Mister President, Mister Speaker, my fellow state officers, members of the General Assembly, and my friends throughout Connecticut:

In preparing the budget I am proposing today, a process that has occupied me for more hours and days than I can count, I have used two basic guidelines. First, I am determined that this budget will keep faith with the people of Connecticut and meet their real needs. We have a proud heritage in this state of caring and commitment, and of being leaders for the nation. I do not intend to ignore that heritage. I believe the people of Connecticut expect and demand strong leadership, especially during difficult times. This administration will honor its commitment to the social contract we have with our people.

To meet these needs, my second guideline was the work of the Bipartisan Commission on State Tax Revenue and Related Fiscal Policy. I am convinced that we must balance our hearts with our wallets, and the work of Senator Schneller and the Commission offers a blueprint for that kind of balancing.

I am recommending a General Fund budget $3.552 billion, an increase of $320.5 million, or 9.9 per cent over this year's estimated spending. This is a cut of more than $200 million from the amount I began working with nearly three months ago.

Any budget must set priorities, and mine sets three: job-creating economic development; the maintenance of compassionate human services; and modernizing our transportation network.

It is absolutely essential that we continue providing jobs for our people. I can still remember as a child the depression of the 30's. I can still recall friends and neighbors who were thrown out of work, and what that did to shatter individual lives and families. Now we see the devastation all around us caused by the unacceptably high unemployment of the 80's.

Yes, Connecticut is still better off economically than almost every other state in the country. However, we still have more than 110,000 men and women out of work, and that number has to be cut.

The cornerstone of my program is the $17 million High Technology Strategy which I outlined last fall. This is in addition to the extra funds I am asking for grants to municipalities for industrial development, for urban development projects, for our pioneering Urban Jobs Program, and to increase enrollments in our Regional Vocational Technical Schools and our State Technical Colleges.
The second priority is continued support of our human service agencies. Federal cutbacks, continued high unemployment, and a depressed national economy have resulted in an even greater demand on our human service programs. This budget carries out my commitment by maintaining financial aid to the elderly, the blind and the disabled, as well as our towns for their general assistance programs.

It carries out my commitment to the retarded by providing funds to open the Northwestern Regional Center in Torrington and 32 new group homes, and to build, buy and renovate 20 more group homes. We need to pursue this program to remove the handicapped from institutions whenever possible.

It carries out my commitment to the mentally ill by adding dollars for alternative programs to institutional care, and for full-year funding of 60 new beds in Bridgeport and Newington to relieve pressures on hospital emergency rooms.

This budget also directs more dollars to the Department of Health Services for rape crisis programs and to the Department on Aging to expand the humane independent living program.

My third priority focuses on my commitment to improve the conditions and safety of our roads and bridges and other transportation facilities. My transportation program totals more than $332 million for the next fiscal year. It includes nearly $86 million in capital projects, an estimated $221 million we expect in federal funds, and a $25 million Transportation Fund financed from revenues of our motor fuel taxes.

Aside from these priorities, there are several other areas I believe must be addressed.

I am determined to continue Connecticut's leadership in providing safe, decent and affordable housing for our citizens. My budget includes $30 million in new bonding for moderate rental and elderly housing, site development, neighborhood preservation, urban homesteading, community housing development corporations, housing purchase and rehabilitation programs, and energy conservation loans.

State government must continue to help our cities and towns control their property taxes. I am therefore recommending an increase of more than eight per cent in direct aid to our communities, or nearly $55 million. This will bring direct state payments to cities and towns to more than $730 million.

More than $43 million of the increase involves education, including an added $13 million for GTB payments. This will bring the state up to 85 per cent of full funding, and will require passage of legislation to extend the phase-in of GTB from five to six years.

I am also proposing that you accept the recommendations of the School Equity Panel to simplify the data base for GTB. The principal change will involve the use of previously audited information. Local officials will now be assured that once the appropriation level is set, and the town grant is determined, that is the amount they will receive from the state in GTB. The basic direction of the formula will be maintained, with the bulk of the funds going to communities with the greatest needs.

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Connecticut's educational system has always been a source of pride to all our people, and I am committed to strengthening that system. The overall budget for the Department of Education will increase by nearly $47 million.

During the last session of the General Assembly, I recommended and you adopted a major reorganization of higher education, and the new Board of Governors will begin operating in March of this year. My budget maintains our commitment to excellence in higher education, and provides funds to assure that the Board will be able to meet its mandate.

I propose increased support for protection of the public safety. This budget includes more money for a new class of 48 State Troopers and the addition of a third truck squad to the State Police. To meet the problem of jail overcrowding, the Department of Correction will receive an additional $2.25 million to staff a 125 bed pre-trial facility, to add 412 beds to four correctional institutions, and to add 50 beds to our network of halfway houses. Funds are also provided to complete the 500 bed modular facility in Enfield, to begin planning for future needs of the correctional system, and to open a Department of Children and Youth Services medium security unit at Long Lane. The Judicial Department will also receive funds for new programs to reduce the number of persons in correctional institutions.

As we take steps to assure Connecticut's continued leadership in the economic revolution of the 80's, we must be ever mindful of the fact that our state is blessed with magnificent natural resources. It is therefore clear that the protection of the environment must be strengthened. This budget extends my commitment to enforcing hazardous waste laws and improving solid waste management. It also includes funds for our participation in a Northeast Interstate Compact for the handling of low level nuclear waste.

I am proposing a capital program of $249 million. It is a balanced program to serve the needs of our people by helping to create jobs, improving our human service institutions, modernizing our transportation system, enhancing our educational facilities, and protecting our farmlands and natural resources.

This spending and bonding plan will be criticized by some, especially those who believe that government has grown too large and is inefficient and wasteful, and by those who don't think we're spending enough. Those of us who have dedicated our lives to serving people must rededicate ourselves to raising the level of public trust in government.

To that end, I commit this administration to make necessary changes in state government to make it more efficient and responsive to the needs of our citizens. The Bipartisan Commission has recommended a series of changes to improve the management of our state government. I have analyzed these proposals carefully. Some are already being put into effect, and others will be in the near future.

I also commit this administration to holding down the costs of state government wherever possible, while meeting our commitments. Specifically, we will honor our collective bargaining agreements with state employees.

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However, I want to make it clear that contract negotiations in the future are going to have to involve considerable compromise on both sides and will have to take into consideration current economic trends. There is no bottomless well full of money, and this administration will be even more sensitive than it has in the past to the allocation of taxpayers' dollars for employee pay and benefits. I do not want to lay off state workers, crippling essential state programs and services, and adding to the already high unemployment.

Likewise, I cannot and will not close needed institutions. I cannot and will not order massive reductions in human services and essential programs. Those are the steps I would have to take to find the millions of dollars to balance this budget without increasing taxes. I cannot and will not take these steps and break faith with the people of Connecticut.

As the Bipartisan Commission so correctly pointed out, Connecticut is not a spendthrift state. For more than a decade, this state has operated almost every single year on an austerity budget. State spending in that period has grown an average of only two-tenths of one per cent more than the rate of inflation. The Commission has developed a series of alternatives to meet the state's revenue needs. Its proposals were based on a detailed examination of Connecticut's financial structure, and on valuable contributions from many experts and members of the public. The Commission's majority report serves as the basis for my revenue proposals.

Even with the substantial cuts I have made in spending requests, we still need $223 million to meet our budget requirements. I therefore recommend the following changes in our tax structure:

*** The basic rate of our sales and use tax should be cut from seven and one-half per cent to seven per cent, and the tax should be extended to motor fuels at the tankwagon price, to children's clothing, to meals under one dollar, and to fertilizer and seed for non-farm use.

*** The sales tax should be extended to professional and personal services at the rate of three and one-half per cent.

*** I recommend that interest income be added to the existing dividends tax law, effective for calendar year 1983. However, the rates should be modified so that the elderly and our low and middle income wage earners, who try so hard to save a little for a rainy day, are not penalized. No one should be required to pay the tax on dividends and interest unless adjusted gross income is at least $30,000, compared with the current threshold of $20,000.

*** The State Comptroller estimates the deficit for the current fiscal year at $55 million. I therefore recommend that the changes in our taxes be effective on April first of this year to provide the revenue to close that gap.

I cannot and will not recommend extending the sales tax to heating oil, because this would be too much of a hardship on those least able to pay. I cannot and will not recommend extending the sales tax to new machinery and equipment, because this would be far too much of a roadblock to the creation of jobs for our people. I cannot and will not recommend extending the sales tax to motor vehicle trade-ins, because this would have an adverse impact on the depressed automobile industry.

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Even with the extensions I am recommending, our sales tax will still provide a substantial measure of protection for those with real needs. Such necessities as food, utility bills and prescription drugs will continue to be exempt from the sales tax.

It is obvious that Connecticut is not alone in facing severe budget challenges. States and municipalities all over this country are in trouble and are scrambling to solve their problems. We in Connecticut are containing costs, but this is not the time for state government to abandon its most basic commitments to its people.

The budget I am proposing responds to the real needs of our citizens. I have made cuts in agency requests wherever possible, but I have reached the point beyond which programs and services cannot be cut any more. I am convinced that I have met my commitment to respond to human needs with mind and heart, within the reasonable limits of our resources.

Now I need your help. As a former leader in this General Assembly, I have a deep respect for the obligation you must meet, to review this document and work your will. You have my pledge of cooperation in the weeks and months ahead.

Together we can assure a budget of wisdom and compassion that will serve the citizens of Connecticut well.

Thank you.