

**TESTIMONY PRESENTED TO THE COMMITTEE ON
FINANCE, REVENUE AND BONDING
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House Bill 6586

**AAC THE USE OF CERTAIN REVENUES TO PROVIDE FUNDS FOR THE BUDGET RESERVE FUND,
CAPITAL DEBT PAYMENTS AND PENSION PAYMENTS**

This bill would require that the incremental revenue, in excess of a calculated base amount (base amount = average of the capital gains, dividends, interest income collected during FY 2012 & FY 2013), that is received under the Personal Income tax for capital gains/dividends/interest be segregated and be used as follows:

- 50% to be deposited into the Budget Reserve Fund
- 25% to make payments on outstanding debt in excess of the payments currently due
- 25% to make payments into public pension funds in excess of the annual required contribution.

Connecticut's revenue and budgetary operations have been subject to boom and bust periods primarily due to the performance of the stock market and the resulting abundance/dearth of capital gains realizations. During boom periods this contributes to rising state expenditures which appear affordable, but then are unaffordable when the markets pull back. This bill would only allow such windfalls above a certain base amount to be used for one-time expenditures. Massachusetts has enacted a somewhat similar provision.

However, these funds would no longer be available for ongoing general fund operations and could result in unbalanced operations. In addition, the bill would have to be reworked to include more suitable dates given when certain data would be available. It should be noted that interest and dividend income is not a significant factor in contributing to the volatility of state revenue.

The ideas in this bill are interesting and OPM looks forward to working with you to consider it in more detail.

Thank you for consideration of this testimony.

If you have any questions, please submit them to my office and they will be promptly answered.