

Tough Medicine For State's Tough Times

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Connecticut is moving toward historic deficits that traditional tax increases and program cuts will not cure. With tax revenues dropping, this year's budget is \$300 million in the red and the projected deficits over the next two years will total nearly \$6 billion.

With a special legislative session on Nov. 24 and the new session only weeks away, the moment of truth is upon us. The governor and General Assembly must repair and undo the structural deficit and damage from years of fiscal neglect.

The plan must include the following components:

- Connecticut's statutory spending cap is fundamentally flawed and must be fixed. The cap prevents Connecticut from getting its fair share of federal funds, inappropriately shifts the burden of state expenses to the local level and promotes the unnecessary use of bonding. This has helped create some of the highest local property taxes in the country. A revised cap must maximize federal dollars, reward greater aid to municipalities and recognize the increased costs of energy and health care expenses.
- Connecticut must end irresponsible bonding practices. In 1990, just over 5 percent of the state's budget went to pay off state bonds. Today, that percentage is well over 11 percent and growing.

Taxpayers are carrying a massive amount of debt; diverting precious revenues that could be used in vital education, economic development and human service programs. Bonding for all projects, except those that can not be stopped without undue cost, should be suspended. A tougher and more fiscally prudent process should be used to assess which projects should go forward.

- State government can preserve essential services only by ensuring that they are provided in the most efficient and effective way. Connecticut's public-private partnership with its nonprofit, community-based providers is the best way to deliver services such as group homes, day treatment and employment programs for people dealing with mental illness, developmental or physical disabilities or other challenges. The state should properly fund them and expand their use. Overall costs can then be reduced and some state employees, who now provide these services, can be retrained and assigned to ensure the services are being properly provided.
- Adequately funding state grants to cities and towns is the only way to reduce the over-reliance on property taxes. Connecticut's budget must fully fund payments in lieu of taxes.

The revenue from the casinos should be transferred to Connecticut's cities and towns as was originally intended. In 1991, nearly all of the funds provided by the tribes went to our communities; today less than 19 percent of the \$420 million in slots funds goes to help towns reduce taxes.

- The state's failure to develop effective economic development strategies has led to little job growth and stagnant or declining salaries for most Connecticut families. From 1950 to 1990, Connecticut's job growth was impressive; since 1990, Connecticut has ranked dead last in job growth nationally. A comprehensive economic development plan must link our education system to the changing economy and include a more far-reaching transportation initiative that relies on bus lines, rail and ports for the efficient movement of goods and people.

Economic strategies must include investments to upgrade our workforce and improve our education system so we can foster economic growth in research, development, health services and green technologies.

- Further, action is needed to restructure Connecticut's tax code with particular sensitivity toward eliminating unproductive tax exemptions, such as the movie tax break, and instead focus tax incentives on key areas of economic growth.

In addition, the massive budget crisis facing our state cannot be solved unless the state and state employee unions agree on much more aggressive mechanisms to reduce health care costs and ensure that the pension and health care accounts are properly funded.

None of these changes will be easy. Each will require an extraordinary degree of leadership and vision. The only question is whether the governor and legislature will promote the changes that are needed.

• **Jonathan Pelto is a former state representative from Storrs.**

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