

December 28, 2009

The Honorable Susan Bysiewicz  
Secretary of the State  
20 Trinity Street  
Hartford, CT 06106

Dear Secretary Bysiewicz:

I am returning to you without my signature Senate Bill 2101, *An Act Concerning a Deficit Mitigation Plan for the Fiscal Year Ending June 30, 2010*.

As you know, when I called the General Assembly into special session to address the State's budget deficit, I presented a comprehensive deficit mitigation plan. I proposed spending reductions, fund sweeps and other measures which would fully address the projected \$337.1 million deficit.

In contrast, Senate Bill 2101 makes modifications and revenue adjustments to the FY 10 budget which will result in a \$39.8 million net reduction in the anticipated FY 10 General Fund deficit. This modest reduction is achieved by reducing General Fund expenditures by \$12.4 million and increasing revenue by \$27.4 million. Even including the revenue that would be generated by Senate Bill 7101, *An Act Concerning the Estate and Gift Tax*, the General Assembly has failed to address the remaining deficit of approximately \$200 million. Once again, the General Assembly has demonstrated its proclivity for avoiding its responsibility.

In addition, many of the so-called "savings" to be achieved in the bill are simply unworkable. For example, the bill merges the Board of Firearms Permit Examiners into the Department of Administrative Services (DAS). DAS, however, does not have staff on board that provide services that are similar to what the board will require. DAS, for instance, currently has no law enforcement authority, it does not issue any permits or licenses and does not conduct administrative hearings. In order for DAS to properly support the work of the board, therefore, DAS will need to hire additional staff for which no funding is provided. The projected savings associated with this provision are clearly overstated.

The Office of Policy and Management has raised concerns about the bill's attempt to convert disproportionate share (DSH) dollars into a Medicaid rate increase. OPM notes that the potential for an increased federal match pursuant to the American Recovery and Reinvestment Act of 2009 (ARRA) may not materialize because ARRA specifically exempts DSH from the enhanced match. They also caution that recharacterizing these funds on a temporary basis may raise concerns at the federal level. In addition, if the higher hospital rates endure beyond FY 2010, the State will likely face future increased costs. OPM estimates an additional Medicaid cost of \$4

million by FY 2012, as caseloads increase. Finally, OPM notes that if any hospital exceeds its upper payment limit, the revenue anticipated by this provision may not be realized.

Sections 17 and 18 allow the Teachers' Retirement Board (TRB) to pay its health care consultant out of the TRB health fund, instead of its OE account, as has traditionally been done. While it is not clear to me that this is an acceptable use of this fund, I am certain that this provision sets a dangerous precedent by diverting funds that have been set aside to pay health care premiums for TRB members to pay for a consultant. Further, this provision is unrelated to deficit mitigation and, if the General Assembly would like to expand the permissible uses of this fund, such proposal should be handled through the normal legislative process.

Finally, Senate Bill 2101 appears to require the elimination of one of the two Governor's Foot Guard and Horse Guard companies, although this elimination is not referenced in the bill itself, but rather the OLR analysis. These units are among the oldest militia in the country, having been founded in 1771 and 1788, respectively. In fact, the First Company Governor's Foot Guard is the oldest military organization in continuous existence in the United States. If it is the intent of the General Assembly to eliminate any of these historic military organizations, they should specify such and identify which company is to be eliminated.

As I stated above, the reductions made in this bill are inadequate and many of the provisions expected to result in savings will not do so. The people of our State require that we make a good faith effort to address the deficit and provide workable alternatives to current programs. It is simply unacceptable for the General Assembly to nibble away at the problem, without making the hard choices that our current economic reality requires.

Section 4-85 of the general statutes authorizes the Governor to make a limited amount of budgetary rescissions if the Governor determines that estimated budget resources will be insufficient to finance all appropriations in full. I have almost exhausted my ability to make rescissions pursuant to this section, wherever it is practical to do so. If the General Assembly cannot or will not take the necessary steps to address our deficit, I would request that they increase my rescission authority pursuant to section 4-85 to allow me to do so. To that end, I have attached to this veto message a draft bill that increases the Governor's statutory rescission authority.

I strongly urge the General Assembly to return to the State Capitol to either address the State's budget deficit in a comprehensive manner or to give me the authority to do so.

For the foregoing reasons, pursuant to Section 15 of Article Fourth of the Constitution of the State of Connecticut and Article III of the Amendments to the Constitution of the State of Connecticut, I am returning Senate Bill 2101 without my signature.

Very truly yours,

M. Jodi Rell  
Governor

