CBIA
Connecticut Business & Industry Association

TESTIMONY OF
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CONNECTICUT BUSINESS AND INDUSTRY ASSOCIATION
SUBMITTED TO THE
APPROPRIATIONS COMMITTEE
MARCH 5, 2010
LEGISLATIVE OFFICE BUILDING
STATE CAPITOL
HARTFORD, CONNECTICUT

Good day. My name is Pete Gioia. I am the economist for the Connecticut Business and Industry Association (CBIA). CBIA represents about 10,000 firms, which employ about 700,000 women and men in Connecticut. Our membership includes firms of all sizes and types, the vast majority of which are small businesses with fewer than 50 people.

CBIA would like to comment upon the following bills: SB 3, SB 356, SB 357, SB 358, SB 359, HB 5044, HB 5070, HB 5073, HB 5104, HB 5105, HB 5106, HB 5107, HB 5163, HB 5017, HB 5019, HB 5394, and HB 5395.

SB 3

The bill better clarifies the original intent of the cap. We support it.

HB 5044

Generally Accepted Accounting Principles (GAAP) has been a concept before this body for the entire 20 years I have been with CBIA. While the public sector accounting involved in GAAP is fairly technical and arcane, what it wishes to achieve is fairly straightforward. GAAP seeks to present financial data on the state that is presented fairly and in conformity with widely

accepted standards. It provides a clear picture of the financial condition of the state, without rolling bills from one year into the next and attributing revenues from an upcoming year into the prior year. It provides a greater level of confidence to those rating the financial condition of the state.

Despite many years of budget surpluses, the state still only authorized conversion to GAAP beginning in the 2003-2005 biennium. While Public Act 93-402 required GAAP conversion Public Acts 95-178, 97-306, and 99-1 have authorized postponement. But, the accumulated deficit has not gone away. Because the state was unwilling to fully implement GAAP in times of surplus, it is problematic that such an effort can be enforced today. However, the General Assembly should commit to a plan to address this problem as the state begins to see surpluses in the future. This bill can help start that process.

HB 5070

CBIA welcomes efforts to better provide transparency in the state budget which this bill will do for the huge debt service line item.

HB 5073

CBIA opposes efforts to remove spending now under the cap out from under it as this bill proposes. That runs contrary to the original intent. That the state incurs bond payments due to failure to address budget problems in good times exacerbating deficits in bad times does not excuse it from living within its overall fiscal means.

HB 5104

CBIA opposes this bill. The state cap does not need further study it needs to be confirmed in present form by the super majority of the General Assembly. LPRIC would better use its staff finding ways to achieve economies through more efficient state operations' study.

CBIA reminds the committee that spending reforms passed in 1991, including both the spending cap and biennial budgeting were part of a compromise that included adoption of a broad-based state personal income tax. In our minds and in the minds of our members the two items –spending reforms and tax changes – are unequivocally linked. Eighty-one percent of the electorate in 1992 voted for the state spending cap, an unprecedented call for prudent state spending. Our business membership overwhelmingly supported this spending cap. Businesses trust in state government is closely linked to the state government promise to keep spending in check to the growth in personal income. This is substantiated by several surveys of the business community.

HB 5105

CBIA supports increasing the Rainy Day Fund and targeting surplus to it.

HB 5106

CBIA feels a review of unfunded liabilities AND creating a plan to deal with them is long overdue.

HB 5107

See comments on HB 5044.

HB 5163

This would create better transparency in the budget and we support it.

HB 5017

CBIA supports the Governor's call for stronger recission authority. The budget fiasco over the last two years demands such change here.

HB 5019

CBIA supports the Governor's call to strengthen the budget reserve fund.

SB 356

This bill will improve information related to the budget and has merit.

SB 357

This bill provides flexibility to contractors needed in tough fiscal times. We support it.

SB 358

We support this bill but feel it should also ask that these agencies begin to IMPLEMENT RBA.

SB 359

While we respect the fiduciary responsibility of the state to examine tax credit programs we feel that calling for the creditee to undertake the cost of an unknown economic study is burdensome and contrary to the intent of the tax credit effort. Therefore we hope that the bill is modified to extract language calling upon the credit recipient to pay that cost.

HB 5390

We support the intent of this bill but feel in may beyond the capacity of OFA to do these studies of ALL agencies and programs in any given year. We supggest the bill call for a scheduled review beginning with the LARGEST and MOST COSTLY programs first.

HB 5394

We support the effort to increase the Rainy Day Fund percentage.

HB 5395

We support such reviews. We think it may be best to merge the efforts called for in this bill and in HB 5390 and have OPM and OFA jointly undertake such reviews again focusing first on the largest and most costly programs.

Thank you for the opportunity to present this testimony.