What is the Bond Lock?

The Bond Lock is a law requiring the Connecticut State Treasurer to include a certain covenant (or promise) in general obligation bonds issued between May 15, 2018 and July 1, 2020. The promise is that Connecticut will not redefine or alter the spending cap, volatility cap, appropriations cap, or bond cap before July 1, 2023.

When and why did the legislature adopt it?

The Bond Lock was enacted in 2017 and amended in 2018. The apparent goal was to force current and future legislators to take drastic measures to deal with the state’s ongoing fiscal challenges. No other state legislature has ever ceded its budgetary controls to bondholders, and there is an open question as to whether it is constitutional to do so.

What is the downside to locking fiscal policy in bond covenants?

With the Bond Lock in place, any flaws in the four fiscal caps will most likely remain in place until 2023. One flaw was already recognized in the bond cap. In addition, the Bond Lock is in practice an austerity lock, ensuring that Connecticut remains in an ongoing state of fiscal deprivation. For further details, please see our report at http://www.ctvoices.org/publications/connecticuts-radical-new-budget-rules-locking-decreased-investment-our-state-next-decade.

How many bonds have been issued with these “locking” covenants?

These covenants have already been included in two sets of bond issuances; a third set is scheduled for March 27.

Can the Bond Lock be repealed even though outstanding bonds contain the covenant?

Yes. The Bond Lock statute can be repealed by a simple majority vote—it is not among the locked-in promises. Were it repealed, future bond issuances would not need to include the covenant.

Is there any urgency to the timing of repeal?

Yes. The next bond issuance is scheduled for March 27, 2019. The more locking covenants issued, the costlier and more difficult it becomes to remove the fiscal handcuffs.

REPEAL THE BOND LOCK NOW!