

The Office of Governor M. Jodi Rell



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FOR IMMEDIATE RELEASE
February 7, 2007

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Governor M. Jodi Rell's State Budget Address

February 7, 2007

Mr. President, Mr. Speaker, Senator Williams, Members of the General Assembly, Guests.

Today I present to you my proposed biennial budget for the State of Connecticut.

This document outlines my spending priorities for the next two years – and it lays out a vision for Connecticut for the next twenty years -- and beyond.

It is a budget that invests in the generations -- in this generation and in the generations to come.

It makes unprecedented, long-term investments in education so that our state's future is built upon the most solid footing of all - our children.

It invests in health care and the environment. It invests in open space, farmlands and clean water. It continues our investments in affordable housing, safe neighborhoods and transportation.

It invests in job creation and energy programs.

Little more than a month ago I proudly took the oath of office as Governor and spoke of our being the stewards of the public trust, of high expectations for leadership, of guiding our state at an important crossroads in time.

A time to cherish and protect all that makes CT so special - her natural resources, her culture, her history, her people and her spirit. A time to meet the pressing needs of today and to plan for tomorrow.

The budget I present to you today honors our public trust and meets those expectations.

It is time for us to take action. No more easy promises. No more press releases. No more summits.

Let's get it done.

The issues of our day -- eminent domain, health care, energy, jobs and education -- have been debated and debated and debated - year after year after year.

This session we must get it done.

The budget I present today was a challenge in putting together. It represents a compilation of very wrenching decisions, difficult choices, too many needs for too little money.

Spending cuts that some will decry for one reason or another. New programs and services that some had called for but are not funded. Indeed, I will undoubtedly be criticized for cutting this or not including that.

Where I do provide new funding for programs or services, I will probably be taken to task for not providing enough.

I will accept such criticisms ... for that is part of the price of leadership.

Leadership demands courage and vision. It demands difficult, sometimes unpopular decisions. It demands action.

So let me say at the outset that I have the courage in this budget to call for specific actions, to propose landmark programs and reforms -- and yes, to call for tax increases. Tax increases on one side of the ledger and tax cuts on the other.

Some may ask: Why is it that we need tax increases next fiscal year when the state has a 500 million dollar budget surplus this year?

Because the cost of running state government next year - without any new programs or services -- will increase by over 800 million dollars just to fund inflation, debt service, health care for active and retired state employees, energy costs to heat and light state buildings, gasoline for state police vehicles, arbitrated contract awards for state employees and more.

\$800 million before any new investments are made.

And I want to make new investments - investments for the generations - especially in education, in property tax relief, in health care, and in energy relief.

The cornerstone of my budget includes sweeping proposals to transform our educational system. I am proposing that we live up to promises that have long been made, but too long ignored.

Today I am proposing the single largest investment in education in Connecticut history: 3.4 billion new dollars over the next five years.

My proposal is comprehensive -- reaching from pre-school through college.

Today I sound a clarion call on behalf of our children.

My education plan invests in our children – and I firmly believe it will save billions of dollars and thousands of young lives for generations to come.

It will save in terms of prisons we will not have to build, lower teen pregnancy rates, reduced high school drop out rates and more.

Because education is the only real cure for each and every one of these ills.

Ills that are measured not just in dollars, but in lives, and in the quality of those lives, and in lost opportunities and unfulfilled promises.

In 2005 I created the Early Childhood Education Cabinet, to assure support for high quality preschool for all 3- and 4-year-olds. This is critical if we are to make progress in closing the achievement gap.

Over the biennium, I am proposing that more than 40 million dollars be invested to finance one-third of the unmet preschool needs for these children – children living in the poorest communities of our state. I am also proposing 4 million dollars for 4,000 slots.

And there is a workforce element to my early childhood initiative.

Our most financially challenged school districts face the greatest need in raising academic performance and they bear the greatest responsibility for educating our workforce of the future.

That is why we need the most competent teachers to work in the early childhood field and why under my plan additional academic credentials will be required in 2010 and 2015.

We will make improvements at the pre-school level, but we cannot let children slip back when they reach elementary school. We cannot allow our children to fall through educational cracks, for if we do we will spend tens of millions of dollars on remedial instruction; we may forever lose these children academically and socially and our state's economic future will be at risk.

That is why increased funding must be accompanied by accountability.

For years we have talked about a 50/50 cost sharing for education between the state and its municipalities - this budget gets it done.

How can we help our young people fulfill their potential and their promise – if we don't keep ours?

Now is the time to act.

For years we have talked about lifting the cap on Education Cost Sharing grants to restore fairness to the formula - this budget gets it done.

For years we have talked about raising the foundation level of the ECS formula – this budget gets it done. Under my budget the foundation will increase from \$5,891 to \$9,687 over five years.

For years we have talked about ensuring that each city and town receives an increase in education funding levels – this budget gets it done.

All in all, my budget provides for a 59% increase in ECS funding over the next 5 years – a 59% increase. And the increases begin right away – they are not back-ended.

Every town will benefit. For instance, by year 5 of my program, Bridgeport will be receiving 85 million dollars more a year for education. Danbury will be receiving 28 million dollars more. West Hartford will be getting 22 million dollars more.

As to accountability, I am calling for a number of new measures. We will require early intervention programs for students at the first signs of academic need. Those children who fall behind will find themselves in summer school.

All day kindergarten will be required where large percentages of students do not reach proficiency levels. More math and science courses will be required for high school students.

A high school graduation exam will be put into place.

Districts that fail to make adequate progress will be required to designate more money for intervention and will be in danger of losing their autonomy. For schools that continue to fail, the state Department of Education may replace personnel, replace school administrators or reconstitute schools entirely.

Tough polices, but needed policies.

And we must make dramatic investments in higher education as well.

Over the past several years we have transformed the physical campuses of our state colleges and universities.

Now is the time to transform our commitment to financial aid. We cannot allow money to be a barrier to student access to higher education. Therefore, I am recommending 25 million dollars in additional student financial aid for both public and private colleges.

This investment will result in an additional 14,000 students receiving scholarships and aid.

I firmly believe that we are making history today with this unprecedented commitment to education. It is our obligation as government leaders. It is our call to leadership.

And we need look no further than into the eyes of the future – the eyes of our students. Some of whom are with us today.

I would ask the students from the University High School of Science and Engineering in Hartford to stand.

They are why we need to invest in education. They are our future. Let us pass this program for them – and for all our students. Thank you for being here.

Aside from education, health care continues to be a very real need in our state. We are fortunate to have one of the highest percentages of people who have health insurance.

But at any given point in time, about 220,000 people are without insurance. In December, I proposed the Charter Oak Health Plan and enhancements to the HUSKY program to make sure that every adult and child in Connecticut has access to health insurance.

The Charter Oak Plan will provide good, basic health care to uninsured adults for a premium of about 250 dollars a month. Since announcing my plan, I have heard from many people eager for the program to become available.

I have also heard the concern that this premium could still be difficult for some lower income individuals – and I agree.

Therefore, I am proposing funding of 55 million dollars for premium assistance to help lower income individuals enroll in the Charter Oak Plan.

For some, the monthly premium will start at just \$75 dollars and will move up the income scale.

I am also proposing important enhancements to the state's HUSKY program to ensure that every eligible uninsured newborn and school-aged child is enrolled.

Over the past thirty months, nearly 2,800 newborns were identified as having no insurance coverage. That number should be zero.

My proposal is to guarantee that every eligible newborn leaves the hospital with health insurance. Based on income, parents might not even have to pay a premium.

But if a HUSKY premium is required, the state will waive the premium for the first two months. This will be our gift to Connecticut's newborns. And it will be another way to ensure that all of our children get a healthy start in life.

Securing the future means ensuring that the places in Connecticut we love today will be here tomorrow.

My budget includes more than 2.6 million dollars in operating funds and 587 million dollars in capital funding for responsible growth initiatives.

Whether we live near Long Island Sound, in the rolling countryside or in any of our cities and towns, a walk or a drive in any season reminds us within moments just why we love to live here.

Yet, Connecticut is also a state under siege. We know we need economic development and jobs, but we also know we need new housing and new businesses – because Connecticut will never be about standing still.

Our task is to balance these needs with thoughtful and forward-thinking policies that will preserve – forever preserve

– the character and beauty of our state.

In October I committed the state to a path of responsible development by creating an Office of Responsible Growth.

Today I commit much more.

My budget:

- * increases grants to regional planning agencies

- * provides 1.6 million dollars for enhanced global positioning information to help towns make informed land use decisions.

- * Includes 1 million dollars each year to help towns upgrade their local plans for conservation and development.

- * Proposes 245 million dollars in bonds per year for clean water projects, along with \$20 million to secure open space for the future; And

- * Provides 10 million dollars per year for Farmland Preservation Grants and 7.5 million dollars for brownfield redevelopment purposes.

I am also establishing a high level advisory group -- to prioritize projects that link transportation, housing, and job creation. They will be charged with developing a \$20 million Responsible Growth Incentive Fund.

No plan for the future can be complete without a plan for dealing with energy issues.

Dramatic energy price increases have strained the budgets of individuals, businesses and governments.

In September, I unveiled my Energy Vision. It is a framework of aggressive initiatives designed to drive the state toward more efficient energy usage and to foster renewable resources.

There are four major elements of my plan:

- 1) immediate cost reductions --
- 2) energy efficiency
- 3) making us a leader in alternative and renewable energy, and
- 4) better coordination and integration of energy policy and planning.

To provide rate relief I am proposing an Electric Conservation Incentive Program to provide residents with up to 200 dollars if they significantly cut their electricity usage.

I am also eliminating the sales tax surcharge that is applied to businesses when their electric usage exceeds \$150 per month. This tax surcharge places Connecticut's businesses at a competitive disadvantage, and its elimination will provide immediate relief to thousands of businesses.

My budget caps the gross receipts tax to provide price protection for consumers should gasoline prices increase significantly.

My budget also fully restores the funding for the Energy Conservation and Load Management Fund and the Renewable Energy Investment Fund.

I include incentives aimed at promoting the local production of biofuel crops and developing in-state biofuel production facilities.

Lastly, in an effort to address the fragmented coordination within state government, I am calling for the creation of a new state Department of Energy.

This agency will assume the policy and planning functions of our energy needs. The DPUC will be restructured to focus its role on utility regulation.

Two years ago, I said that it was time to confront our transportation problem in this state.

You joined with me in showing leadership on transportation needs as we passed the largest investments in transportation in more than 20 years. In fact, we have done more, working together, in the last two years than had been accomplished in the last 20 years. I thank you for your work.

To update you, I cut the ribbon on a new rail maintenance facility in New Haven. The replacement fleet for the New Haven Line is being built. The New Britain to Hartford busway is moving forward. There are new rail stations in Guilford, Clinton and Branford. New stations are planned for Georgetown, West Haven, Orange and Westbrook.

In addition we are constructing additional rail parking in Bridgeport, Branford, Clinton and Madison. Over 5,000 new parking spaces are in various stages of development, just on the New Haven line alone.

But there is more to do.

My budget includes:

- 5 million dollars for rail station improvements and
- 24 new rail cars --
- 12 for MetroNorth and 12 for Shoreline East.

This will bring the total number of new cars for Connecticut's commuter rail fleet to 366 – and they can't get here soon enough!

I am also proposing 35 million dollars to construct a new parking garage in Stamford. And I have directed the DOT to ensure that alternative parking arrangements are provided for the duration of the construction period.

My budget also includes \$4.4 million to increase Shoreline East service, including first-time ever weekend service and additional weekday trains.

My budget provides 40 million dollars to address high priority bridge repair and replacement projects. Our commitment to public transportation is in addition to our commitment to our roadways – not at the expense of them.

Finally, my budget includes nearly 200 new positions for the Department of Transportation, including engineers, construction inspectors, and CHAMP motorists' assistance drivers.

We are recasting our transportation system in Connecticut – and you are seeing the results of our commitment in every corner of the state!

One corner of our state that is a focus of my budget is Southeastern CT. It was just two years ago that the federal government tried to close our Navy base in New London-Groton. We fought back – as Team CT – and we won, convincing the BRAC Commission of the value of our sub-base.

But it was a lesson learned – a lesson that told us we needed to diversify and improve the economy of southeast CT so that we are never put in that position again. I have taken that lesson to heart and in my budget I am not only enhancing the Shore Line East rail line, but I am committing 6 million dollars for the Southeast Connecticut Tourism Circulator, a bus for tourists to travel from New London to Mystic Seaport to the casinos and other popular area destinations.

I am also proposing \$10 million for a revolving economic development loan fund, and 750,000 thousand dollars to develop a master plan for an intermodal transportation center in New London.

All of these initiatives, together with what we have already done, represent my continuing commitment to the southeastern part of our state as we bring a new vitality to the region.

I am also bringing vitality to our state's job picture and economy throughout my budget.

Through the unprecedented investment in preschool and elementary and secondary education.

In expanded college scholarships.

In expanding the state's job creation tax credit to entice more new development.

In increasing support for small business innovation research.

In assisting the CT Center for Advanced Technology with subsidies to develop a fuel cell cluster.

In providing funding and policy direction for brownfield redevelopment.

In our financing of increased rail service. And more.

It is all interwoven in a new vision for Connecticut. A vision where we invest today for the rewards of tomorrow. A vision where we simply get it done.

While we modernize and improve our transportation system we cannot lose sight of the need to improve the overall safety of our roadways. People in Connecticut are rightly frustrated by the unsafe drivers who seem to grow in numbers each day.

People who speed well above 65 miles per hour. Those who change lanes constantly and unsafely. Tailgaters. Those who do not use signal lights. Those who drive improperly in breakdown lanes. Road rage, unfortunately, is becoming commonplace because unsafe driving is becoming commonplace.

We need more troopers on the road. And we will provide them.

I am proposing to re-deploy 13 of 16 troopers at the Department of Emergency Management and Homeland Security back into the field.

I am also calling for the State Department of Motor Vehicles to assume full responsibility for the operation of our weigh stations. This proposal would make 21 troopers available to redeploy to highway patrol.

These simple changes will put an additional 34 experienced state troopers on the road and allow us to open the weigh stations far more often -- and significantly increase our detection of unsafe trucks on our roads and highways.

In addition to this redeployment, I am proposing the funding of three trooper classes in the next two years.

I am also committed to reducing the backlog of the input of DNA samples at our state forensic laboratory.

The value of timely DNA testing was never more evident than in the tragic case of James Calvin Tillman. Convicted of rape in 1989 and sentenced to 45 years in prison, Mr. Tillman was exonerated after 18 years behind bars when modern DNA testing proved that he did not commit the crime for which he was convicted. What happened to Mr. Tillman must not – cannot - be repeated.

While there is no way to recapture time lost and to compensate for the tragedy of injustice, I firmly believe that the state owes Mr. Tillman some form of reparation. Therefore, I am proposing a tax-free lump sum payment of \$500,000 for Mr. Tillman so as to help him re-establish his life. Mr. Tillman and his mother are with us today – I ask that they stand.

I apologize on behalf of the state. I thank you for your grace and dignity in dealing with this injustice and I wish you well in the next chapters of your life.

And speaking of doing what is right – we must end the underfunding of teacher and state employee pension plan obligations. Our teachers honor their commitment to our students everyday in their classrooms. Our state employees honor their commitment to the people of Connecticut by working hard everyday. We must honor our teachers and our state employees by fully funding their pensions.

To this end, my budget includes payments equal to 100% of those actuarially required.

Fiscal responsibility also means proposing a balanced budget. As I said earlier my budget contains tax increases. I wish it did not. I wish we didn't have structural holes in our current budget. I wish our existing revenue stream could keep pace with rising energy costs, rising employee costs, rising health care and the like. I wish our existing revenue stream could allow us to make the investments we need in education, energy, transportation and the like. But it cannot.

And I will not employ gimmicks like underfunding pensions, underestimating caseload counts, bonding for current services, and more. It's time – long past time – that we were fiscally responsible.

To pay for our historic and unprecedented investments, I am proposing a fractional increase across the board in the income tax rate – a quarter of a percent for this fiscal year, and an additional quarter of a percent in the following

fiscal year. I am also calling for an increase in the cigarette tax of 49 cents per pack. These dollars will be targeted to health care programs like my Charter Oak Plan.

The decision to raise taxes was not an easy one, I can assure you. But remember, while we are increasing the income tax rate we are substantially increasing state aid to education and providing property tax relief.

For years people have called for property tax relief. This budget gets it done.

That is why I am again proposing the permanent elimination of the car tax.

I want to eliminate the local property tax on privately owned or leased passenger cars, non-commercial pick up trucks and motorcycles over a five-year period starting this July.

As of July 1, 2011, Connecticut taxpayers would no longer have to pay the local car tax.

Cities and towns would be reimbursed for lost tax revenue, assuming a 100 percent collection rate.

In fact, the 100 percent reimbursement municipalities receive from the state will actually be higher than what many of them collect now.

Let's do away with this burdensome, regressive tax and put taxpayers' hard earned dollars back in their wallets – where it belongs.

Let me also be very clear about one more thing: I have had to make cuts I did not want to make and I have had to raise taxes I did not want to raise, in large part because we have a constitutional cap on spending. But, I respect that cap and I believe it acts to restrain runaway spending and taxes.

81% of the voters supported the cap when it was put into place 15 years ago. They still support it today. So do I.

The cap must always be the foundation of our fiscal policies, and I will protect its integrity and oppose efforts to open up its definitions in order to turn the spigot on to well-intentioned but unaffordable spending increases.

I am exceeding the cap this year to provide for increased state spending for education programming and education-related property tax relief. It's a targeted expansion, not an open-ended redefinition that will allow spending in other areas to explode.

As I have said time and again today, my budget and tax proposals represent an investment in our future. Investments in the generations to come. Investments that go beyond budget and election cycles.

I believe this budget is very good for the people of Connecticut. I believe it will help fulfill the hopes and dreams of all our families.

We are a state in transition. We must continue to invest in our people.

Education. Energy. Health care. Responsible growth. Four issues that all speak to the need for generational investment. These issues shape the quality of life we are able to provide for ourselves and our children.

It's time to honor our commitments. It's time to show real leadership. It's time to get it done.

Thank you and God Bless the Great State of Connecticut.

Content Last Modified on 2/7/2007 4:04:24 PM