Testimony on House Bill 7403 (an act concerning the state budget process)

Submitted by Scott Shepard, Policy Director

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Good afternoon. My name is Scott Shepard. I am the Policy & Research Director for the Yankee Institute for Public Policy, Connecticut's free-market think tank. I submit this note in support of **House Bill 7403**.

Yankee Institute encourages passage of this bill to study the state's budget process. We would suggest – and hope that OPM will consider as part of its study – revamping the budget process altogether. In our preferred process, the Finance Committee would establish the revenue stream for a biennium with the absolute ceiling for revenue generation set at the amount that the state can afford to pay while still continuing to grow economically at a rate no less than the average for New England and the northeastern states. Then the Appropriations Committee should be limited to spending no more than, say, 97 percent of the amount forecast to be generated by the Finance Committee. The Appropriations Committee might also be required to prioritize its spending authorizations to indicate the order in which spending will be cut if actual spending exceeds actual revenues. This method would allow a small cushion for forecasting error while preserving the Rainy Day fund for genuine shortfalls generated by dips in the business cycle.

Right now we have, in effect, essentially the reverse model, whereby the state decides how much it wants to spend and then, year after year, increases the tax load on the people of Connecticut in order to pay for this spending. But this model is demonstrably broken: the long series of significant tax increases over the past decade and more have left Connecticut financially enfeebled – pushing high-tax paying families and businesses out of state; driving marginal businesses to ruin; and rendering Connecticut an unattractive locale to which interstate migrants will not come either to live or to establish businesses. The result is that Connecticut is the only or one of a very few states in a host of dismal categories: failure to recover jobs lost in the last recession (nearly 10 years ago); failure of house prices to recover from that dip; failure of the economy as a whole to recover. Our neighbors gallop ahead economically, while we're stuck in neutral.

We won't move forward again as an economy or as a people until our government stops seeing the citizenry as a source of plunder to be squeezed dry, but instead as an asset whose growth is to be encouraged and ensured by wise and lean taxing and spending. We support this attempt to study what has gone wrong and how to fix it.