENT INCREASED IN FLEET MERGER**

In negotiations with Fleet Bank and BankBoston regarding their merger, Nappier and Attorney General Blumenthal reached an agreement with the banks in September to increase the merged bank's 5-year commitment to community reinvestment in Connecticut from \$2.1 to \$2.9 billion -- a 33 percent increase above the level that had been planned. The bank also agreed to divest an additional seven branches and to sell two branches in the Hartford area to a minority owned bank. In July, Nappier and Blumenthal convened the only public hearing held in Connecticut on the planned merger, attended by scores of Connecticut residents, and provided the testimony to federal regulatory agencies.

#### **PENSION FUND VALUE, SHORT-TERM INVESTMENT FUND AT RECORD LEVELS**

The State Pension Fund surpassed \$20 billion for the first time in state history during 1999, peaking at \$20.8 billion on December 28. The Treasury's Short-Term Investment Fund, which invests funds for state and municipal entities, surpassed the \$4 billion level during the year for only the second time, including a record \$4.5 in February, and attracted a record number of government investors – nearly 300.

#### **BOND SALES SET RECORDS**

The year also featured a number of record setting bond sales, including an \$80 million UConn 2000 bond sale in March, a \$79 million Clean Water refunding bond sale

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in May, a competitive \$300 million general obligation bond sale in June, and a \$245 general obligation bond sale in November. Taken together, the bond sales will save taxpayers more than \$3 million.

The March UConn 2000 bond sale, conducted the same weekend that UConn won the NCAA national basketball championship, marked the first time that a State of Connecticut bond issue was sold completely to retail investors. The June bond issue was the largest competitive bond sale the state has ever done, and resulted in a very competitive interest rate, less than 5% – which translates to a low cost of borrowing for state taxpayers.

The Treasury also conducted a \$79 million Clean Water refunding bond sale which resulted in a savings to taxpayers of \$2.8 million over the next 15 years. Clean Water bonds finance municipal loans for water quality improvement projects and are subsidized by the State. The savings from the refunding reduced the state's cost of subsidizing the program.

The strong response to the November general obligation bond sale, especially in light of the adverse publicity surrounding the Silvester scandal, "underscored investor confidence" Nappier said at the time, and helped save taxpayers \$386,000 over the 20 years of the issue. The issue also resulted in \$93 million in retail orders – among the largest single day retail order periods of Connecticut GO bonds.

#### **PLAN TO PROMOTE SAVINGS FOR LOW AND MODERATE INCOME FAMILIES**

In May, Treasurer Nappier appointed a 23-member public-private Task Force to identify ways to expand and promote Individual Development Accounts (IDAs) in Connecticut. IDA's are matched savings accounts for low income families to save for first-time home purchases, job training and education or business start-ups. At year's end, the Task Force was concluding its work and is due to issue a final report and recommendations in January 2000.

In announcing the creation of the Task Force, Nappier said "there is a growing prosperity gap in Connecticut that limits opportunities for too many Connecticut families. There's no reason why the wealthiest state in the nation should be lagging behind in efforts to help poor families save money."

#### **SHORTFALL REVEALED IN SECOND INJURY FUND**

In June, Treasurer Nappier announced that a thorough staff review of the State's Second Injury Fund, conducted at her initiative, revealed severe looming shortfalls in the Fund, which she said were attributable to a lack of proper fiscal planning by the previous administration. The Treasurer said that the projected annual shortfalls suggested that assessment rates in the state-sponsored insurance program for injured workers must be increased to close the gap. Before doing so, however, she initiated a number of other changes within the Fund's operations – including appointment of a controller and implementation of additional safeguards -- and appointed a Blue Ribbon Commission to

carefully analyze the status and long-term prospects for the Fund before permitting a return to previous assessment levels. The Commission's report is due in February, 2000.

#### **UNCLAIMED PROPERTY RETURNS SET RECORD**

The Unclaimed Property Division returned a record \$8.9 million to owners and paid nearly 7,000 claims in fiscal year 1998-99, which ended June 30. The Division also reported a new record for voluntary reporting of unclaimed property to the state from businesses and corporations, approximately \$33 million. The Division participated in a nearly year-long national amnesty program aimed at increasing unclaimed property holding report that brought in \$492,322 from holders which can now be returned to rightful owners.

#### **DEBT DEFEASANCE WILL SAVE TAXPAYERS MILLIONS**

In December, the Office paid down over \$217 million of State of Connecticut General Obligation and Special Tax Obligation debt, resulting in savings to taxpayers of \$78 million over the next 15 years. This was accomplished by using unappropriated surplus funds designated for debt reduction from the 1998 and 1999 fiscal years. These surplus funds were invested in U. S. Treasury held in trust to defease State General Obligation and Special Tax Obligation bonds. Combined, these debt defeasances will provide \$293 million of debt service relief to the General Fund and the Special Transportation Fund over the coming years as well as the release of \$16 million from a debt service reserve fund.

#### **DECISIVE ACTION IN WAKE OF SILVESTER SCANDAL**

As State Treasurer Paul Silvester pleaded guilty to federal racketeering and money laundering charges on September 23, Treasurer Nappier initiated a series of actions including: (1) issuing a directive that all 251 Treasury vendors disclose all compensation paid related to Treasury business since 1991, (2) formally requesting that the State Elections Enforcement Commission and State Ethics Commission investigate whether elections or ethics laws were violated, and (3) beginning a legal review in concert with the Attorney General in order to identify and, where possible, seek reparations from the investment funds involved in the Silvester schemes. The disclosure directive resulted in 100% compliance from Treasury vendors.

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Nappier was elected State Treasurer in November 1998 after serving nearly a decade as Hartford City Treasurer. When she took office in January, 1999, she became the first African-American woman elected to serve as a State Treasurer in the United States, the first African-American woman elected to a statewide office in Connecticut, and the first woman elected Treasurer in state history.