

Rell Vows No New Taxes To Eliminate Deficits

By CHRISTOPHER KEATING and MARK PAZNIOKAS | *The Hartford Courant*

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Gov. M. [Jodi Rell](#) is sticking to her no-new-taxes pledge, prompting concern among some officials that the state might have to borrow massive amounts of money to close its projected budget deficits.

Rell, who delivers her two-year budget to the legislature next week, said Wednesday that she can close the unprecedented budget deficits with no tax increase. The devastated economy and decreased tax collections have led to a state deficit of as high as \$1 billion in the current fiscal year and as much as \$8 billion to fund current services over the next two years.

The state has a variety of options to fill that gap by the time the final budget deal is completed in June. This could include "securitizing" Connecticut's share of the national tobacco settlement. In return for selling the rights to \$500 million that is due over the next decade, the state could receive a lump sum of \$386 million, state Comptroller Nancy Wyman said.

The state could also be forced to borrow money for operating expenses, which budget officials say is not a good idea but may be unavoidable. The state did that in 1991 and 2003, when the last two major fiscal downturns occurred. The state will also be spending every penny of its \$1.38 billion rainy day fund and could be looking at increases in a variety of fees.

In an interview Wednesday, Rell declined to discuss specifics, other than reiterating her pledge to not raise taxes.

"I'm looking at everything we've done as a state in years past — what worked, what didn't," Rell said. "And all of them are on the table. And some of them will be in the budget."

But not taxes?

"No taxes," she said.

As the economy has worsened and revenue collections have fallen far below what state analysts feared, Rell said she has been forced to return to budget cuts that she had initially rejected. Some cuts that she had viewed as "no way, no how" are now in the mix.

"It has been very difficult," she said. "I will be honest. I'll say that over and over again. It's been a very difficult process."

She told legislative leaders in a conference call Wednesday that they must brace for a difficult budget proposal next week.

"I said, 'It's going to be a tough day,'" Rell said. "I said, 'It's easy to stand there and say no we can't do this, we can't do that, we shouldn't do this, and we shouldn't do that. But you have to have an alternative.'"

Wyman and others say they are aware of speculation about the governor relying on possible securitization. But the governor's office has not directly indicated if that avenue is being pursued. In 2004, the treasurer's office prepared a plan to securitize unclaimed property, but the plan was abandoned when the revenue picture improved.

Wyman said borrowing against future revenue creates a structural deficit in future budgets. "It's just another gimmick," she said.

But Senate Republican leader [John McKinney](#) of Fairfield said, "If securitization works, then we should look at it. I don't know if it makes sense in this financial market."

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