

Current Budget Forecast

Without adding a single program or new service to the budget, our budget would grow next year simply because prices for energy, employee benefits, rents, and everything else inflate each year and in a recession caseloads grow. This is called the current services budget. Our projected revenue for the next two fiscal years is \$3.67 and \$3.60 billion lower than our \$21.6 and \$22.4 billion current services budgets for those years, when including both the General Fund and Transportation Fund. This means we have a 17% and 16.1% gap to fill in the next two year budget. Fortunately, actual revenue from income and sales taxes is recovering a little quicker than predicted.

This gap is in spite of the reductions made in the current budget. In the 2010/2011 biennial budget, expenses were cut \$3 billion from the current services projection for that period. In addition, income taxes were raised from 5% to 6.5% for annual income in excess of \$1 million for a couple and \$500,000 for an individual. This was projected to produce an additional \$400 million in revenue.

In the current biennial budget, passed in 2009, we had the benefit of the rainy day fund, which is now exhausted, and also federal stimulus money, which is not expected again. These two sources combined to close \$2.85 billion of the deficit. Although our situation sounds dire, our 17% deficit is dwarfed by deficits in nine other states, including Illinois at 52%, New Jersey at 37% and Nevada at 36%.

Budget Process

The budget is an enormous document that lays out, in fairly general terms, how the state's money will be spent. It is the topic of extensive negotiation between the leadership of the House, Senate, and Governor's office. The final product of those negotiations is then presented to the full House and Senate for an "up or down" vote. A legislator ultimately must decide how to vote on the entire package. This means that we all vote for components we do not like or against components we do like.

State Representative Linda Schofield

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State Representative

Linda Schofield



Dear Neighbor,

Thank you for giving me the honor of serving you, our town, and our state for a third term. The challenges facing us this legislative session are enormous, because of the state's budget problems. However, I am hopeful that our new governor and the legislature will engage in a more productive and collaborative process than the last partisan, protracted--and in my opinion, ultimately unsuccessful--budget debate.

Two years ago I sent a similar mailing as this to you. This update gives you basic facts about where the state's revenue comes from, how the state spends your money and our current economic forecast. I will also be sharing information in my Simsbury News column and in my e-newsletters.

As the effects of the economic downturn persist even beyond the official end of the recession, we must sharpen our focus on our highest priorities and all expect to make some sacrifices. The decisions we need to make will inevitably make at least some people unhappy. Ideally we will make everyone equally unhappy and not unfairly burden one segment of the population more than another. My priority will be to assure an efficiently run safety net for those people truly in need, while also assuring that our economy can regain prosperity through business growth. We must not sacrifice the future in the interest of short-term goals.

As we in the legislature grapple with the state budget, I will keep you informed. I welcome your thoughts about budget priorities, places and programs to cut, and ways to raise revenues. Please feel free to email me at Linda.Schofield@cga.ct.gov.

Sincerely,

A handwritten signature in cursive script that reads "Linda Schofield".

Linda Schofield
State Representative

Expenditures

This pie chart shows our expenditures by major category. The following 6 largest budget items account for over 70% of the budget:

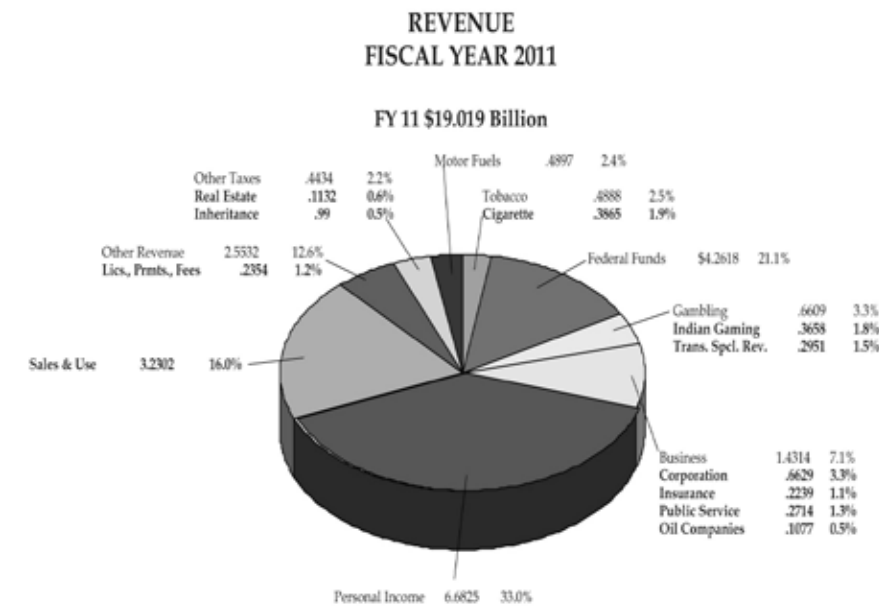
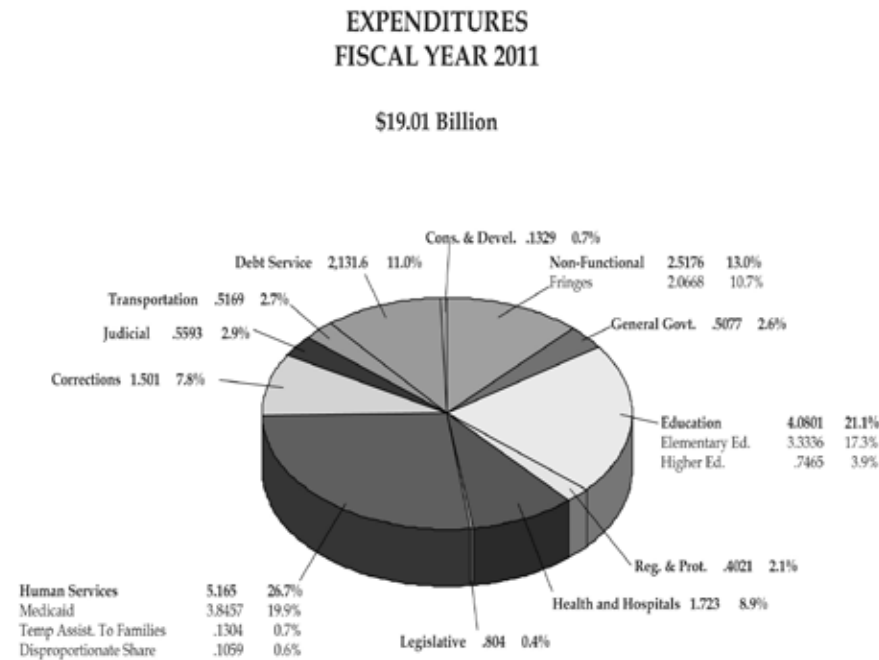
- Medicaid expenditures, excluding employee costs: 19.9% (over half of this is paid for with federal funds)
- Aid to towns, including education, & roads: 14.5%
- Services to the mentally ill and developmentally disabled, and children in DCF: 13%
- Debt service: 11%
- Law enforcement, criminal courts, and prisons/corrections: 6.9%
- Transportation infrastructure: 2.7%

The remaining part of the budget covers such things as environmental protection, motor vehicle licensing, public health protection, banking & insurance regulation, UConn, and veterans' services. In addition, pension payments that are not pre-funded consume 3.6% of the budget.

Cash assistance "welfare" to needy families and adults constitutes only 1.3% of the budget.

State Debt

Our bonded indebtedness is \$19.3 billion. In addition, CT has enormous unfunded liabilities of \$20.9 billion for state employee and teacher pensions, as well as \$29.5 billion for retiree health benefits. These pensions are only partially pre-funded. The rest of the cost is paid for from ongoing operating budget funds. Connecticut also borrowed \$646 million in the current year's budget, to close the budget gap. This debt is being paid back using a surcharge on electric rates.



Options for Filling the Gap

Cutting spending: If we close every prison, shut down all services to the mentally ill, developmentally disabled, and abused children, and stopped providing public health services, we would still not close the gap in the budget. If we eliminate the entire Medicaid program, which pays not only for health care for poor families, but also for the majority of nursing home and group home residents, we would close only half of the gap.

Raising taxes: At a time when many families and businesses are already struggling to make ends meet, increasing taxes would also have negative consequences. As an example, we would have to double the sales tax to close the gap.

Renegotiate the state employee payroll: The payroll can be reduced through lay-offs. This will reduce services, reduce income tax revenue, and increase unemployment costs. It can also be reduced through cuts in salaries and/or benefits. The Governor (not the legislature) is the only one authorized to negotiate concessions with labor. If we laid off every state employee, we wouldn't close the gap.

Pension reform: I am a strong advocate of reforming the state pension system to eliminate practices I consider abusive and to bring benefits more in line with the private sector. However, contract law prohibits reductions in current retirees' pensions. Changes affecting only new employees will have a negligible effect on near-term pension liabilities.

Increase efficiency: This concept is always valid. Most efficiency improvements are not matters of legislative change, but rather of operations protocols. I welcome any ideas you may have.