

**TESTIMONY PRESENTED TO THE APPROPRIATIONS COMMITTEE**  
**March 22, 2013**

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Testimony Supporting House Bill No. 6353  
AN ACT CONCERNING STATE BUDGET REFORM

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Senator Harp, Representative Walker and distinguished members of the Appropriations Committee, thank you for the opportunity to offer testimony on House Bill No. 6353, An Act Concerning State Budget Reform.

This bill addresses three budget process modifications that will enable the Governor to exercise his responsibility to offer and execute a responsible fiscal program for the state. These measures are important in times of fiscal stress, and are particularly important when the state has no or low reserves.

First, this bill would restore the Governor's ability to recommend a budget for all of state government. Currently, the Governor must recommend the amounts requested by the Legislative branch; the Judicial branch; and the Elections, Ethics and Freedom of Information commissions. At the outset of the budget process, the requests made by these agencies were more than \$15 million and \$25 million over current services guidelines for fiscal years 2014 and 2015, respectively. The current statutory language places the Governor in an untenable position—requiring him to recommend a budget that is balanced and under the cap, but giving him the authority to look only at a subset of state government in order to achieve such an outcome.

If our proposed change is enacted, the funding requests from the affected agencies will, as always, continue be presented in the Governor's recommended budget. As with all other areas of the proposed budget, any recommendation made by the Governor to modify the request of one of these agencies will be subject to review and consideration by the Legislature with input from the agencies and the public during the appropriations process.

It should be noted that the bill as drafted inadvertently omits language intended to address the Governor's authority with respect to offering budgetary recommendations for the Legislative and Judicial branches. As a result, the bill should be amended to include the following language:

*(Effective July 1, 2013) Subsections (f) and (g) of section 4-73 of the general statutes are repealed.*

Second, this bill would modify the Governor's rescission authority. The current limits of five percent of any appropriation and three percent of any fund do not provide adequate flexibility to allow the Governor to address financial crises on the scale which the state has faced over the past few years. For example, in fiscal year 2013, the Governor issued rescissions totaling \$170 million, yet these reductions were insufficient to deal with the developing shortfall and further deficit mitigation measures had to be presented to the legislature for action. Providing the Governor with the tools to respond to emerging or rapidly changing shortfalls is a prudent measure. The language in this bill would increase the rescission thresholds to ten percent of any appropriation that is not related to municipal aid, up to five percent of any fund. Further, the language removes the restriction on rescissions of aid to municipalities and allows rescissions of up to five percent of accounts that support such aid. It should be noted that Governor Rowland was given expanded rescission authority—albeit time-limited—that included the ability to reduce municipal aid.<sup>1</sup> These changes will give the Governor one more tool to deal with budget shortfalls.

Lastly, this bill would provide expanded transfer authority. Currently, Finance Advisory Committee (FAC) approval is required for any transfers between accounts within an agency's budget that exceed \$50,000 or ten percent of any specific appropriation, whichever is less. The Governor proposes increasing these thresholds, which have been in place since 1982, to \$250,000 or fifteen percent of any specific appropriation, whichever is less. As with the current thresholds, notification of any non-FAC transfer would still apply. This change will enable the Governor to deal with any budgetary exigencies while still maintaining transparency and accountability. Further, the Governor believes strongly in holding his commissioners and agency heads responsible and accountable for results, and that means managing to the extent possible within the resources budgeted for the agency. As a result, this change will also provide agencies with a limited amount of budget flexibility.

The current statutory thresholds are so low that relatively trivial transfers are subject to FAC approval. However, we do not believe that the proposed change will weaken the current level of oversight. Based on research of FAC transactions over the past two decades, we estimate that only a handful of items each year

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<sup>1</sup> Section 52 of Public Act 02-1, May Spec. Sess., as amended by Section 90 of PA 02-7, MSS, gave Governor John G. Rowland expanded rescission authority. For FY 2003, the Governor was authorized on/after October 1, 2002, to reduce allotments by up to \$35 million above the Sec. 4-85 limits "to the extent the Governor deems necessary" to avoid a deficit, but was prohibited from reducing appropriated funds to towns for education cost sharing, town aid road, and PILOT payments for colleges and hospitals and state owned property. Section 90 of PA 02-7, MSS, the budget implementer, further required that if municipal aid was reduced pursuant to the expanded rescissionary power, that the aid be "proportionately reduced to remain within the revised allotments."

would be affected by this proposal, as shown in the table below. As a result, we believe that the proposed threshold would strike a better balance between accountability and administrative flexibility.

<u>FISCAL YEAR</u>	<u>FAC</u> <u>TRANSACTIONS</u>	<u>EXCLUDED UNDER</u>	
		<u>PROPOSED</u> <u>THRESHOLD</u>	<u>PERCENT</u>
2013	4	0	0.0%
2012	24	4	16.7%
2011	40	5	12.5%
2010	36	4	11.1%
2009	43	6	14.0%
2008	34	5	14.7%
2007	35	6	17.1%
2006	26	1	3.8%
2005	37	5	13.5%
2004	21	2	9.5%
2003	28	4	14.3%
2002	34	5	14.7%
2001	44	7	15.9%
2000	41	2	4.9%
1999	53	6	11.3%
1998	47	5	10.6%
1997	32	2	6.3%
1996	38	6	15.8%
1995	53	7	13.2%
1994	51	9	17.6%
<b>TOTAL</b>	<b>721</b>	<b>91</b>	
<b>AVERAGE</b>	<b>36.1</b>	<b>4.6</b>	<b>12.6%</b>

I would like to again thank the committee for the opportunity to present this testimony. I respectfully request that the Committee support this bill and I will be happy to answer any questions you may have.