



STATE OF CONNECTICUT
OFFICE OF POLICY AND MANAGEMENT

**TESTIMONY SUBMITTED TO THE GOVERNMENT
ADMINISTRATION AND ELECTION COMMITTEE**

March 16, 2007

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Secretary
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**HB 7374, AN ACT CONCERNING THE FUNDING OF CERTAIN AGENCIES
BY THE REGULATED COMMUNITY**

Good Afternoon Senator Slosberg, Representative Caruso, members of the committee, my name is Robert Genuario and I am the Secretary of the Office of Policy and Management.

Thank you for the opportunity to present this testimony concerning Raised Committee Bill 7374, AN ACT CONCERNING THE FUNDING OF CERTAIN AGENCIES BY THE REGULATED COMMUNITY.

House Bill 7374 requires the Insurance commissioner, the Banking commissioner and the Chairperson of the Public Utilities Control Authority to each develop a plan to eliminate funding of their respective agencies by "the companies, persons and business entities regulated by their respective agencies". The intent of this legislation appears to be to replace the current system under which regulated businesses are assessed to defray the cost of that regulation. For example, Connecticut banks are assessed to pay for the expenses of the Banking Department.

This practice, which has been in place for many years, is consistent with the practice on many of our sister states. For example, more than 30 states currently use assessments on utilities to support their equivalent of the Department of Public Utility Control. Likewise, a majority of states use assessments or direct taxes to support the agencies regulating banks and/or credit unions.

I know that there is been some concern expressed about the possibility that this funding mechanism results in a conflict of interest because the regulatory agencies are "dependent" on funding from the companies they regulate. If this were a situation where the regulated industries had a voice in either how much

money was raised, or how it was spent, that criticism would be well-founded. But that is not the case here.

Under Connecticut's system these agencies' budgets are established by the Governor and the General Assembly. The regulated industries have no role in those decisions.

In closing, I want to note that the Governor's recommended budget for the next fiscal year includes over \$60 million to support these agencies. If we were to change the current funding system that money would have to be replaced with funding from another source.

We believe that the state's current funding system for regulatory agencies has worked well, and includes sufficient safeguards to ensure the independence of our regulatory agencies. For that reason, we do not believe that a change in the current system is necessary or appropriate.