



*News from:*  
**COMPTROLLER KEVIN LEMBO**

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**COMPTROLLER LEMBO COMMENDS GENERAL ASSEMBLY  
FOR ADOPTING MEASURE TO STABILIZE FUTURE BUDGETS  
AND END CYCLES OF CRISIS-DRIVEN CUTS AND TAX  
INCREASES**

Comptroller Kevin Lembo commended the General Assembly today for adopting a proposal to reform the state's Budget Reserve Fund and stabilize Connecticut's future budgets.

"This vote makes a firm statement about Connecticut's financial future – declaring an end to painful cycles of crisis-driven budget cuts, tax increases or reductions in aid to towns and cities," Lembo said. "After a difficult budget process, this bi-partisan measure leaves a legacy of financial stability and discipline.

"I am grateful for the broad support that this initiative has received – and I'm hopeful that the Governor will sign it into law. I especially thank legislative leaders in the House and Senate, as well as state Sen. John Fonfara, D-Hartford, and state Rep. Jeff Berger, D-Waterbury (Finance Committee co-chairs) for their leadership on this effort."

Once signed by the Governor, this legislation will eventually adjust Connecticut's Budget Reserve Fund to require automatic deposits whenever the most volatile tax revenue streams – the estimated and final payments portion of the income tax, and the corporations tax – produce revenue above historic norms. It also raises the Budget Reserve Fund cap from 10 to 15 percent of net General Fund appropriations, allowing the state to build a more meaningful reserve.

Earlier this year, Lembo released a detailed "white paper"— a policy brief and roadmap for

the initiative passed today.

Lembo's policy brief detailed how Connecticut's formula could be tailored to establish budget stability by:

- Lowering General Fund revenue volatility;
- Retaining the long-term revenue growth potential of revenue streams to which it is applied;
- Requiring zero or minimal deposits immediately following a recession; and
- Increasing the Budget Reserve Fund balance available to offset revenue declines during recessions.

Lembo said today's vote can potentially deliver the additional benefit of improving the state's credit rating and reducing unfunded liabilities. Pointing to what other states, such as Virginia, have experienced, Lembo highlighted a quote by Moody's Investors Service just last year that stated, "Virginia's reserve rebuilding mechanism is a strong feature of its Aaa rating and will help to prepare it for future downturns."

Lembo said, "This legislation will put the State of Connecticut in a better position leading into any future economic downturn, reducing the need for future tax increases and requiring fewer crisis-driven budget cuts.

"Connecticut's high concentrations of individual wealth and significant number of corporate headquarters result in large fluctuations in revenue as economic conditions change. Revenue fluctuations result in significant revenue shortfalls when the economy is under-performing, requiring crisis-driven cuts in programs, reductions in aid to cities and towns, tax increases or all of the above. The Budget Reserve Fund will now be used as an important tool for stabilizing the state's revenue stream and protect against large fluctuations.

"Had such a deposit formula been in place since the inception of the income tax, Connecticut would have more easily weathered the most recent recession. This vote takes left, right and center-thinking and creates a new solid, sound policy that forces our state to plan for long-term financial stability."

Lembo also thanked representatives from The Pew Charitable Trusts, Connecticut Voices for Children and Yankee Institute for Public Policy who provided diverse support for this initiative, particularly at a recent legislative forum and public hearing.

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