



STATE OF CONNECTICUT
OFFICE OF THE GOVERNOR

To: All Agency Heads

From: M. Jodi Rell, Governor

Date: July 25, 2008

Subject: Agency Budget Request Submission for the 2009-2011 Biennium

"The families of Connecticut expect us to be as careful with our state budget as they are with their household budgets. The people of Connecticut want us to fund the basics and after that to do as much as we can – and help as many as we can – with the money we have. They want us to preserve the character of Connecticut while protecting the families of Connecticut – and their wallets."

Governor Rell's 2008 State of the State Speech

Since I spoke those words over six months ago, a variety of national and international economic factors have changed, significantly impacting Connecticut's citizens and the state budget. Economic cycles are a reality, and we, as public servants, owe it to our citizens to plan accordingly. As we head into the next biennial budget process, it is all too apparent that we are in the midst of a national economic downturn. Revenue streams are slowing down and in some cases, actually decreasing in size. There is no doubt that our financial situation will require considerable belt-tightening this year and in the upcoming biennium.

The good news is that due to our fiscal discipline we are in a fairly good position to weather this storm. Since I have taken office on July 1, 2004, the balance in the Budget Reserve Fund has grown from zero to its current all-time high of \$1,381.7 million through the end of FY 2008. Over this same period, we were also able to retire close to \$320 million on the Economic Recovery Notes used to finance the deficits of FY 2002 and FY 2003, provide \$85 million to retire conservation and clean energy related bonds that had also been issued during the last budget crisis and pay off over \$60 million of accrual payouts from the Early Retirement Incentive Program. During this same four year period, we were able accomplish something that had been difficult if not impossible for a number of years: fully fund the state's contribution to the Teachers' Retirement Fund.

We should all take great pride not only in these accomplishments but also in the major initiatives that we have undertaken in the areas of education, student financial aid, affordable health care, ethics reform, public safety and criminal justice, just to name a few. I want to sincerely thank each and every one of you for your contributions to our past successes. But we must recognize that there are difficult times ahead. I am counting on each one of you to be part of the solution. The challenge of this next biennial budget is to maintain our progress while not requiring the taxpayers of the state to carry a heavier tax burden.

The Office of Policy and Management is sending out instructions to you regarding the development of the state budget for the next biennium. The first step in the process is for you to develop and submit a "current services" budget which represents the estimated cost of continuing the existing level of

services provided to the public this fiscal year plus any new requirements that you are legally required to implement.

I want to call your attention to the fact that in February 2008, the Office of Fiscal Analysis estimated that the FY 2010 current service budget would exceed estimated revenue by nearly \$570 million and that the FY 2011 budget would exceed revenues by \$818 million. To put it in context, if nothing changed (and much has already in terms of the national economy and gas and food staple prices) these two projected deficits would completely drain the Rainy Day Fund. I will not let this happen.

In developing my third biennial budget, it is my firm commitment to develop a spending plan that is legitimately balanced, remains true to the spending cap and is responsive to the overall needs of our state's citizens. It is my intent to meet with a number of agency heads over the weeks and months ahead to discuss your budget submittals and to review your ideas for reducing expenditures in your agency. Until such time as economic conditions improve, my goal is to consolidate our gains and become more efficient and effective with taxpayer dollars. State agencies must be looking for ways to provide services in a more efficient manner, take advantage of technology to improve the quality and delivery of services, and examine whether, based on our current priorities, we should continue to provide a particular service. Now is the time to put these ideas on the table.

I know that I can count on your support as we begin this difficult process and I look forward to working with all of you in the weeks and months ahead. Thank you.