

Testimony Regarding:
HB 5909, AAC the Line Item in the Budget Entitled "Debt Service"
SB 1124, AA Increasing the Amount of Unappropriated Surplus
Deposited in the Budget Reserve Fund
SB 246, AAC a Commission on Federal Stimulus Distribution
SB 156, SB 157, SB 172, HB 5096, 5098, 5305, Acts Concerning Definition of
Spending Cap Terms

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Appropriations Committee
March 20, 2009

Senator Harp, Representative Geragosian, and other distinguished Committee members:

I am testifying today on behalf of Connecticut Voices for Children, a research-based public education and advocacy organization that works statewide to promote the well-being of Connecticut's children, youth, and families.

1. CT Voices supports **HB 5909, AAC the Line Item in the Budget Entitled "Debt Service"** but would encourage you to take the following additional steps to increase the transparency of Connecticut's state budget:

- **Special, non-appropriated funds.** Require that Governor's budget include an itemization of *all* special, non-appropriated (off-budget) funds, providing for each such fund in each agency budget: a) the amounts and source(s) of revenues for the fund; b) the purposes for which funds have been used in the past year and are proposed to be used; and c) the fund balance at the end of the most recent fiscal year;
- **Appropriated federal funds.** Require that the Governor's budget include greater detail about the federal funds that are included in the appropriated General Fund budget, including (but not limited to) all anticipated federal reimbursements through Medicaid, SCHIP/CHIPRA, and Title IV-E as well as appropriated federal block grant funds, providing for each agency budget: a) the total amount of federal funds included in each budget line of the General Fund budget; and b) a description of the specific programs/services funded using federal funds in each General Fund budget line;
- **Federal grant funds.** Require that the Governor's budget include greater detail about the federal funds included in the total budget for each state agency that are *not* included in the agency's General Fund budget, providing, for each federal grant listed for each agency: a) the specific programs/services that have been funded by that federal grant, and that are proposed to be funded by that grant; and b) the amount of federal funds provided, or to be provided, for each such program/service, by federal grant.
- **American Recovery and Reinvestment Act funds.** Require that the Governor's budget include detail about how ARRA funds have been incorporated within the state budget in FY 09, FY 10, and FY 11, including: a) the total amount of ARRA funds

included in each budget line of the General Fund budget; and b) the specific uses to which ARRA funds have been used or are proposed to be used in each fiscal year;

- **Private contributions.** Require that the Governor's budget include greater detail about the private contributions that are included in the total budget for each state agency, providing for each state agency budget: a) the source(s) of private contributions; b) the amount of revenues from each source; c) the purposes for which funds have been used in the past year and are proposed to be used; and d) the balance of private contributions at the end of the most recent fiscal year.

This information also could be provided to the General Assembly *in advance of the General Assembly Session* by amending Conn. Gen. Stat. §2-36b. This section requires OPM and OFA to report to the Appropriations and Finance Committees on a wide range of matters pertaining to state revenues and expenditures no later than November 30 of each year. By adding to the list of the seven currently-required components of this report these additional required elements, the report would provide the Committees with a far more comprehensive overview of *total* revenues and spending well in advance of the General Assembly Session.

Either (or both) methods of reporting would result in the General Assembly having a far clearer and complete understanding of *total* spending -- by program, service, and funding source -- on the wide range of programs and services that now are funded with state, federal and private funds. In the absence of this more comprehensive and detailed reporting about the use of federal funds, private contributions, and "off-budget" special, non-appropriated funds, this body lacks all the information it needs in weighing budget choices, and the public lacks the information it needs to assure accountability in the use of *all* funds that move through the state budget.

2. CT Voices **strongly supports SB 1124, An Act Increasing the Amount of Unappropriated Surplus.** As Connecticut has come to rely increasingly on personal income tax revenues, the volatility of our revenue stream has grown. A larger Rainy Day Fund will help buffer the inevitable revenue declines that occur in difficult economic times, avoiding spending cuts that exacerbate recessions and make it hard for the state to respond to increased need.

3. CT Voices supports **SB 246, AAC a Commission on Federal Stimulus Distribution,** but would respectfully urge that this bill be brought to a vote rapidly, after first being amended to require: a) that the Commission be constituted quickly and hold meetings at least monthly; b) that the Governor be required to provide bi-weekly reports to the Commission on her current efforts to respond to the various deadlines, requirements, and competitive grants in the ARRA; and c) that the agendas and minutes of the Commission and the Governor's bi-weekly reports to the Commission be posted on Connecticut's ARRA "recovery" website (www.ct.gov/recovery/site/default.asp).

The implementation timeline for the ARRA is quite rapid. Establishing the Commission and requiring public reporting of all current efforts to draw down and use ARRA funds would increase markedly transparency and accountability in the use of ARRA funds, a key goal of the federal legislation. It also would help ensure that the funds are put to their highest and best use.

4. CT Voices **opposes the various suggested changes to the statutory spending cap**, but suggests the following alternative changes that would ensure that the state spending cap fulfills its original purpose of keeping the rate of growth in state public investment consistent with growth in the Connecticut economy:

- Substitute CT AGI for the current measure of personal income which does not include capital gains income (so substantially understates Connecticut's personal income);
- Reduce the five-year lagged average of personal income growth to a two-year average so that state budget growth can more closely track growth in the economy as it rebounds;
- Specify that the budget base for any given year is the greater of actual spending in that year (including with state surplus funds) or the spending that would have been allowed under the spending cap, assuring that spending cuts that occur during years of recession do not reduce the budget base below what it would have been had no recession occurred;
- Excluding *all new* federal funds from the cap, and adding them to the budget base, so as not to deter Connecticut from claiming *all* federal funds to which it is entitled.

I would be happy to work with the Committee to provide more information about any of these suggested changes, and thank the Committee for its incredibly hard work in these very difficult times.

