

Connecticut Legislative Program 2011

It's the budget, Connecticut.

The overriding issue facing Connecticut is our budget crisis.

Economic growth and job creation are critical to the state's future. Yet, the simple fact is that Connecticut's growth can't keep up with and will be limited by the unsustainable spending practices of state government.

Some still cling to the view that we are simply experiencing a short term revenue problem created by the national recession. They suggest that more debt, some harmless accounting gimmicks and a steadily rising stock market will allow us to weather the storm.

In other words, business as usual and a belief in the Tooth Fairy will not be enough to meet the direst financial crisis the state has faced in generations.

Unfortunately, the problem is larger than our habitual approaches can solve. Immediate, tough choices and the launching of long term structural reforms are both urgently needed.

Our projected FY12 operating deficit is more than \$3 billion, or more than 16% of the budget. That puts us near the top of all states.

Our \$40+ billion in unfunded pension and retiree health care liabilities alone explode the "just a revenue problem" myth in a sea of red ink. Every voting age citizen in Connecticut is saddled with a long term liability of more than \$1,200 a year in taxes. Our neighbors in New York pay \$527 annually and in Massachusetts \$455.

Connecticut now spends 12.1% of its budget to cover pension and retiree medical costs. The national average is 5.8%. Only two other states have a higher burden.

We have dug ourselves into one of the deepest fiscal holes in the nation. It is time to stop digging.

The Governor's budget: a painful, but necessary plan

Governor Malloy has proposed a budget that includes fiscal policy reforms, cost reductions, efficiency improvements and tax increases, while continuing to make vitally important investments in education, transportation, and job creation.

We believe the framework of the Governor's budget is correct. It contains the necessary spending cuts, ends the destructive practice of bonding operating expenses, and puts the state on the road to sound fiscal policies by adopting GAAP, while meeting the annual funding requirement for our pension obligations. We strongly support the Governor's proposed steps to initiate reforms in the corrections and health care systems, to expand his office's rescission authority, and to begin the government modernization process by consolidating state agencies. We especially applaud his commitment to work with state employee labor leaders to secure \$1 billion in concessions in each of FY12 and FY13. It is essential that these savings are achieved in the biennial budget to be adopted in this legislative session.

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Finally, although we wish that no tax increases were necessary, we understand that past spending excesses made increases inevitable. We appreciate that an effort has been made to distribute these increases fairly and to avoid further erosion of our competitiveness. However, as our economy recovers, as the benefits of state government reorganization continue to grow and as our structural post-retirement expense problems are addressed, we would expect these taxes to decline to sustainable levels.

The Connecticut Regional Institute for the 21st Century, a non-partisan, non-profit organization with public and private sector leadership, has commissioned and released several thoughtful studies that examine a number of our state's most serious structural financial problems. The data developed and the solutions identified are of enormous value to the state's elected leaders. The Business Council endorses these reports and encourages the comprehensive adoption of their recommendations.

How is it that the wealthiest, most highly educated state in the nation has produced no new net jobs in a generation?

Don't let the desire for perfection defeat responsible, substantive progress.

No budget can be perfect. No plan of shared sacrifice can ever achieve universal acceptance of its fairness. However, as members of the General Assembly exercise their responsibilities to seek improvements, it is essential to avoid getting lost in the weeds of specific items and special interests. We urge our legislative leaders to move thoughtfully, but decisively, sparing our citizens the spectacle of a drawn out budget donnybrook. This budget is the first stabilizing step in the long process of digging out from the mess we are in. It will not be the only step and should not be rejected because it cannot complete the entire, complex journey in a single legislative session.

Two final questions

It is clear that Connecticut must embark on a serious, comprehensive and professional examination of our economic competitiveness. The jobs numbers are stark. Whether in deficit or surplus, good times or bad, Connecticut has produced no real job growth over the last twenty years. We are ranked as the 48th slowest jobs producing economy in the nation. As we fix the immediate budget crisis and begin the process of structural reform, we need to keep two questions in mind. How is it that the wealthiest, most highly educated state in the nation has produced no net new jobs in a generation? And, as we dig our way out of our hole, how do our solutions create a climate of personal and enterprise opportunity that leads to sustainable growth?

Looking beyond the current budget crisis.

The consensus among economists is that even optimistic growth projections over the next decade don't give Connecticut the ability to cover burgeoning state worker and post-retirement benefits without cannibalizing other areas, particularly social services, education and infrastructure - or the imposition of devastating levels of taxation. This is the very definition of a structural and unsustainable deficit.