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**TESTIMONY OF**  
**STATE REPRESENTATIVE JASON ROJAS, 9<sup>TH</sup> DISTRICT**

*In support of HB 5560 – An Act Concerning the Budget Reserve Fund*

March 22, 2013

Representative Walker, Senator Harp, and members of the Appropriations Committee, thank you for the opportunity to testify in support of HB 5560 *An Act Concerning the Budget Reserve Fund*.

It would be an understatement to say that the Connecticut is going through a period of financial difficulty. However, downturns such as the one we are experiencing are nothing new and need not be cause for despair. One only has to review the record of state budget surpluses and deficits over the past twenty years or so to see that economic undulations are inevitable. Rough patches such as these only become a problem if we fail to appropriately prepare for them. Any financial planner with even the barest understanding of their trade will suggest that their clients put money away during good economic times to serve as a hedge against bad ones. Such fiscal foresight allows individuals to preserve through lean years by using resources that have been judiciously put aside during plentiful ones. This is precisely the motivating concept behind Connecticut's Budget Reserve Fund.

Representative Flexer and I have introduced legislation that would improve this safety net designed to uplift the State through tough economic times. Without an effective contingency plan, the state is force to choose between two less than favorable options in order to close budget gaps. Either (1) spending must be reduced by cutting state programs or (2) revenue must be generated by increasing taxes. However, it is during times such as these, when many Connecticut

citizens are struggling financially, that these options hurt individuals the most. If we do not wish to cut valuable programs when they are in greatest demand or ask the citizens of Connecticut to make even more sacrifices in the difficult times ahead, it is essential that we have a Budget Reserve Fund with the capacity to weather multi-year recessions. Between 2006 and 2009 our Rainy Day Fund held over one billion dollars in unappropriated surpluses. However, by the following year the fund had been drained to less than ten percent of its maximum allowable balance and became completely exhausted. The Budget Reserve Fund is simply not sufficient in its current form.

Between 1999 and 2010 the state of Connecticut enjoyed budget surpluses totaling \$5.87 billion – so how can we account for our current financial state of affairs? It is my belief that the position we find ourselves in is partially the result of an error in the state's collective consciousness. The confidence that comes with having "cash in the bank" can generate a sense of economic security; however, this sense is a false one if the reserve fund set aside is not large enough to adequately sever its purpose. As the Budget Reserve Fund nears its maximum allowable balance, I believe that we as a state have the tendency to perceive the scoring of a sort of financial victory. My concern is that this understanding may at times create the tendency for us to use our resources perhaps too enthusiastically.

If the cap of the Budget Reserve Fund were to be increased from 10% General Fund Appropriations limit it currently sits at, to a more sufficient 30%, we could dispel this overconfidence and plan adequately for future economic difficulties

Now seems an appropriate time to make this adjustment. This is the right time to increase the Budget Reserve Fund's cap. Though the Budget Reserve Fund will be empty for some time, Connecticut is poising itself to see large surpluses in the years to come. Connecticut will soon be seeing new revenue generating measures put in place in order to address the current budget deficit. Inevitably these measures will result in surpluses down the line and it is important that we have a proper system in place for saving to avoid future difficulties similar to those we are experiencing now.

Once more, thank you Representative Walker, Senator Harp and members of the Appropriations Committee for allowing me to testify in support of this important bill to help Connecticut achieve greater long-term financial stability.