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CONNECTICUT
GENERAL ASSEMBLY
SENATE

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2009

JUNE
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Yes. Thank you, Mr. President.

Mr. President, would ask the Clerk to call from Senate Agenda Number 1, under Number 2, business from the House. If the Clerk will call House Bill Number 6801.

THE CHAIR:

Mr. Clerk.

THE CLERK:

Calling for Senate Agenda Number 1, Emergency Certified Bill 6801, AN ACT AUTHORIZING ECONOMIC RECOVERY NOTES. The bill is accompanied by emergency certification signed Donald E. Williams, Jr., President Pro Tempore of the Senate, Christopher G. Donovan, Speaker of the House of Representatives.

THE CHAIR:

Senator Daily.

SENATOR DAILY:

Thank you very much, Mr. President. I move the emergency certified bill in concurrence with the House and seek leave to summarize.

THE CHAIR:

There's a motion on the floor for summarization. Seeing no objection, please proceed, ma'am.

SENATOR DAILY:

Thank you, sir.

This bill authorizes the borrowing of economic recovery notes to cover our current deficit. It also authorizes monies from that borrowing to cover the interest on the borrowing. And it does change the requirement that we have on the books today that that money be used for the current deficit, that the Rainy Day Fund be used for the current deficit.

THE CHAIR:

Thank you, ma'am.

Will you remark further on House Bill 6001?

Senator Roraback.

SENATOR RORABACK:

Thank you, Mr. President.

Through you, if I may, a couple of questions to Senator Daily.

THE CHAIR:

Senator Daily.

SENATOR DAILY:

Yes, sir. Thank you.

SENATOR RORABACK:

Thank you, Mr. President.

Through you to Senator Daily, just so that the members of the Chamber and the members of the public who might be watching has a more complete understanding of what this bill does, through you to the good Senator, how much is the current year deficit for which we are looking to borrow to cover? Through you, Mr. President to Senator Daily.

THE CHAIR:

Senator Daily.

SENATOR DAILY:

Through you, Mr. President, that has not yet been certified, but it's estimated to be about $1 billion.

THE CHAIR:

Senator Roraback.

SENATOR RORABACK:

Thank you, Mr. President.

And through you to Senator Daily, does she know at what point the exact amount of the deficit will be certified? Through you, Mr. President, to Senator Daily.

THE CHAIR:

Senator Daily.

SENATOR DAILY:

Thank you very much.

As far as I know, or to the best of my knowledge, the Comptroller plans to do that immediately.

THE CHAIR:

Senator Roraback.

SENATOR RORABACK:

Thank you, Mr. President.

And through you, Mr. President, the amount of the borrowing, the bill says it's -- the deficit is anticipated to be approximately $950 million. And through you to Senator Daily, over how many years are we expecting to pay off the indebtedness?

THE CHAIR:

Senator Daily.

SENATOR DAILY:

Thank you very much, sir. And through you, we are expected to pay it off by FY '17, seven years.

THE CHAIR:

Senator Roraback.

SENATOR RORABACK:

Thank you, Mr. President.

And as I read the bill, it appears that there will be no payments of interest made in Fiscal Years '10 and '11. Through you, Mr. President, to Senator Daily, am I reading the bill correctly?

THE CHAIR:

Senator Daily.

SENATOR DAILY:

Thank you very much, Mr. President.

And through you, I wouldn't say you're reading it incorrectly. It includes the money for the interest. So we're borrowing that money.

THE CHAIR:

Senator Roraback.

SENATOR RORABACK:

Thank you, Mr. President. And I guess what I'm trying to get at is whether or not we will be making payments of interest during the first two fiscal years that the borrowing is in effect. As I read the bill, it says zero principal and zero interest will be paid in Fiscal Year '10 and zero principal and zero interest will be paid in Fiscal Year '11. And through you to Senator Daily, is that her understanding of the structure of the indebtedness?

THE CHAIR:

Senator Daily.

SENATOR DAILY:

Thank you, Mr. President.

That may well be the case. The treasurer will have the authority to decide how that's done.

THE CHAIR:

Senator Roraback.

SENATOR RORABACK:

Thank you, Mr. President.

And I'm just looking at the bill itself, and to me it appears that we are going to forego payments of principal and interest in the first two fiscal years. I don't want to belabor the point, but Mr. President, it's pretty clear what this bill is doing. We are facing a deficit approaching $1 billion for the fiscal year which ended on June 30th, and the way we are choosing to close this deficit is by borrowing money. Few families in the state of Connecticut enjoy the luxury of borrowing their way out of deficit spending, and it's a practice that I think we should approach with some trepidation, Mr. President.

I think that we have long advocated for more prudent ways of balancing our budget, and I would urge members to think twice before supporting this bill. I, for one, can't, in good conscience, support it.

Thank you, Mr. President.

THE CHAIR:

Thank you, Senator Roraback.

Will you remark?

Senator Debicella.

SENATOR DEBICELLA:

Good evening, Mr. President.

THE CHAIR:

Good evening, sir.

SENATOR DEBICELLA:

Mr. President, tonight we stand here unnecessarily to bond $900 million of our '09 deficit. And we stand here unnecessarily because in the past year we had numerous opportunities to close this deficit and failed at every turn.

So join me for a second with a trip down memory lane to think about all the different times we could have taken at -- could have taken action, but failed to. And it started back on May 5th of 2008, when the legislative Republicans came out and said, we are going to have a massive deficit in FY '09. We need to cut spending. That was shot down by this body at the end of the 2008 session.

But then starting in late 2008, we started to take up the call again, we as a Senate, to actually say we need to cut the deficit. So again, on November 24th, we adopted a $71.8 million deficit mitigation plan for a 900-million-dollar-plus deficit. A drop in the bucket. Again, the legislative

Republicans proposed a hundred million dollars of additional spending cuts which were rejected.

On January 14, 2009, again we came forward with over $150 million in spending cuts. The Democratic majority decided to forego that 150 million and instead pass $121 million whereas we could have done 270 million at the time.

February 11th, we come forward with a third deficit mitigation plan. Again, the Republicans come forward with over $150 billion of spending cuts. Instead, we'll remember the infamous $220 million that was passed in that third deficit mitigation package where we said, We're going to go find it. We're going to go find it and off-budget accounts. Well, we passed that into law over the objections of the minority in this body, and we then went through two deadlines as the majority tried to go find the 220 that was statutorily required. And by May 22nd, after two deadlines had passed, they came up with less than half of what was promised in that third deficit mitigation package.

Missed opportunity upon missed opportunity is what's led us here today. To have to bond our deficit, to borrow it and to have to pay interest charges on it. It's bad enough we failed, as a Legislature, to do our job to close the '09 deficit during Fiscal Year '09, but now we're giving taxpayers the double whammy of saying that they have to pay interest charges on our failure.

Mr. President, it's unfortunate that we have gotten to this stage. It is unnecessary that we've gotten to this stage, and I will be voting against this bill before us tonight.

Thank you, Mr. President.

THE CHAIR:

Thank you, sir.

Will you remark further?

Senator Fasano.

SENATOR FASANO:

Thank you, Mr. President.

Mr. President, I'd like to associate myself with the remarks of Senator Debicella, and just add a few things. You know, planning is very important and that's the reason why we talked about this budget deficit, we knew back when that we were going to run into these problems. Everybody knew the economy was slipping. Everybody knows that the State of Connecticut, their budget is highly tied to income tax. And if you see the lost profits in the stock market, it doesn't take long to realize that that lost profit in the stock market, the decreasing stock market, should result is less taxes being collected by the State of Connecticut by virtue of estimated taxes and quarterlies. It's just logical that that would happen.

And then, by looking at the economy, we know our sales tax figure was going to go down. So we said, Well, let's save now. Every dollar we save a month earlier is a savings for that month plus the next month. And arithmetically, you can then save a bundle of money so you don't put yourself in a position of a deficit, but we didn't react.

The Senate R's, Senate Republicans, the House Republicans got together and asked this body and the body downstairs to make the adjustments. And it was, Well, let's wait for after the presidential election. Well, let's wait until after January 1st when the new sales tax figures come in. And we waited, we waited, we waited. And because we were hesitant, we resulted in this huge deficit, that now we've got to tell our constituents we have to borrow to get out of a hole. So we don't have enough money to pay our ongoing expenses, and we're going to borrow. People don't borrow their expenses at home. We shouldn't be doing it. We put ourselves in that position.

The reason why this is so critical is because we're about to go into phase two. In a few hours or less, we're going to be having in front of us a budget, the biannual budget. And if anything that the lesson should have taught us about trying to make the right financial decisions early to avoid a severe consequence that we're facing here today, we have to take that lesson and move it forward because this biannual budget that's coming out, we all know at the end of those two years there's a 3.5 to a 5 billion dollar deficit at the end of those next two years. We can't close our eyes to it and then turn to the voters in two years and say, Hey, oops. We thought the economy was going to get better. We had this infusion of $4 billion of stimulus and one-time revenue, the Rainy Day Fund, and we used that to balance our budget, but we didn't cut expenses so we have a $4 billion, $5 billion deficit in two years. We can't turn our eyes. We know it's coming.

This should be a lesson. We didn't work hard enough. We didn't come to a resolution to protect the

State of Connecticut and the constituents, and now they're going to pay interest -- deferred yet, because we wouldn't want that to affect our ability to have a balanced budget for two years -- deferred yet, and then we're going to start paying on it because we didn't plan in advance. But we better do it with this budget coming up.

For those reasons, I do not support this bill.

Thank you, Mr. President.

THE CHAIR:

Thank you, Senator Fasano.

Will you remark further?

Senator Daily.

SENATOR DAILY:

Thank you very much, Mr. President.

I would like to add briefly, it's common sense to know that you're going to have to borrow to get out of a deficit this large. We made cuts during the session to programs and items that we could cut without cutting into vital services. We heard from the Governor's economic advisors that there were only three ways, one pattern in order to get out of this deficit and it was borrowing, cutting spending, and raising taxes. And tonight, not in this bill, but in the other, we propose to do all three. And I, again, urge a positive vote on this measure.

THE CHAIR:

Thank you, madam.

Will you remark further?

Senator Frantz.

SENATOR FRANTZ:

Thank you, Mr. President.

Just to add a little bit of a different perspective to this before anybody pushes any buttons tonight to vote on this proposal before us, I'd like to point out that there are limitations. There are two -- two factors here in the challenges that we face. One, of course, is what can a tax base afford to pay for the ongoing budget and budget increases. I might add, that we will be deliberating here in a few minutes or a few hours. There are limits. There's no question about that. There are also limits that we might not be paying particular attention to right now, and that those are limits that are set by the capital markets and those are limits that are essentially set by rating agencies. And my hope is that the rating agencies aren't watching very closely tonight and are not thumbing through with any great particular care to the proposals that are before us and will be before us tonight, because there are limitations.

We should be much more diligent in our budgeting and also pay much, much closer attention to the reality of the situation. What can our tax base afford? What happens if we do, in fact, raise taxes collectively here in the General Assembly tonight here in Hartford? Are we, in fact, going to see a bump up in revenues? We know that there are lots of tax laws, carryforwards out there. Is it the intelligent thing to be doing?

In the bigger picture, we have to be more diligent. If we're going to guarantee a future for the state of Connecticut and safeguard the future generations that are coming down the pike against a financial and fiscal catastrophe, we must be more diligent. And please keep in mind that there are limits. If we borrow willy-nilly, we're going to run up against those limits very, very quickly.

Thank you, Mr. President.

THE CHAIR:

Thank you, sir.

Will you remark?

Senator McKinney.

SENATOR McKINNEY:

Thank you, Mr. President.

I rise in opposition to the measure before us. And I guess if I were to try to put it into language that perhaps any of our constituents would recognize, I guess the question I would ask is, you know, let's assume someone we represent has $1400 in a savings account. A little bit less than our $1.4 billion Rainy Day Fund, but $1400, and they've got a bill for $942. What would your advice be to them? What would your advice be to them?

Would your advice be, go out, get a new credit card, put the $942 on the credit card and pay that 18 or 22 percent annual interest? I don't think any one of us would give that advice to that constituent. And that would even assume they had the ability to go out and borrow the money or to get a new credit card. They may already be maxed out on three or four or five credit cards and unable to even get a new one.

We would never give that advice to any one of our constituents. It's that is exactly what we are doing. And I would say to my friend, Senator Daily, she is right that there were people who suggested there are three ways to get out of this. And in our own

Republican budget, we even said we would be willing to borrow, but that would have to come with significant cuts in spending and not raising taxes. Here we end up on a night we are not cutting spending significantly; we are raising taxes over a billion dollars; we are securitizing $1.3 billion and borrowing almost a billion dollars.

$230 million will be spent over the next seven years, albeit not in the next two years. $230 million will be spent because we were unwilling and unable to make tough decisions to balance our books in '09. In the spring of 2008, we stood up and said we need to adjust our budget. It was a bipartisan budget. It was one I supported. It was one 35 of us supported, but the majority was unwilling to change that budget. We even said we should offer early retirement to our state employees. The majority and even the Governor did not support that idea. We ended up over 12 months later with a retirement package for state employees which help saved -- and credit to them in helping get us out of this budget deficit -- hundreds of millions of dollars.

Our inability to make that decision some 16 months earlier cost us hundreds of millions of dollars. We've offered deficit mitigation packages which have been rejected along partisan lines. The Governor offered not one, not two, not three, but four deficit mitigation packages, on top of the fact that the Governor on her own, through rescissionary authority, cut hundreds of millions of dollars. And at no time did the majority accept the Governor's deficit mitigation packages. Yes, we accepted part of them, but never in total. She offered over 300 million once, the majority accepted about 120.

Had we made those tough decisions, we would be staring at a small, but manageable budget deficit, not a billion dollars. We would be staring at maybe 200 million, not spending $230 million just in interest on this borrowing. Whose taxes are going to be raised? What business is going to lay off another employee? What programs aren't going to be funded in 2012 because we're going to have to spend 30 to 50 million dollars in 2012 to pay off the interest on this borrowing.

That money is going to have to come from somewhere. We all know in 2012, unless there is a miraculous turnaround, which no economist and no politician is predicting, we will have a budget deficit in 2012 of billions of dollars. On top of that, we have an extra 20 to 50 million dollars of interest costs. Who's not getting funded? Whose taxes are being increased? What jobs are being lost because we were unwilling to make those decisions? This economy did not collapse as a surprise. We saw it coming. We took half measures and half steps to deal with it. And I cannot sit here and give my vote under the opinion that, well, it's the 11 -- it's the 12th hour. We have to do it.

We didn't have to be here. And because we could have made and should have made decisions so we wouldn't be here, I cannot sit here and give my vote to irresponsible borrowing that we should have done, should have known better and should not have let happen.

Thank you.

THE CHAIR:

Thank you, sir.

Will you remark?

Senator Looney.

SENATOR LOONEY:

Thank you, Mr. President.

Mr. President, rising in support of the bill.

What we have seen going through Fiscal Year 2009 and likely to continue for the -- for at least part of the biennium, is a very, very difficult national economic crisis. And the residual deficit for Fiscal Year 2009 that we propose to address here this evening by borrowing was not the only part of that deficit for 2009. As was said earlier it was addressed through four different mitigation packages that were adopted in November, November 24th of 2008; January 14, 2009; February 25, 2009; May 22, 2009. The aggregate amount of those bills included, in part, 356 million, but there were also other savings in the course of the year in addition to those reductions to appropriations: Carryforward reductions, delayed initiatives, fund transfers and so on, savings that the Governor made from other rescissions, lapses, labor savings, federal stimulus assumptions, budget reserve fund assumptions. The total addressed in mitigation over the course of the year was over one $1.7 billion. And we have, in fact, a remaining residual deficit of 950 million more, but that points out that about at least two-thirds of the problem was addressed in the course of the fiscal year. The remaining third remains to be addressed now.

And I think a reasonable judgment was made that additional cuts and injury to state services and programs in the course of the fiscal year might, in many ways, have been more damaging to the state than borrowing to deal with what the remaining deficit will be.

We know that in the past we've took similar action in 2003 because in that year we had a budget crisis. We had economic recovery notes that were passed then. The economy did, in fact, improve, and those notes were paid off ahead of schedule. And we certainly are hopeful that -- that if not ahead of schedule, we will be comfortably able to pay these on time as the economy improves going forward. But it is a -- an important fact to look at that figure of 950 million not in isolation, but as the remaining figure, the remaining portion of a deficit that was far worse than that 950 million, to point out what a difficult year we have been through, and we were able to get through that year without causing havoc and terrible harm.

There have been sacrifices. There have been cuts. The Governor has made needed rescissions. The General Assembly made needed cuts. It was painful to get through but, in fact, we did. And it was a prudential balanced judgment to save certain programs and services, to maintain state commitments in certain areas, and to meet the last portion, the last third, by this borrowing mechanism. We have to evaluate all of the state's programs and obligations. And as -- as we've said many times, in difficult times, it is sometimes even more essential to maintain certain programs and services that the people of this state depend on in hard economic times.

So on balance, this was a reasonable and responsible way to deal as we did, piecemeal, with this problem through the year and finally to deal with the last remaining component through this mechanism.

Thank you, Mr. President.

THE CHAIR:

Thank you, sir.

Will you remark further on House Bill 6801?

Senator Williams.

SENATOR WILLIAMS:

Thank you, Mr. President.

I rise to support the bill, to associate my remarks with Senator Daily and Senator Looney. A little later this evening we will have a debate about the budget that we hope to pass on behalf of the State of Connecticut and we will have, I'm sure, some differing opinions about the budget.

This particular step that we're taking right now, issuing economic recovery notes to help cover the deficit of the prior fiscal year, is one of the things that on paper we do not have a disagreement about. It was in the proposed Republican legislative budget. It's been in the Governor's budget. It's been in the Democrats' budget, perhaps in differing amounts and, obviously the details of our respective budgets have differed, but the concept of issuing economic recovery notes to cover the deficit for the fiscal year that concluded on July 1st, the previous July 1st, that is a concept that all of us have embraced.

So we need to do this because in everyone's budget we were counting on moving the Rainy Day Fund forward to deal with the deficit in the next two years in the biennium. So it's not perfect. It's what they had to do in 2003 and 1991, the last two tremendous economic downturns. They had to issue economic recovery notes and take on that as part of the overall solution that included cuts to state spending and included adjustments to our tax system and structure.

We've got to have to deal with all those concepts again this year, but this is a concept that all of us have agreed upon.

So I urge the Chamber's support for this measure and look forward to an even more robust debate about the budget and moving forward for the state in the next two years.

Thank you, Mr. President.

THE CHAIR:

Thank you, sir.

Will you remark? Will you remark further?

If not, before I open the machine, I want to remind the Chamber that, subject to Article III, Section 18, Subsection C, we will need three-fifths vote of the Chamber for this bill to pass. And according to my math, that's 21.6, but I'll accept 22, because .6 would be kind of messy.

So, Mr. Clerk, will you call for a roll call vote. And the machine will be opened.

THE CLERK:

Immediate roll call has been ordered in the Senate. Will all Senators please return to the chamber. Immediate roll call has been ordered in the Senate. Will all Senators please return to the chamber.

THE CHAIR:

Have all Senators voted?

If all Senators have voted, the machine will be locked. The Clerk will call the tally.

THE CLERK:

Motion is on passage of Emergency Certified Bill 6801.

Total Number Voting	35
Those voting Yea	23
Those voting Nay	12
Those absent and not voting	1

THE CHAIR:

The bill passes.

Senator Looney.

SENATOR LOONEY:

Thank you. Thank you, Mr. President.

Mr. President, would move for immediate transmittal to the Governor of Emergency Certified House Bill 6801.

THE CHAIR:

There's a motion on the floor for immediate transmittal to the Governor.

Without objection, so ordered, sir.

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Thank you, Representative.

Representative Grogins.

REP. GROGINS (129th):

(Inaudible).

SPEAKER DONOVAN:

I guess not.

Will the Clerk please call Emergency Certified Bill Number 6801.

THE CLERK:

Connecticut House of Representatives for June -- sorry -- for August 31, 2009, Emergency Certified Bill Number 6801, AN ACT AUTHORIZING ECONOMIC RECOVERY NOTES.

SPEAKER DONOVAN:

Representative Cam Staples.

REP. STAPLES (96th):

Thank you, Mr. Speaker. Mr. Speaker, I move acceptance and passage of the emergency certified bill.

SPEAKER DONOVAN:

The question is on passage of the bill. Will you -- you have the floor, sir.

REP. STAPLES (96th):

Thank you, Mr. Speaker. Mr. Speaker, the bill before us today permits the borrowing of approximately $950 million, which is the accumulated deficit for 2009, as part of our overall plan to balance the budget the next two years. We have done this in each of the last two recessions. We paid off the notes in short order, prior to the term of the notes. And we're doing it today in anticipation of a resolution of the outstanding budget issues for 2010 and '11.

The bill specifically says that the State is authorized, through the Comptroller's Office and the Treasurer's Office, to borrow the amount necessary to retire the deficit. We know that is approximately $950 million.

It also permits over the next seven years, that the first two years of the -- of the term of the notes, the next two years, will not require annual payments, but the payments will be part of the indebtedness that the Treasurer is issuing the bonds for. The remaining five years of the seven-year term will be paid for on annual installments to retire the debt.

One provision of the bill before us today is that it does say that any surpluses during the term of the outstanding obligations over the next seven years, will automatically be applied to retiring the economic recovery notes as well.

I think it's a responsible approach. We've all talked about since the beginning of the session the fact that we would have some tax increases, some spending reductions, and some borrowing as the means of resolving our deficit. This is a portion of the borrowing, and I urge my colleagues to support it.

SPEAKER DONOVAN:

Thank you, Representative.

Will you remark further?

The Ranking Member of the Finance, Revenue, and Bonding Committee, Representative Candelora, you have the floor, sir.

REP. CANDELORA (86th):

Thank you, Mr. Speaker. Good afternoon. If I may, just a couple of questions for the good Chairman of the Finance Committee.

SPEAKER DONOVAN:

Please proceed.

REP. CANDELORA (86th):

Thank you, Mr. Speaker. In Section 2 of the bill there are -- there is a summary here, I guess a mechanism by which the amount the amount that we are going to be borrowing is determined. And I understand that today we have an estimate of a $950 million deficit for the prior year, and I guess that number could potentially fluctuate up or down. And if -- if the gentleman could just explain to me what would happen if -- if that estimate or that final certified number was necessarily higher or lower, how does that bill -- this bill address that? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Staples.

REP. STAPLES (96th):

Thank you, Mr. Speaker. The bill does not specify a particular dollar amount, because we weren't certain, right to the penny, what the deficit would be. But it does authorize the Treasurer to issue notes, and not -- not to exceed the amount of the deficit. So whatever the deficit is, this bill authorizes bonds to retire it.

SPEAKER DONOVAN:

Representative Candelora.

REP. CANDELORA (86th):

Thank you, Mr. Speaker. And -- and to be clear, we're fairly certain on the dollar amounts of being around the 950. So while this may read essentially as a blank check for borrowing, we have fairly good information that this is around where that number would be? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Staples.

REP. STAPLES (96th):

Thank you. Through you, Mr. Speaker, yes, we certainly do. We've talked to the Comptroller's Office; we've talked to the Office of Fiscal Analysis. While the books are not closed, that is only -- that's a matter of a day away from now, so we have a very good idea of what 2009's deficit is, and it is -- it is in the vicinity of $950 million.

SPEAKER DONOVAN:

Representative Candelora.

REP. CANDELORA (86th):

Thank you, Mr. Speaker. And through you, Mr. Speaker, Section 4 discusses the -- what happens in future years if there is a surplus. And I'm wondering just -- through you, I guess, we've -- there's records made that we've borrowed in the past, and we've paid the money back, you know, on short order in times or sooner than what was obligated. And I see that

Section 4 provides a provision where the unappropriated surplus would go toward paying down that debt. Through you, Mr. Speaker, in the past -- do we have some estimates of how much we've borrowed in the past and how quickly we've been able to pay that back? Through you.

SPEAKER DONOVAN:

Representative Staples.

REP. STAPLES (96th):

Thank you, Mr. Speaker. I'm just going from memory. It was -- it was less than this. I think it was four to five-hundred million dollars the last time. I don't know the exact dollar amount, but I believe we retired the debt within three years. I think we had a five-year term, and the recovery came back, and the Governor in the very first year of the recovery paid off the notes. And I think it's certainly our intention -- we knew it was a good practice then, we know it's a good practice to do again. So it's our intention that we will pay it off as soon as we have the resources to do that.

SPEAKER DONOVAN:

Representative Candelora.

REP. CANDELORA (86th):

Thank you, Mr. Speaker. And through you, as we talk about in that section that there will be unappropriated surpluses -- and I think we all recognize the economic situations that we're in -- I think I know the answer to this, but do we have any projected years out from OFA or OPM, where in the future we are envisioning any type of surpluses based on, I guess, current projections? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Staples.

REP. STAPLES (96th):

Through you, Mr. Speaker, since we've -- we've put in place the tax package that -- that we're going to be voting on today, which is obviously different than prior tax packages that we've considered, I think we'll know a little bit more about that when we talk about the revenue estimates later today and in our committee meeting today.

I don't think there's any current projection that it would be shorter than two or three years away before -- before we're at a point where we're out of the woods economically. But I think -- I think we all know that those projections are just projections and that we could all be wrong and in a year from now the economy might start coming back, and we might see in two years some of the results of that through higher -- higher revenues. So it's -- it's really hard to project, but I think we're probably looking at least three years before we can say that we'll be back to -- back to predictably balanced budgets.

SPEAKER DONOVAN:

Representative Candelora.

REP. CANDELORA (86th):

Thank you, Mr. Speaker. And just one final question is, I recall -- I guess it was sometime in the late spring, we had issued some -- some bond notes to the tune of about $700 million in order to kind of fill the gap and address cash flow issues in Connecticut, and I guess, thinking now, that those dollars would be reflecting -- or that procedure was necessary because of the revenue loss that we saw this year. So effectively, I guess, these economic notes would be going toward that type of borrowing that we've already done, to fill in some of those cash flow shortages that we've had in our common cash pool? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Staples.

REP. STAPLES (96th):

Thank you, Mr. Speaker. I'm not quite sure I heard the question. If you're asking whether these notes are going to be related to the cash flow deeds of the State in the Treasurer's Office, I think they are indirectly related to that. I mean, technically they're related to -- to closing the deficit and freeing up the Budget Reserve Fund for the next biennial budget. But I think in terms of cash flow -- I think we're already -- we're already in a bind with cash flow, and the Treasurer's already issuing notes to -- on a short-term basis to raise cash.

I think the revised revenues, if we adopt a budget today that becomes law, will obviously have a lot to do with the cash flow that starts coming into the State in the next few months. There will particularly be an increased cash flow in October when people do their withholding for the current income year. But that -- that will be determined by the budget that we debate later and on an assumption that that becomes law at some point in the future.

SPEAKER DONOVAN:

Representative Candelora.

REP. CANDELORA (86th):

Thank you, Mr. Speaker. And I don't have any further questions for the good Representative.

I guess my concern today is -- is the manner in which right now we are pursuing the borrowing. It is a fact, certainly, that the Governor has proposed borrowing, the Republicans have proposed borrowing in our budget, and the other side of the aisle has also proposed this measure. One of the concerns I have is I certainly would be hoping to be voting on this as a package deal, so that we would have the ability to look at what the long-term ramifications here are.

You know, in the final section, I think it is good fiscal policy that we're going to be applying surpluses first to this type of borrowing. Because, ladies and gentlemen, the more we borrow, the more revenue that's going to be taken away from our future budget streams. So while this may be addressing our '09 dilemmas, it's going to cause problems for us certainly in the out-years, in '13, '14, '15, and '16, when we need to start paying this money back. We're going to be needing to draw that money away from other programs potentially.

So I think it is a good policy, but I am concerned not knowing the revenue projections, not knowing where we are, certainly if there is any type of surpluses, that we're going to be seeing three, four, five, or six years from now. The latest numbers that I had seen, and all the budgets that were proposed, we were staring at about a $5.5 billion deficit in the next budget cycle. And so I'm not sure that's improved at all through the possible revenue estimates that we're going to adopt and the tax package that we'll be voting on today. I'm not sure we're actually curing all of those issues.

So I just have great reservations in voting on this particular bill in a vacuum. Thank you, Mr. Speaker.

SPEAKER DONOVAN:

Thank you, Representative.

The Ranking Member of Appropriations, Representative Craig Miner, you have the floor, sir.

REP. MINER (66th):

Thank you, Mr. Speaker. And good afternoon. Mr. Speaker, if I might, a few questions to the proponent of the bill, please.

SPEAKER DONOVAN:

Please proceed.

REP. MINER (66th):

Thank you, Mr. Speaker.

Mr. Speaker, in Section 3, the language here talks about -- I think it's existing language with a small change -- talks about the State's limitations on borrowing, kind of self-imposed limitations -- my recollection is that it was at a time when the income tax may have come in -- that we said, in exchange for this, we're going to do that. And part of the "that" that we were going to do was we were going to limit the amount of borrowing that we did over a period of time. And through you, on lines 251 and 252, if I could, does this somehow -- does this language change what we originally said we were going to do, by allowing us to borrow more money? Through you.

SPEAKER DONOVAN:

Representative Staples.

REP. STAPLES (96th):

Through you, Mr. Speaker, could the -- could the gentleman indicate which lines he was referring to, again?

SPEAKER DONOVAN:

Representative Miner.

REP. MINER (66th):

Thank you, Mr. Speaker. Lines 251 and 252.

REP. STAPLES (96th):

Through you, Mr. Speaker, I -- I guess the question is -- if the question is what -- what does that do? It exempts these from -- these bonds from -- from the bonds cap.

As to whether this is something we always anticipated, I believe it is. I always thought that we were going to do it this way, and I think this is the same way we've done it with prior economic recovery notes. I think -- I think the logic of it is these are short-term notes, and we're creating sort of a preference in our payback of these notes. And so we distinguish them from the long-term bonds that we usually issue that -- that are subject to the restriction of the -- of the debt ceiling.

SPEAKER DONOVAN:

Representative Miner.

REP. MINER (66th):

Thank you, Mr. Speaker. And so in terms of the State's obligations, we're saying that these are different. These are different because we've come upon tough economic times, and we need to borrow this money to get through to a certain point when we believe our revenue will catch back up to what our expenditures are. Is that -- is that the point? Through you.

SPEAKER DONOVAN:

Representative Staples.

REP. STAPLES (96th):

Thank you, Mr. Speaker. Yes, I think -- I think that they're distinguished from long-term debt, and as I said, not only because they're a different type of debt and they're for operating costs, which obviously we don't do typically with bonding; they're short-term, and are given a preference for surplus dollars. So I think for those reasons we didn't want to -- to treat them as part of our long-term debt that we have a ceiling for in our statutes.

SPEAKER DONOVAN:

Representative Miner.

REP. MINER (66th):

Thank you, Mr. Speaker. And I thank the gentleman for his answers. And through you, does this allow us more room still with -- under that cap? By putting this language in, are we then able to borrow money for other things because of this language? Through you.

SPEAKER DONOVAN:

Representative Staples.

REP. STAPLES (96th):

Thank you, Mr. Speaker. I would say it certainly -- it doesn't take up room under the cap, yes. I mean, the new -- the cap will have to be determined again, you know, once the revenues are established for this year. Assuming that there's a budget, and that the budget involves some tax increases, then the revenues will change and the bond cap will change. And at that time, these won't be part of the calculations, so they will permit more room under that bond cap.

SPEAKER DONOVAN:

Representative Miner.

REP. MINER (66th):

And in terms of the -- through you, Mr. Speaker, in terms of how Moody's or other agencies look at us and rate our ability to repay, will they not put this under our umbrella of indebtedness? Or this will be -- will this be part of the consideration of our debt load? Through you.

SPEAKER DONOVAN:

Representative Staples.

REP. STAPLES (96th):

Thank you, Mr. Speaker. Well, I think they'll certainly look at this as part of our indebtedness. They -- the Treasurer's Office has been in contact with them throughout this session. We've asked the question of how they're likely to respond if we do short-term notes. And what we've been told is, because of our track record of doing such notes and paying them back early and not issuing short-term notes in sequence, you know, in following years during the same recession, that our track record has encouraged Moody's and Standard and Poor's to determine that -- that our bond rating should not be affected negatively by the issuance of this short-term debt. I think Connecticut has a good history with short-term notes, and because of that we can -- we can confidently do it again and not be concerned about our bond rating.

SPEAKER DONOVAN:

Representative Miner.

REP. MINER (66th):

Thank you, Mr. Speaker. And I -- I do thank the gentleman for his answer. Mr. Speaker, I -- we've been at this for quite a while. I think most of us know that since last November the State of Connecticut has been acknowledging that it is operating in a deficit situation. And I think the public is fully aware that every time we came together as a legislative body in order to address that, we fell short of the goal established by the Governor. We did not close the gap at each instance, and therefore, this 950 million, give or take a few million, is a reflection of our, probably, inability to deal with a deficit it was going -- as it was continuing to grow. I'm not sure there's another way to do this. Frankly, given the picture that we've left ourselves with, the only other way that I know of to do it would be to take the Rainy Day Fund and settle last year's debt, and then deal with the ongoing expenses of '09 and '10 as they come up.

What people at home probably don't know is that we can't borrow money on a go-forward basis. We have to borrow it retrospectively with the exception of this kind of caveat of securitization, which, when I've tried to describe it to people at home, they say, well, that's borrowing. So a lot of what we do up here isn't understood. I'm not so sure I fully understand it, because it's what we want it to be on the day we want to do it.

Mr. Speaker, as I said earlier, I'm not sure there's another way, given where we are today, but certainly there was another way at every step of the way in the last six months. If I felt confident that this was a starting point, that we were actually going to begin to deal with our issues when they occur rather than retrospectively, I might be inclined to support this. But we're not going to do that. We're going to add this bill. We're going to take it off the total of what we're allowed to borrow. We're going to put this expense on future generations on top of what else we'll probably do over the next six months. If this was part of a package that I thought really began to deal with the issues that face the state of Connecticut, then I would be here advocating that we support this borrowing.

What I'm concerned about, Mr. Speaker, is that we're going to do this today, now. We're going to make a couple more decisions later on in the course of today, and a month from now, two months from now, we're going to say, well, things have gotten worse. The projections we've made, we aren't going to be able to hit. The revenues that we anticipate we're not going to get. And we're going to be right back in the deficit mode, and not only is this payment not going to be made, but the other payments that we're going to be obligated to aren't going to be made.

So I -- I fully appreciate the situation that we're in. I think the state of Connecticut wants us to get this issue resolved. I think this is just part of a puzzle that we're going to look at today, it really isn't going to resolve anything other than get us beyond today. For that reason, I'll be opposing it. Thank you, Mr. Speaker.

SPEAKER DONOVAN:

Thank you, Representative.

The distinguished Minority Leader, Representative Cafero, you have the floor, sir.

REP. CAFERO (142nd):

Thank you, Mr. Speaker. Good afternoon.

Ladies and gentlemen of the Chamber, good afternoon. It has been a while since we've been together, and we find ourselves meeting here at ten minutes after two on the afternoon of August 31, 2009. We find ourselves here to try to solve a problem as a legislative body.

And oftentimes I find it very helpful to put things in perspective, to talk to people who are outside of this chamber. Because sometimes we get caught up in what we do, the buzzwords, the agencies and boards and commissions that we deal with. We sometimes get numb to the numbers and the budgets and the programs. We get numb to how many zeroes are on the end of all the financial decisions that we make. And it really brings it back home when you look at someone who is outside of the Legislature, and they ask those real simple questions. Because when you answer them in an honest and forthright way, you start to say to yourself, what are we doing?

So today, for example, if someone were to ask us what are you doing today? We would have to answer them that we are attempting to balance the budget of the State of Connecticut for Fiscal Year 2009, which ended June 30, 2009, and fashion a budget for the next two fiscal years as is our constitutional duty -- years 2010 and 2011. That's what we're doing here.

And if they were then asked -- to ask us how are you doing that, what are you going to do? I would have to answer, well, we're first going to take care of the last fiscal year, 2009, and then we're going to take a little break, and we're then going to try to deal with years 2010 and 2011. We're all going to hopefully do that in one day. Okay, they will say, what took you so long? Well, I would answer to them there has been a difference in ideology. We disagree on how to solve that problem, the Executive Branch and the Legislative Branch, Democrats and Republicans, and we've been trying to come to a compromise or an acceptable way we can all agree. They would then ask, were you able to do that? I would have to answer, unfortunately, no.

And that's why, on August 31st, we do not only not have a budget, but we haven't settled the books on last year's budget. So they would ask me, if you're going to settle the books on 2009, which ended two months ago, how much do you owe? And I would answer approximately $950 million. $950 million. They would say to me, how did it get so big? Did you just wake up at the end of the fiscal year and say, oh my God, we overspent $950 million? I'd have to answer them, no, we sort of saw this coming over a year ago, and it started off small and kept building. They would ask me, well, when you saw it coming, did you do anything about it? And I would have to answer them, well, we tried. You see, in our law as this deficit grows, the

Governor is charged by law to come up with a plan to eliminate the deficit, to make it zero. Well, they would ask me, did the Governor do that? And I would answer, yes, she came up with about five plans. Each time the budget deficit grew, she came up with a plan to bring it back to zero. Well, if that's the case, they would ask me, why is it $950 million now? And I would answer them because when the Governor came out with her plans to bring it to zero, we never fully adopted the plans. We kept leaving a little bit of a deficit that grew and grew and grew and is now $950 million.

Wow, they would say to me, what are you going to do about it now? What are your choices? Well, I would say we have two. We have a savings account where we've saved up over the years $1.4 billion. We could use that money to pay what we owe for last year. But why don't you do that, they would ask me. And I'd say, well, because we're in such bad shape for the next two years we're going to need that money to balance the budget in 2010 and 2011.

Well, what are you going to do, they would ask. We're going to borrow the money. You're going to borrow $950 million? Yes, unfortunately we have to, I would answer. They would ask me, is that the largest amount of money the State of Connecticut has ever borrowed in its history? And I'd have to answer, yes, it is. They would then ask me, how are you going to pay this money back? When do you have to pay it back? And I would answer them the plan is that for the next two years, we're not going to pay a nickel -- no principal and no interest. Not one nickel. Raymour and Flannigan doesn't even have that kind of deal. No principal, no interest. And then starting in 2012, in a budget year that we haven't even thought about yet, we're going to have to pay back principal and interest, $238 million every year until 2016. Wow, they would say to me, that's a lot of money. That's a lot of money that we're borrowing because you guys didn't take care of it throughout the year. But we have to. We have no other choice.

That's what I would have to answer our constituents. And when you hear it put that way, in those simplest of terms, commonsense questions, and when you hear how we have to answer them, we should be ashamed. Now it is true, as has been said, that the Governor's budget proposal, the Democrats' budget proposal, the Republicans' budget proposal all anticipated that we would have to borrow this amount of money and pay it back in the manner that I described.

The difference is, however -- at least from our perspective on this side of the aisle, that when we were going to tackle this problem, we were going to tackle it as a package. We were not only going to take care of the deficit we find ourselves with in 2009, but put together a responsible -- fiscally responsible balanced budget for 2010 and 2011. You see, you can't just isolate one part of it and then do the other. You can't do that. In fact, we're not even going to do it -- we're going to wait about an hour and then handle the other part. And as Representative Staples said at the beginning when he put out this bill that's before us, it's a combination of things. It's a combination to handle this economic budget crisis of borrowing, of revenue, of cutting, et cetera.

So when we vote on the package that's before us, we must think of it as a package. So when you're borrowing $950 million, and not paying the interest for two years to cover last year's debt, you cannot ignore how you're going to handle 2010 and 2011. It's a package. And we thought, up until today, that we, as a legislature, would be voting on that as a package so that you not only will recognize the fact that you're borrowing for 2009, but how we would pay it back, if at all, in 2010. Would we be borrowing any more? Would we have to raise taxes? Would we have to cut spending? All of that would be part of a package -- that's the way you plan fiscally.

Today the majority party has decided we would separate those two things. But for purposes of voting on this bill before us, I cannot ignore what we are going to do in an hour. I can't ignore the fact that today, not only are we going to borrow $950 million to get out of 2009's deficit, but we're also going to vote on a package that takes care of 2010 and 2011. So I've got to look at it all together, I can't separate it. I've got to look at it all together. And the package that's before us, that we'll be voting on in two hours, says we're going to have a balanced budget for two years, and here's how we're going to do it. In addition to the $950 million that we're borrowing to take care of '09, we're going to borrow another $1.2 billion -- excuse me -- $1.3 billion for 2010 and 2011. We're also going to use $1.4 billion of our Rainy Day Fund; we're going to take $1.5 billion that the federal government is going to give us; and we're going to raise your taxes by $1 billion. That is not a package that I want to be associated with. That is not good fiscal planning. And we can't get away with it by splitting it up and saying, geez, we had no other choice, we had to do this.

And that is why, ladies and gentlemen, in answers to those simple, commonsense questions, that we have to look at this as an entire package of the actions we're taking today and why you will find that this side of the aisle will be voting no on this portion of that package. Thank you, Mr. Speaker.

SPEAKER DONOVAN:

Thank you, Representative.

Would you care remark further? Would you care to remark further on the emergency certified bill?

If not, will staff and guests please come to the well of the House. Members take their seats. The machine will be open.

THE CLERK:

The House of Representatives is voting by roll call. Members to the chamber. The House is taking a roll call vote. Members to the chamber, please.

SPEAKER DONOVAN:

Have all members voted? Have all the members voted?

Please check the roll call board to make sure your votes were properly cast.

Have all members voted?

The machine will be locked, and the Clerk will please take a tally.

Clerk, please announce the tally.

THE CLERK:

On Emergency Certified Bill 6801.

Total Number Voting	139
Necessary for Passage	70
Those voting Yea	102
Those voting Nay	37
Those absent and not voting	12

SPEAKER DONOVAN:

Emergency certified bill passes.

Are there any announcements or introductions?

Representative Staples.

REP. STAPLES (96th):

Thank you, Mr. Speaker. Mr. Speaker, immediately upon the recess of the House, the Finance, Revenue, and Bonding Committee will meet over in Room 2A at the