



M. JODI RELL
GOVERNOR

STATE OF CONNECTICUT
EXECUTIVE CHAMBERS

Testimony of Governor M. Jodi Rell

Presented to

The Appropriations Committee

March 5, 2010

Regarding House Bill 5019, AN ACT CONCERNING THE BUDGET RESERVE FUND

The revenue shortfall that complicated the enactment of the current biennial budget was made somewhat less difficult because we had provided for a budget reserve fund that accumulated \$1.4 billion in the years leading up to the current economic downturn. This was a record amount in that fund and was a credit to the willingness of the state's leadership to set aside resources for a fiscal "rainy day." Unfortunately what followed was a fiscal hurricane.

The budget reserve fund proved woefully insufficient to completely cover the shortfall that ensued from the dramatic revenue deterioration, but the problem would have been that much worse had we not built up the reserve. The current biennial budget presented challenges because past surpluses engendered substantial new spending which is now difficult to cut. In a cyclical, free-market economy such as ours it is essential to the orderly continuation of government that we set aside resources for the eventual rainy day. A budget reserve fund, like any family's savings account, is a prudent measure that will help the state deal with economic downturns in the future.

In order to provide some fiscal discipline and reorder our budget priorities, I am proposing that half of any surplus that is identified in the cumulative monthly financial statement concerning the state's General Fund issued by the Comptroller in the months of January or May be immediately transferred to the budget reserve fund. This will have the effect of taking those resources "off the table" for new spending and assure the reserve fund gets the first claim on any surplus. If the state still ends the fiscal year with a surplus, even after any such mid-year appropriation of estimated surplus, the remaining surplus would also be deposited in to the reserve fund.

As we continue to manage this fiscal crisis, it is imperative that the state begin to rebuild that reserve. It will be a signal to the bond rating agencies that we are serious about putting our fiscal house in order and it will serve to mitigate future program cuts and tax increases. I urge your support of this much-needed reform.