

Act Number: 09-001 (Special Act)

Bill Number: 835

Senate Pages: 1209-1217 **9**

House Pages: 2036-2042 **7**

Committee: Finance: 522-535, 799 **16**

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SENATE**

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Number 19, marked go.

Also calendar page 2, Calendar 476, Senate
Resolution Number 20, also marked go.

And calendar page 2, Calendar 477, Senate Joint
Resolution Number 74, also marked go.

THE CHAIR:

Thank you, sir.

Mr. Clerk.

THE CLERK:

Calling from Senate Calendar for Wednesday, April
22, 2009, Favorable Reports, calendar page 21, matter
previously marked order of the day. Calendar Number
411, File Number 600, Senate Bill Number 835, An Act
Concerning the Authorization of Bonds of the State for
Capital Resurfacing and Related Reconstruction
Projects, favorable report of the Committee on
Finance, Revenue, and Bonding. The Clerk is in
possession of an amendment.

THE CHAIR:

Senator DeFronzo.

SENATOR DEFRONZO:

Thank you, Mr. President. Mr. President, I move
acceptance of the Joint Committee's favorable report
and passage of the bill.

THE CHAIR:

On acceptance of the bill, sir, would you like to remark further?

SENATOR DEFRONZO:

I would, Mr. President. Before I summarize the bill, however, there is an amendment at the Clerk's desk, LCO 5848. I would ask that that amendment be called and I be given permission to summarize.

THE CHAIR:

Mr. Clerk.

THE CLERK:

LCO 5848, which will be designated Senate Amendment Schedule A, is offered by Senator DeFronzo of the 6th District, et al.

THE CHAIR:

Senator DeFronzo.

SENATOR DEFRONZO:

Thank you, Mr. President. Mr. President, I move acceptance of the amendment.

THE CHAIR:

On the motion to adopt, will you proceed, sir?

SENATOR DEFRONZO:

Thank you, Mr. President. Mr. President, this amendment simply changes the effective date of the

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underlying bill from May 1st to "upon passage." And I will explain how that works into the overall program when I discuss the bill in its entirety, Mr. President.

THE CHAIR:

Thank you, sir.

Will you remark further on Senate Amendment A?

Will you remark further?

If not, I will try your minds. All those in favor please signify by saying aye.

VOICES:

Aye.

THE CHAIR:

Opposed, nay.

The ayes have it, Senate Amendment is adopted.

Senator DeFronzo.

SENATOR DEFRONZO:

Thank you, Mr. President. Mr. President, this bill is the annual authorization to resurface and reconstruct state roads. It is a \$64.1 million allocation of special tax obligation bonds. It leverages approximately \$67 million in federal funds, this has been requested by the Governor.

When completed, these funds will help resurface

and reconstruct 250 miles of state roads throughout the state. The change in effective date will allow us to take full advantage of the construction season, pump this money out into the economy, and hopefully get some people back to work a little sooner than we had otherwise anticipated.

And Mr. President, as I indicated, this is a bill from the Governor's office. We would expect to transmit this to the House today and hopefully get it on the bond agenda later this week. Thank you, Mr. President.

THE CHAIR:

Thank you, sir.

Will you remark? Will you remark further?

Senator Debicella.

SENATOR DEBICELLA:

Thank you, Mr. President. For purposes of legislative intent, questions through you to Senator DeFronzo.

THE CHAIR:

Senator DeFronzo.

SENATOR DEBICELLA:

Thank you, Mr. President. Through you, Mr. President, what would be the fiscal impact of this

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bill on the biennium of FY10/11?

THE CHAIR:

Senator DeFronzo.

SENATOR DEFRONZO:

Thank you, Mr. President. The fiscal note, through you, Mr. President, indicates the debt service on the \$64.1 million over the 20 years would approximately \$43.2 million at an estimated interest rate of 5.5 percent. I would guess that that would mean the annual debt service would probably be in the range of 3.5 to 4 million dollars a year. Through you, Mr. President.

THE CHAIR:

Senator DeBicella.

SENATOR DEBICELLA:

Thank you, Mr. President. Through you, it is unusual for us to be doing bills that are going impact the biennium before doing the actual budget. And through you, for legislative intent, Mr. President, I assume the purpose is that if we do not do this now, we will lose out on opportunity for additional federal funds. Through you, Mr. President.

THE CHAIR:

Senator DeFronzo.

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SENATOR DEFRONZO:

Thank you, Mr. President. Through you to Senator DeBicella, Senator, this -- we do this bill early each year, and it's really an attempt to move early in the year to take full advantage of the construction season. There are some additional federal funds available this year, so I think you're right to a degree about taking full advantage of the federal funding. But this is a procedure we engage in each year to allow our DOT to get out there early in the season and to accomplish as much of this work as possible. Through you, Mr. President.

THE CHAIR:

Senator DeBicella.

SENATOR DEBICELLA:

Thank you, Mr. President. And I thank Senator DeFronzo for his answers. I'm simply bringing up these points because it is unusual -- not so much in doing this bill -- but we want to make sure that as budget negotiations are continuing, that we're not passing bills with a fiscal impact that will create problems later down the road as we create a budget. De facto, by passing this today, we are saying that when we pass that budget, hopefully by June 3rd, that

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we're going to have to include that 3.5 to 4 million dollars that Senator DeFronzo mentioned, in the budget.

So I think this is a very worthwhile bill for us to pass. But doing so, with eyes wide open, we are adding \$4 million to the deficit that we are going to have to make up when we pass the budget. So I want to thank Senator DeFronzo, and thank you, Mr. President.

THE CHAIR:

Thank you, Senator DeBicella.

Will you remark further?

Senator Boucher.

SENATOR BOUCHER:

Thank you, Mr. President. Mr. President, I rise to support this measure. I think that there have been good discussions had just recently that point out some concerns that we absolutely should be very much aware of what's out in front of us financially. But if there was one good project, this would be it as far as what really fits well into our bonding packages versus -- I can't say the same for our many other possible suggestions coming forward this session. Thank you, Mr. President.

THE CHAIR:

Thank you, Senator Boucher.

Will you remark? Will you remark further on Senate Bill 835 as amended by Senate A? Will you remark further?

If not, Mr. Clerk, please call for a roll call vote. The machine will be open.

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, please check the board. The machine will be locked, the Clerk will call the tally.

Thank you, Senator Prague.

Again, please check your vote. The machine will be locked, the Clerk will call the tally.

THE CLERK:

Motion is on passage of Senate Bill 835 as amended by Senate Amendment Schedule A.

THE CHAIR:

Thank you.

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THE CLERK:

Total number voting, 32; those voting yea, 32;
those voting nay, 0; those absent/not voting, 4.

THE CHAIR:

The bill as amended passes.

Senator Looney.

SENATOR LOONEY:

Thank you, Mr. President. Mr. President, I would
move for a suspension for immediate transmittal to the
House of Representatives of Calendar 411, Senate Bill
835.

THE CHAIR:

Without objection, so ordered, sir.

Mr. Clerk.

THE CLERK:

Calendar page 2, Executive and Legislative
Nominations, Calendar Number 475, Senate Resolution
Number 19, Resolution Confirming the Nomination of
Ronald S. Gambardella of Hamden to be a Member of the
Board of Trustees of the Community-Technical Colleges,
favorable report of the Committee on Executive and
Legislative Nominations.

Mr. President.

THE CHAIR:

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House Bill Number 6565 as amended by House A.

Total Number Voting	146
Necessary for Passage	74
Those voting Yea	114
Those voting Nay	32
Those absent and not voting	5

DEPUTY SPEAKER GODFREY:

Bill as amended is passed.

Representative Olson.

REP. OLSON (46th):

Good afternoon, Mr. Speaker.

DEPUTY SPEAKER GODFREY:

Good afternoon.

REP. OLSON (46th):

How are you today?

DEPUTY SPEAKER GODFREY:

How are you?

REP. OLSON (46th):

Oh, good. Mr. Speaker, I move for suspension of
the rules for immediate consideration of Senate Bill
835.

DEPUTY SPEAKER GODFREY:

The question is on suspension of the rules for
the immediate consideration of Senate Bill 835, which

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is in the possession of the Clerk, but not on our calendar. Is there objection? Hearing none, will the Clerk please call Senate Bill 835?

THE CLERK:

Senate Bill Number 835, AN ACT CONCERNING THE
AUTHORIZATION OF BONDS OF THE STATE FOR CAPITAL
RESURFACING AND RELATED RECONSTRUCTION PROJECTS,
favorable report of the joint standing committee on
Finance Revenue and Bonding.

DEPUTY SPEAKER GODFREY:

The gentlewoman from Plainville, Representative
Boukus.

REP. BOUKUS (22nd):

Why, thank you Mr. Speaker. Mr. Speaker, I move
the acceptance of the joint committee favorable report
and passage of the bill in concurrence with the
Senate.

DEPUTY SPEAKER GODFREY:

The question is on passage in concurrence. Would
you explain the bill please, madam?

REP. BOUKUS (22nd):

Thank you, Mr. Speaker. Mr. Speaker, this bill
authorizes special tax obligation bonds of 64.1
million for the Department of Transportation's 2010.

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rotary construction program. This authorization is separate from the main FCO bond bill, because the resurfacing authorization is effective on May 1, 2009, to coincide with the construction season. This proposed authorization is higher than what has customarily been authorized because of the leverage of additional funding. The leverage is 67 million of federal funds. I move passage. Thank you.

DEPUTY SPEAKER GODFREY:

Representative Boukus.

REP. BOUKUS (22nd):

Thank you, Mr. Speaker. Mr. Speaker, I'd also like the Clerk to read the amendment we have on Senate A, LCO 5848. Thank you.

DEPUTY SPEAKER GODFREY:

Clerk is in possession of LCO 5848, previously designated Senate Amendment Schedule A. Will the Clerk please call and read, please.

THE CLERK:

LCO Number 5848, Senate A, offered by Senators
Daily, DeFronzo and Representative Staples -- changes the effective dates of Sections 1 to 5, inclusive, to effective from passage.

DEPUTY SPEAKER GODFREY:

Representative Boukus, what's your pleasure.

REP. BOUKUS (22nd):

Thank you, Mr. Speaker. I think that's self explanatory, effective upon passage. Thank you, sir.

DEPUTY SPEAKER GODFREY:

Would you like to move adoption, Representative Boukus?

REP. BOUKUS (22nd):

I would also like to move adoption.

DEPUTY SPEAKER GODFREY:

Excellent.

REP. BOUKUS (22nd):

I think it's an excellent idea. Thank you.

DEPUTY SPEAKER GODFREY:

Question is on adoption of Senate amendment Schedule A. With you remark further on the amendment? If not, let me try your minds. All those in favor, signify by saying, aye.

REPRESENTATIVES:

Aye.

SPEAKER DONOVAN:

Opposed, nay.

The ayes have it. The amendment is adopted.

Will you remark on the bill as amended? Will you

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remark on the bill as amended? The gentleman from Brookfield, Representative Scribner.

REP. SCRIBNER (107th):

Thank you, Mr. Speaker. I rise in support of the amended bill before us. It simply allows for the Bond Commission to take action on the appropriation of the money for the road resurfacing, calling for a special tax obligation bonds. And I'd like to thank coleader of the Transportation Bonding Subcommittee and the leaders of the Finance Committee for bringing this forward to allow the Department of Transportation to do their work during the construction season, beginning on May 1st. Thank you.

DEPUTY SPEAKER GODFREY:

Thank you, sir.

The gentleman from East Hartford, Representative Genga of the 10th. Representative Genga, no. Very good, sir.

Will you remark further on the bill as amended?
Will you remark further on the bill as amended? If not, staff and guests, please come to the well of the House. Members take your seats. The machine will be open.

THE CLERK:

The House of Representatives is voting by roll call. Members to the chamber. The House is voting by roll call. Members to the chamber.

DEPUTY SPEAKER GODFREY:

Have all the members voted? Have all the members voted? If so, the machine will be locked. The Clerk will take a tally. And the Clerk will announce the tally.

THE CLERK:

Senate Bill 835, as amended by Senate Amendment Schedule A.

Total Number Voting	143
Necessary for Passage	72
Those voting Yea	140
Those voting Nay	(Inaudible)
Those absent and not voting	3

DEPUTY SPEAKER GODFREY:

The bill is passed in concurrence with the Senate.

Representative Merrill.

REP. MERRILL (54th):

Yes, Mr. Speaker. I move for the suspension of our rules for the immediate transmittal of this item to the Governor.

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DEPUTY SPEAKER GODFREY:

The question is a suspension for the immediate transmittal of this bill to the Governor. Is there any objection? Hearing none, it is so ordered.

The Clerk, please call Emergency Certified Bill 6717.

THE CLERK:

House Bill 6717, AN ACT CONCERNING THE CAPITOL AREA DISTRICT HEATING AND COOLING SYSTEM, LCO Number 5812, introduced by Representative Donovan and Senator Williams.

DEPUTY SPEAKER GODFREY:

Representative Merrill.

REP. MERRILL (54th):

Yes, Mr. Speaker. I would move that we pass this item temporarily.

DEPUTY SPEAKER GODFREY:

The question is on passing the item temporarily. Is there objection? Hearing none, the item is passed temporarily.

Will the Clerk please call Calendar 274.

THE CLERK:

On page 40, Calendar 274, House Bill Number 6599,
AN ACT CONCERNING PATIENT SAFETY, favorable report of

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SENATOR DAILY: He wanted to say take the stand.

REP. STAPLES: Thank you, Mr. Secretary. Just for the benefit of the members who are here and the people in the audience, this is a practice the finance committee engages in from time to time to not have the public under the misconception that they will be testifying any time soon. We set off the first few hours of special time for certain state officials. The public hearing process itself starts at 12:30. This is for testimony of state officials which we've scheduled between 10:30 and 12:30. So with that we look forward to your testimony.

Secretary Genuario, please proceed.

ROBERT L. GENUARIO: Thank you, and good morning, Representative Staples, Senator Daily, Representative Candelora, Senator Roraback and distinguished members of the finance committee, my name is Robert Genuario, I'm the secretary of the State of Connecticut Office of Policy and Management, and I thank you for the opportunity to be here today to present testimony.

I have submitted written testimony with regard to Governor Rell's Bills 833, 834, 835, 836, 837 and a modified bill including her proposals, 933. You have written testimony on each of those from my office, and rather than read that testimony, I'd like to summarize the provisions of those bills and our support for them.

Bills 833 through 836 are annual proposals for bond authorizations with a number of items that are worthy of highlight that I will get to in a second. Eighty-three is the Governor's proposed bill on fee increases, and

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933 deals with other various revenue items which I will detail shortly.

With regard to 833 concerning various general obligation bonds for state purposes, of note is the Governor's Regional Incentive Grant Program. That proposes for the first time a pool of bond funds in the amount of 40 million dollars. That is intended to incentivize the regionalization of certain services that municipalities perform. As I have indicated in prior presentations, the theory behind this is that there's often a worthy public service performed by municipalities, frequently many municipalities performing the same service. These dollars would incentivize the more efficient provision of these services.

Example. Four or five municipalities all provide certain tax collection or tax assessment functions, they decide that they want to get together and combine those functions, strictly voluntary, but they need an updated information technology system to allow for the coordination of those systems. They could apply to the state for a grant, the state would provide that grant, it would be done on a competitive and merit-based system. The state would incur a one-time cost for the updated infrastructure necessary to allow for the -- necessary to allow for the regionalization of the service, but the municipalities would have an ongoing savings from participating in the program. Similarly, if more than one municipality wanted to collaborate to purchase a particular piece of equipment that might be of benefit to many of them or several of them, they could apply to the state and the state would pay 75 percent of the cost -- up to 75 percent of the cost. That particular program is capped at 10

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million dollars per year. There are other provisions in the bill regarding that program including increased incentives under the LOCIP and the TAR programs for municipalities that regionalize their services.

Eight thirty-six is also a bill that we annually provide to you. Of note in 836 is our request for 90 million dollars a year, 180 over the biennium, for general obligation bonds for the Clean Water Program and 175 million dollars per year in revenue bonds for the Clean Water Program. Together this is more than a half a billion dollars with the state funding to continue our commitment for clean water.

Additionally, there is a renewed request for Urban Act, LOCIP money and of course school construction money. Over the course of the biennium over 1.3 billion dollars is requested to provide for the construction of our public schools and to assist our municipalities in providing for the construction of our public schools. Also included in this bill is a proposed modification. As you know, a school construction is far and away a dominant feature of our bonding each and every year and makes up on most years more than half of all the bond dollars that are issued. The Governor is proposing a modification to that program. Currently municipalities are reimbursed at the rate of 20 to 80 percent or the cost of a local public school is shared by the state up from between 20 to 80 percent of the cost of the school. The bill proposes a change in that modification from 15 to 65 percent and for magnet schools from 95 percent to 80 percent.

Additionally the bill proposes a 450 million

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dollar per year cap on priority -- the priority school list. As you know, at the current time that is unlimited which is one of the reasons why it is such an expensive program. It actually isn't a priority list, it's a list, and we think prioritization needs to be a part of it.

On the transportation side, notably in Bill 834 includes our request for 550 million dollars of additional authorizations for the New Haven Rail Yard program. I'm sure they'll be a number of questions about that. We believe that will allow us to complete the program in addition to the 300 million dollars previously authorized.

Bill 835 is an annual request for funds for the repaving program. It is broken out in a separate bill only because we'd like to see that bill move more quickly so it can be ready for the construction season on May 1st.

837 is a proposal to increase fees. And I might add that in most cases these fees have not been increased in 10 to 20 years and some cases more than 20 years and a few cases they were increased as recently as six years ago. The problem with allowing these fees to go so long without an increase is that they are initially adopted for the purpose of providing for the cost of the provision of the program or the regulation of a program and as time goes on obviously the cost of providing or regulating the program increases as personal cost goes up and inflation is added, and to the extent that the fees are never adjusted the general fund or general taxpayer dollars pick up the excess costs of the program. Obviously in a year where revenue is so tight and budget deficits so apparent it seemed an

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so apparent it seemed an appropriate place to go to generate more revenue to provide for the programs that these fees were initially adopted to subsidize.

Finally Bill 933 is a collection of proposals that the Governor has suggested. Included in those proposals is a suspension of the sales tax-free week, a suspension of the increase in the singles exemption on the income tax, a capping of the film tax production credit at 30 million dollars as well as a lowering of the star salary cap from 15 million to 5 million dollars and a suspension of the historic structures tax credit. Generally speaking, we think these bills will serve the interest of the state. Certainly the authorizations that we're requested in bond dollars is a conservative authorization as compared to what is normally provided that is in recognition of the fact that the state needs to be careful about the amount of debt it issues. Included in those authorizations is the cancellation of 389 million dollars of existing on the books authorizations which have been on the books for many years but have not moved. The fee and revenue increases are obviously things that are necessary in order to assist us in balancing our budget and are targeted in a way that we believe is fair and equitable.

Having said that, I look forward to dialogue with this committee and working with the members of this committee and the leadership of the General Assembly in fashioning a final package that will serve the interests of the people of the State of Connecticut.

REP. STAPLES: Good morning, Mr. Secretary, just a couple of general questions. First, the tax

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proposals we have before us were geared toward a budget that had projected a deficit of 6 billion dollars over the next two years. There seems to be a growing consensus among between the fiscal office of the legislature as well as the controllers office and I gather at OPM, but I don't know officially if the OPM has adopted new revenue estimates. But I guess my first question is has OPM yet adjusted its revenue forecast to be closer in line with what the controller's office and the Office of Fiscal Analysis is projecting for the next two years?

ROBERT L. GENUARIO: No, we have not. We stand by the projections that were made back in February when the Governor's -- or earlier this month when the Governor's budget was released. So far the revenues that are coming in in fiscal year '09 are consistent with our '09 projections. I might add that notwithstanding that the Governor did propose a deficit mitigation package that in amount was equal to the controller's numbers which are somewhat higher than OPM's numbers, but we have not adjusted our projected deficit numbers or the projected gap. We are expecting a significant deterioration in revenue in '09, followed by a significant deterioration in fiscal year 2010 and a recovery in fiscal year 2011. Obviously we are all trying to project what will happen in the future, and until we see further data that indicates that we need to change our projections, we will maintain our projections. We did work. We did have a meeting, my office did have a meeting with the members of the Office of Fiscal Analysis as well as the controller's office earlier in the week. Contrary to some of the news reports, I know the members of my office felt that that

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meeting was productive though no reconciliation was reached.

Let me state, as I stated before, the appropriations committee on the day the budget came out, we take very seriously the projections of the Office of Fiscal Analysis for several reasons. One, they are my colleagues and my friends and I know how hard they work in order to get the numbers right just as the professionals at the Office of Policy and Management do to get the numbers right. We are in a very very difficult time where it is difficult to project what the future will hold, but we do think the numbers that we have projected for fiscal year '09 are consistent with what we are seeing in fiscal year '09, and we have projected a further deterioration in 10.

SENATOR DAILY: You're saying you stand by the numbers that the Governor gave in her budget address?

ROBERT L. GENUARIO: Yes.

REP. STAPLES: And yet you say that you're seeing and projecting continued deterioration in '09 and 10. That does seem contradictory. And not only that, I might add that we've heard for several weeks in private conversations about the fact that the numbers were deteriorating, so it seems like there's really not anybody that I can hear -- that I have heard from who thinks that those numbers are still an accurate reflection of what the deficits are likely to be when we have to adopt a balanced budget.

ROBERT L. GENUARIO: Well, first of all, there's nothing inconsistent when I say I say that we

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are projecting further deterioration in 2010 because we projected further deterioration in 2010, further deterioration in 2010, when the budget was released on February 6. So when I say we are projecting further deterioration, that is consistent with what we projected several weeks ago. We are projecting a 20 percent drop in revenue in estimates and finals in April. That is significantly more than what we have seen to date for fiscal year 2009. I cannot tell you, as I sit here, that it's not possible that the numbers will get worse, it is possible that the numbers will get worse, but the projections that we have made are based upon the best data that we have available to us. Historically the numbers that OPM has come out with for revenue in February generally don't end up being overestimates by the time we see the April data. Now, we are in an unusual time, and a lot of this and what happens in 2011 is going to be dependent upon the impact of a variety of national functions and national decisions and we will have to see, but April will be our best indicator. As of now our numbers are consistent with what's happening in '09.

REP. STAPLES: So you don't expect to revise your estimates until the April 15th tax information comes through?

ROBERT L. GENUARIO: We revise our estimates on the 20th of every month. We revised our estimates -- and that's for fiscal year '09. We revised our estimates for fiscal year '09 on the 20th of this month, projected a slightly increased deficit. We may need to revise our estimates again in March depending upon what the data indicates. We will monitor it. There will be another OPM letter on March 20th, and we will give you our best estimates

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at that point in time. As of February 20th our '09 estimates were not terribly inconsistent with what we released in February, on February 6th or on January 20th, and we'll monitor that data as it comes in.

REP. STAPLES: I don't think, and I don't want to belabor this because I don't think we're going to get anywhere with it, but I think the primary issue is not '09 but a 2.7 billion dollar difference between you and OFA for 2010 and 11. I think that's -- the numbers that we received in January are what caused OFA to adjust its estimates, and you rely on the same data and you rely on the same service to advise you that OFA relies upon. So it's just a striking difference when the two offices usually are very close together to have a 2.7 billion dollar difference, and I think it puts an incredible challenge before this committee and the appropriations committee when there's no agreed-upon target for cutting the budget and balancing the budget. So I think what I'm asking you is if you've already got all that information in and you're still 2.7 billion dollars apart, it doesn't sound like there's going to be anything new to come to the table that will change your opinion on 10 and 11 until the April filings. Is that a fair statement, or is that not a fair statement?

ROBERT L. GENUARIO: Well, I think we all know that there is no more significant date in terms of our projections on April 15th. That's the way it is every year. I don't want to suggest that something couldn't happen in 2000 -- in March or earlier that might cause us to adjust our projections. The challenge is not just the challenge of this committee, it is the challenge of the administration as well, and we stand ready and will continue to work with

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the Office of Fiscal Analysis and the controller's office if she chooses to participate, to come up with the best numbers for us all to use going forward. The fact that I stand by my numbers does not mean that I'm not willing to engage in an open dialogue with regard to data that we see, projections that -- the difference in their projections versus our projections. Candidly, the biggest significant difference between OFA and OPM is that we are projecting a 20 percent decline in estimates and finals in April and they are projecting a 35 percent decline, and the base rolls out from there. And those are -- we're going to know what the right answer is fairly soon, and whether it's 20 percent, 35 percent, somewhere in between or somewhere outside the margins, we will know on April 15th or shortly thereafter. But the 20 percent is significant. We're also projecting a 1.3 percent decline in withholding which has not showed up yet. So far through '09 and any segment of '09 the withholding revenues have been flat, there has not been a decline. We are projecting an overall decline for the year.

So it's a difficult situation that we're all in, and we all need to work together to resolve it. We all have to come out with a budget that we are comfortable with, and I will tell you that my office will continue to work with OFA and with this committee to try and resolve the issue and to come up with policies and programs that will be consistent with that resolution.

REP. STAPLES: Do you suggest that we should just, because we won't know anything more until April 15th, we should just use the Governor's forecasts and assume if we adopted her budget

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that we would have a balanced budget for the next two years and then sometime after April 15th if we have to revise it, we face up to it at that time?

ROBERT L. GENUARIO: Well, if you adopt a budget before April 15th, it will be the first time in my memory that that has happened. I am not suggesting that you speed up your process to avoid the April 15th data any more than I would like to. In most years the reverse is what happens, we come out with projections in February, the April 15th data is positive. I don't know whether that's going to be the case or not, but it certainly will be the best data that is available to us. I wouldn't tell you what numbers you should use. You should use the numbers that you are comfortable with. We have used numbers that we are comfortable with. But ultimately you're not going to, I hope, the legislature is not going to adopt a budget in a vacuum and the administration is not going to sign a budget in a vacuum. We're going to have to work together and reconcile these numbers, and we will work with you between now and April 15th in order to do that. There may be data in March that allows us to adjust our numbers, and if it is we'll give you our best thinking on March 20th, if not before.

REP. STAPLES: Saying you're not encouraging us to hurry up is not consistent with what I hear the Governor saying almost on a daily basis as she chastises the legislature for not adopting a budget as soon as possible and suggesting that every delay and every hearing that we have is prolonging the agony and worsening the deficit. So I think we're getting mixed messages. If the administration is saying wait till after April 15th till we have good

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numbers and maybe we'll reconcile them, that's different than what I pick up the paper and read every single day from the Governor.

ROBERT L. GENUARIO: Well, with all due respect, I think what the Governor is talking about when she speaks of delays is action on the deficit mitigation package. Whether --

REP. STAPLES: Which was submitted last Thursday or last -- I think Thursday at noon I think we received that.

ROBERT L. GENUARIO: What we have suggested time and time again is early action on the deficit mitigation package. What has happened with the Governor's first two deficit mitigation packages is the following: The Governor submits a deficit mitigation package consistent with our best estimates of what the deficit is, the leadership of the General Assembly stands up and says we think we agree with 95 percent of it and then the package comes out and you do 65 percent of it. That's what's been happening. So the criticism that you have been hearing has been based upon the action that has been taken that is inconsistent with what we've all agree at a minimum the deficit is.

If I may, and I didn't come here to talk about the deficit mitigation package, but if I may, what is happening while the legislature is suggesting that the numbers projected by the Office of Policy and Management do not project a large enough deficit, the legislature continues to take action that is less than the action warranted by those projections. So before we get into worrying about whether the projection is right or wrong, we might want to start taking action with regard to what you

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consider to be a very conservative estimate.

So I think the criticism is not -- I don't think the Governor is suggesting that the General Assembly adopt a biennial budget for 2010 and 2011 prior to April 15th, but I think what the Governor is suggesting is that deficit mitigation packages that have been put before us and which are necessary to preserve as much of the rainy day fund as possible for 10 and 11, which I think we all would agree we need, need to be taken very very seriously. I mean, the Governor, and I'll stop in a second, but the Governor issued rescissions back in June and many members of the General Assembly said, "What are you doing? You don't have to issue rescissions, you're jumping the gun." The Governor has been very proactive. You may disagree with our projections, but the Governor has been very proactive consistent with the projections that we have done. And I think her concern is that the action that has been taken regardless of whose projections you agree with have been inconsistent with even the most conservative projections that are on the table.

REP. STAPLES: Well, we're not going to resolve all of this here. We got the mitigation package on Thursday and we're voting this Wednesday, so I don't know what delays are being referred to. I understand there may be differences in the numbers, but those really are minimal in comparison to the difference in the numbers for 10 and 11. And I think our concern is if we were to adopt the Governor's budget today for 10 and 11, we'd have a 3 billion dollar hole. And I guess we're just waiting for OPM to say publicly what we've been hearing privately which is that the deficit is a lot worse than the Governor's budget reflects.

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And until we have some understanding of what the target is, it's going to be very hard for us to do a budget.

SENATOR DAILY: Representative Staples is very correct. We can go around and around about this for your whole hour, the whole day, the whole week, but I do find it stunning that your projection of a 20 percent drop in -- your projection is a 20 percent drop in revenue. That's less than what the drop was in the last quarter and we are all very concerned about refunds so that's another decline. And I think that we should all be acknowledging that why we can't move forward in concert.

Cameron is right, it doesn't present a good atmosphere for trying to work this out. And I guess that's enough to be said about that and we should move on with the content of the bills.

REP. STAPLES: If I could, Secretary Genuario, with one of the bills, and the school construction provisions that you have in the -- I'm looking for which bill it is, where you alter the percentages for reimbursement, I understand the desire to cut costs of school -- but why would you propose just a 5 percent drop in reimbursement to the wealthiest of towns but a 15 percent drop in reimbursement to the poorest towns?

SB 836

ROBERT L. GENUARIO: Well, the 5 percent drop is a 33 and a third percent cut in their reimbursement, and the 15 percent reduction would be about a 20 percent, my math off the top of my head, would be about a 20 percent reduction in their reimbursement. But more than that, Representative Staples, is our

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**TESTIMONY PRESENTED TO THE FINANCE REVENUE AND BONDING
COMMITTEE
FEBRUARY 23, 2009**

*Robert L. Genuario
Secretary
Office of Policy and Management*

Testimony Supporting Senate Bill No. 835

AN ACT CONCERNING THE AUTHORIZATION OF BONDS OF THE STATE FOR CAPITAL
RESURFACING AND RELATED PROJECTS

Senator Daily, Representative Staples and distinguished members of the Finance Revenue and Bonding Committee thank you for the opportunity to offer testimony on Senate Bill No. 835, An Act Concerning the Authorization of Bonds of the State for Capital Resurfacing and Related Projects.

This bill authorizes \$64.1 million of Special Tax Obligation Bonds (STO) to finance the FY2010 road resurfacing program of the Department of Transportation. It is separate from the main STO bond bill because it is to be effective on May 1, 2009 to coincide with the construction season.

These funds are expected to leverage approximately \$67 million in Federal funds and resurface in excess of 175 lane miles. The recommended amount is higher than in recent years because it is leveraging more Federal funding.

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