Mister President, Mister Speaker, my fellow state officers, members of the General Assembly, members of the Judiciary, Reverend Clergy, my good friends throughout Connecticut:

It is good to be back.

Before we get down to the business at hand, I want to thank you.

I want to thank all of you in this building and throughout the state who sent me their prayers, their cards and letters and gifts and good wishes. Unless you have been through something like this, you cannot possibly know how good it feels to have so many people rooting for you, what such good medicine all those messages are. Believe me, I have now been through it, and I know.

I want to thank Joe Pauliso for being such a strong right arm in this time of trial. Joe, your skill and patience and toughness were instrumental in dealing with our state's fiscal crisis. I am proud and happy that you are a good friend and a tower of strength, and the people of Connecticut should be proud of you as a true leader.

Finally, I want to thank all of you in this chamber for your long and hard work in trying to solve a most difficult problem. I had to propose unpopular actions last November, and you had to take equally unpopular actions to meet the challenge.

As I watched and listened from the hospital and home, I agonized with you. But you fulfilled your responsibility and provided a framework to deal with our fiscal needs.

Now it is time to move on. The budget I propose for the fiscal year that begins July first contains no further tax increases, tightly controlled spending, and the lowest growth rate in years.

The tax package you adopted during the Special Session and the normal growth in the existing structure provide us with a balanced budget for the next fiscal year. This balance is being achieved in the face of a loss of millions of dollars in federal funds that were to have come directly to our state.

I therefore recommend to you a spending level of $3.172.6 billion. This level of spending is $216.8 million more than the estimated expenditures for the current fiscal year, an increase of 7.3 per cent, down from this year's 8.4 per cent, less than the anticipated inflation rate of 8.3 per cent for the next fiscal year and, I might add, less than the estimated growth in the federal budget which is more than ten per cent with all their proposed cutting.
If you examine this net increase...you will find that almost all of it, or about $198 million, is due to six major items that are required by law or contract or court decision. These include more than $94 million for collective bargaining; more than $48 million for educational grants; nearly $7 million for other grants to towns; $29.5 million for medicaid; nearly $17 million for teacher retirement contributions; and more than $2 million for state employee retirement contributions.

The net growth in items other than these six is negligible in the context of a $3 billion-plus budget, and this is the kind of austerity I believe our citizens want. However, within this very tight budget, there are five areas that deserve special mention. These are areas to which we have been able to direct our limited resources to meet very special needs. They are job-creating economic development, housing, state assistance to our cities and towns, improvements in our criminal justice system, and highway construction and maintenance.

In listening to President Reagan's State of the Union message, I was deeply disappointed and concerned that he ignored the more than nine million Americans who are out of work, a number that keeps growing largely because of the policies of his administration.

Here in Connecticut, the latest figures, for the month of December, show more than 106,000 people out of work, a seasonally adjusted rate of 6.7 per cent. This is still significantly below the national rate of 8.9 per cent.

We are proud that our state's economic development programs have helped keep our rate below the national average for more than four years, and that our total employment continues to hold near a record high level of 1.4 million. But we cannot afford to ignore those 106,000-plus jobless workers, or the men, women and young people who will be entering or reentering the work force in the years ahead.

I am therefore recommending an increase of $5.2 million to our General Fund economic development programs, up to a total of $42.5 million. The added dollars will provide vocational education for 680 new students at Vocational-Technical schools in Bristol, Stamford and Manchester. They will also provide further tax and financial incentives to encourage business and industrial growth in areas of high unemployment.

This budget continues at current levels our appropriations for grants for new jobs created in areas of high unemployment, and for custom-designed manpower training programs.

Our Capital program also directs $11 million to economic development including $10 million for grants to municipalities for industrial development, and $500,000 each to a Small Contractors Revolving Loan Fund and to the Connecticut Product Development Corporation.

All this is in addition to the $1 million already in place to implement our pioneering Enterprise Zone program which goes into effect on July first, a program which Washington is now trying to copy.
I will have more to say in the months ahead on job training. The Business-Labor Summit process—which I initiated last summer—is now in the final stages of its studies. Based on preliminary reports, I expect this process to develop a number of initiatives for new and innovative public-private efforts to improve and extend our manpower training programs. It is absolutely essential that Connecticut adapt its training and education to provide the skills needed by our new and expanding companies.

As Washington continues to follow policies that keep interest rates high...our people are increasingly limited in their ability to find an adequate supply of decent housing. This is an area in which the state can help. I am recommending $20 million in new bonding authority for housing development, rehabilitation, and energy conservation loans. The funds will be used for moderate rental and elderly housing, site development, neighborhood preservation, and assistance to community housing development corporations.

This bonding is in addition to new mortgage money being made available to our people through two state agencies--$200 million through the Connecticut Housing Finance Authority...and more than $100 million through the Yankee Mac investment of state pension funds.

As the so-called New Federalism begins to take hold, the financial pressures on state and local government are mounting. It is more vital than ever--therefore--that the state continue and, where possible, expand its aid to local government.

I am recommending that state payments to cities and towns be increased next year by nine per cent, or $55.3 million. This increase will bring state payments to local governments to a total of more than $671.4 million, or nearly 21 per cent of the entire General Fund budget. This does not count the $94 million the state pays for local teacher retirements.

Much of the increase in this area is in the form of educational equalization, or GTB funding. This year, the state is financing GTB at the level of 72 per cent. I propose that the level be increased next year to 81 per cent. This will add $39 million to our GTB payments, up to a total of $344.8 million.

It is also imperative that we strengthen our criminal justice system to provide the kind of law enforcement and judicial protections which our people deserve. I therefore recommend your approval of a seven-point program that includes $4.3 million in appropriations and $13.7 million in bonding. All but $1 million in appropriations is new money.

The largest single General Fund item in this area, $1.36 million, will train and fund 120 new State Troopers. Another $1.4 million will help reduce overcrowding in our jails by providing speedier trials for accused persons, and by expanding the pre-trial release program.

We need to continue state assistance to local arson investigations to combat this growing and frightening kind of crime. I propose funding to continue two arson investigation experts.

more
The state's Criminal Justice division and its investigation and prosecution of criminal activity have to be strengthened. This effort should be reinforced with a statewide Career Criminal program and a "Racketeer Influenced and Corrupt Organizations"--or "RICO" program. To support this campaign, I propose an appropriation of $200,000.

The sound operation of our correctional system is an important link in our criminal justice network. I therefore recommend an appropriation of $1.27 million to staff new facilities that are ready to open, and $13.7 million in bonding for additional facilities. These will include a 156-bed women's unit and a 200-bed adult male unit--both at Cheshire, as well as approximately 400 new beds that will be added to the state's correctional capacity through renovation or expansion of existing facilities.

And, although this is outside the scope of the budget, I urge you to give favorable consideration to proposals to strengthen our laws against drunk drivers. The staggering toll of human life and property damage taken by drunk drivers must be curbed. Those who violate these laws must know that their punishment will be severe.

The fifth area of expansion centers on our highway construction and maintenance program. I am proposing a $49.4 million program, including nearly $46 million in bonding and $3.5 million in appropriations, a net increase of more than $18 million over this year's total. This will bring bond authorizations up to $12 million for highway resurfacing, and $27.8 million for other highway and bridge repair and replacement work. I am also recommending an additional $6 million for improvements to existing Route 7, the vital highway link in western Connecticut.

I am sure many would like an even larger increase, but this amount represents work that can be undertaken in the year ahead with the resources available to our state. It is, I believe, a responsible approach to meeting our needs.

Let me touch briefly on the overall capital program which totals $152 million. I have already mentioned bonding proposals for economic development, housing, criminal justice and highways. The other major elements include $10 million to extend our clean water program; more than $1.6 million for six group homes for the retarded; and nearly $12 million for a new Courthouse in Hartford, an addition to the New London Courthouse and a new Juvenile Courthouse and Detention Facility in New Haven.

In putting this budget together, I have been mindful of the obligations we in state government have to meet the legitimate needs of our people, and mindful of their ability to pay the bill.

My friends, it is clear that Washington is trying to shift more and more of the burdens of government to the state and local levels, but not necessarily with equal resources to shoulder these burdens. Much of what we in Connecticut are able to achieve will depend on policies yet to be adopted in Washington, and on the nation's ability to rebound from the current recession. It is also clear that we at the state level must make sure that essential programs and services are not lost in the shuffle.
We must make sure that our economy can continue to provide jobs for our people. That's why I have proposed more than $16 million in new funds for economic development.

We must make sure that the state continues to help people find safe, decent and affordable housing. That's why I have proposed $20 million in new bonding authority for housing.

We must make sure that our cities and towns remain financially viable. That's why I have proposed a $55 million increase in state aid to our municipalities.

We must make sure that the public safety is secured. That's why I have proposed $18 million in new funds for our criminal justice system.

And we must make sure that our highway system is kept up to date. That's why I have proposed $18 million in new funds for our roads, highways and bridges.

We must meet these and other responsibilities to our people, but we must not add to their tax burdens. That's why I have budgeted our state resources to meet these needs with no further tax increases.

You and I were elected to serve the citizens of Connecticut. In the months ahead, let us work together so that we may serve together, not in an atmosphere of political one-upsmanship, but in a spirit of cooperation and public service.

When we meet again at the end of this session, let it be recorded that we met the challenge with responsibility, sincerity, intellectual honesty and with success.