

# Connecticut 2010 Priorities: It's all about the budget . . .

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Connecticut has hemorrhaged 101,000 jobs since the start of the recession in March 2008. Connecticut's unemployment rate in January was 9 percent, barely below the national rate of 9.7 percent. Current economic forecasts predict that the national economy will begin to recover by mid-2010 but that Connecticut's economy will not recover as quickly or as strongly.

States are feeling the impact of the recession through unprecedented revenue shortfalls. Currently masked by the one-time savings net offered by the Federal stimulus and the Rainy Day Fund, Connecticut could face significant deficits of up to 20 percent of budget in FY12, 18.8 percent in FY13 and 18.4 percent in FY14. These deficits are unprecedented in Connecticut's history. And while California has been dubbed the financial basket case of the nation, Connecticut has suffered multi-year deficits on par with California. Connecticut's record borrowing pace has resulted in one of the largest long-term debt loads in the nation. Recent data indicate Connecticut has accumulated more than double the national debt per capita, ranking 4<sup>th</sup> nationally at \$6,812, and ranking higher than New York and New Jersey.

While it would be tempting to blame Connecticut's fiscal situation on the recent recession, it would be inaccurate. What the recession has done is unmask a structural imbalance in Connecticut's fiscal policies that has been building for years. Simply put, Connecticut has promised more than it can responsibly deliver.

It is not, as some have said, "just a revenue problem." It is unquestionably a spending and efficiency problem. Even when Connecticut was recording healthy surpluses and building the Rainy Day Fund, the state workers' pensions and retiree health care programs were woefully underfunded. Today, Connecticut has unfunded liabilities for pensions and retiree health care that exceed \$42.6 billion. This long-term debt obligation is one of the most onerous in the U.S. The cost of paying for the commitments made to the state's teachers and employees is staggering and will impact the ability of the state to fund ongoing current operations and programs long into the future. This fiscal imbalance, coupled with the aging of Connecticut's population and the resulting increases in health care expenditures, is the central challenge facing Connecticut's public officials and citizens.

The fiscal condition of the state is poor and must be restored. All else pales in comparison to getting our fiscal affairs in order. If ignored, any efforts to improve education, transportation, the environment, or the economy, will be fruitless.

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### **It's all about the budget . . .**

Decisions made this legislative session will determine the strength and quality of Connecticut's economic health. Short-term strategies to balance the budget must be coupled with long-term fiscal and management investments that create a stable and competitive future.

### **Improve fiscal policy making**

The state faces significant long-term obligations estimated to exceed \$61 billion. As a first step, Connecticut needs to comply with GAAP standards and the fiscal discipline and transparency these standards require.

### **Commit to long-term planning**

The Legislative Program Review and Investigations Committee's 2007 study of long-term planning indicated that the state has set no clear vision for the future. Additionally, Connecticut hasn't undertaken a thorough comprehensive review of its operations since the administration of Governor William O'Neill 20 years ago.

It is time to develop a long-term vision for Connecticut, to set our priorities and to meaningfully assess the performance of state agencies and programs. Connecticut taxpayers deserve to know the returns on our tax investments and to be assured that the state is working to continuously improve – not merely expand – services.

We commend the Connecticut Legislative Appropriation Committee's Results-Based Accountability (RBA) initiative and the Legislative Commission on Enhancing State Outcomes. However, systemic government reform requires a commitment from both the legislative **and** executive branches.

### **Strategically invest in Connecticut's existing and future workforce**

Connecticut's economic competitiveness is inextricably linked to a high quality workforce. Connecticut can't afford to undermine the skill-level and productivity of its future workforce by balancing the budget at the expense of the state's resident workforce.

Yet with one of the worst achievement gaps in the nation, the state can't continue to make investments in education without accountability requirements and performance standards.

### **Reform health care**

While covering the uninsured must be a goal of our health care policy it is imperative that state health policy control costs. One need only look at the budget increases required at the municipal level to pay retiree health costs. If rapidly escalating health care costs in Connecticut aren't addressed, our economic competitiveness will be damaged and our municipalities will have to make draconian cuts to town services and educational programs.

### **Continue to invest in our transportation infrastructure**

Connecticut has taken important steps to stabilize the transportation system after decades of neglect and outcries from customers over a crumbling transportation system. Additional targeted investments and effective implementation will be required to keep Connecticut competitive in the global economy. Commissioner Joseph Marie recently stated that Connecticut needs to invest a billion dollars a year for the next decade just to bring our highways and rail infrastructure up to a state of good repair.

It is clear the current gas tax system for financing transportation in Connecticut does not provide a long-term funding solution. The need for a new revenue source - whether it is border tolling, time of day tolls, gas tax increases, or increased general funds - is paramount. Our economic future is tied to our ability to move people to work and goods to market.

We look forward to working with the General Assembly and the Governor in ensuring a sound economic future for Connecticut and dynamic lives for all of its residents.

### **Let's get started.**