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FOR RELEASE

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GOVERNOR O'NEILL'S 1989 BUDGET ADDRESS

Lieutenant Governor, Mr. Speaker, Mr. President, Reverend Clergy, ladies and gentlemen of the House and Senate, good people of Connecticut:

It has been five weeks since I last stood here before you--35 days that have been as difficult a period as I've experienced since I became Governor eight years ago. Since January 4th, I have devoted most of my waking hours to working on the budget for 1989-1990 that I now present to you in this chamber--and to the people all across Connecticut.

The days, as I say, have not passed easily. As I grappled with the many aspects of this document--and as the shadows lengthened outside my office window--I often found myself thinking very deeply about this state that I love and know so well. I reflected upon Connecticut's industry and its institutions, upon its wonderful strengths and the challenges that lie before it.

But most of all, I thought about the people of Connecticut and the society that you and I have built together during the past eight years. I looked at Connecticut as it struggled earlier in this decade, as it exists today, and as it can exist tomorrow. And I weighed the role that state government has had in our progress--in our undeniable progress in education, in road and bridge repair, in programs for the elderly and the poor, in our battles against drugs and pollution--in fact, in raising the entire level of our society to a point where it is widely admired and widely imitated.

I have emerged from this process with a feeling of great pride in what my administration has achieved with the people of Connecticut--and of great expectation for what we can achieve in the future. It is true that we have obstacles to overcome in the days ahead; it is never easy to remain Number One. But it is my strong feeling that we must remain positive and confident in our approach, and that government must take a positive and responsible role in the lives of its citizens.

Today, I present this budget to you, the members of this General Assembly. Today, our work together begins. I think you will find it to be an honest, straightforward document. It represents an 8.9% overall increase in expenditures, including $661 million in the Special Transportation Fund, $5.09 billion in the General Fund, and $1.2 billion in a newly-funded Educational Excellence Fund--for a total of $6.97 billion. I believe that this budget's many features will properly maintain the economic and social progress that has marked Connecticut's journey through the 1980s.
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But this is also a budget formulated in a different atmosphere than we have enjoyed in recent years. Our fiscal picture is not as bright as it was a year or two ago. We have felt the effect of an unanticipated dip in our revenues from the state sales and use tax, combined with increased spending in several vital areas such as Corrections. In addition, as you know, a major factor has been the Federal Tax Reform Act of 1986, which has created budget difficulties not only here in Connecticut, but also in many other states and in the federal government as well, where it is responsible for an estimated $24 billion of this year's projected federal deficit of $161 billion.

In any event, our string of budget surpluses has most decidedly and most abruptly come to an end--so abruptly, in fact, that many rightfully concerned citizens have lately been asking the question: Where did the surplus go?

Well, I will answer that question, because there has been a great deal of misinformation regarding it. The surpluses totalled about $1.1 billion over a four-year period. Of that amount, the vast majority--about $1 billion--went into the following areas: More than $300 million is going right back to the towns and cities of Connecticut where your local mayors and selectmen use it to keep down your local property taxes. More than $370 million went into our Educational Excellence Trust Fund, where it was again sent back to municipalities across the state to help begin the hard push toward educational excellence for our children. That makes a total of more than $670 million that has gone directly back to the towns and cities of Connecticut--and that has allowed local governments to hold the line on and even reduce local property taxes.

The last major use of the surplus has been our Budget Reserve Fund, where $183 million has been used to meet the budget shortfalls of the past two years. Contrary to the belief of many, however, this fund is far from depleted. It contains $130 million today--and it will continue to contain $130 million if the budget I present to you is adopted in a timely fashion.

All told, this, I believe, has been a responsible use of the surplus. It was not frittered away or wasted. It was, in large part, returned to the people who created it: the citizens of Connecticut. And it was no doubt because this surplus was returned to our cities and towns that 148 of the 156 Connecticut municipalities reporting last year could claim surpluses of their own--totalling some $174 million--in their operating budgets.

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I think it's about time that we at the state level took some of the credit we deserve for the state's enormous role in these local success stories! It's about time that the people at home realized that each year nearly $2 billion in state money goes directly back to their towns, where it pays for teacher retirement costs, helps pay for local services and salaries, and holds down local taxes.

But today we enter a period of significant challenges--of retrenchment, as I have called it--and we must respond with appropriate measures. However much we may wish to say "yes" to all the voices that cry for new state dollars--$6 billion for a Long Island Sound clean-up, $8 billion for local road repair, billions more for universal health care--we must also be responsible. We must ferret out the places where growth can be curbed and where state agencies can and will exercise restraint.

This budget does that. It calls for state agencies, as a whole, to make do with less than they believe necessary just to maintain basic services. Almost 1,300 jobs have been eliminated. Vacancies, in many cases, will not be filled. I will order lay-offs when and where they are appropriate.

In addition, I am calling for further belt-tightening in our state agencies. We will reduce or totally eliminate certain inflationary increases in all our departments. We will reduce funding for part-time and temporary positions. We will cut back on the use of overtime. I am calling for the agencies to purchase only equipment that is essential, to cut back on travel by up to 50%--and I am ordering state government to put the brakes on the use of consultants.

We will continue to eliminate the needless expense and confusion brought on by duplication of effort. I recently announced just such a consolidation in our job training program--and we will soon do much the same in the area of child welfare, where, in the coming year, we will endeavor to keep children safe and families together by fundamentally streamlining and improving the existing service delivery system.

Through these and other significant measures we have been able to reduce our agencies' budget requests by nearly $400 million--and continue the process of making the machinery of state government as lean and responsive as we can make it. I can assure you that these cuts are not superficial. They will cause pain in the state agencies, and in places they will be noticeable to the public. But I believe they are necessary.

What is left, beyond these reductions and changes, is a budget that is carefully considered and that, I believe, will continue Connecticut's drive to greatness.

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I have been proud during the past eight years to preside over a period of wonderful prosperity and development in this state. The process has not always been easy, and we've had some difficult stretches along the way—but overall, our story has been a good one. Our people are working and prospering, and I believe, in great part, happy with their lives. Our quality of life is unmatched. We have been able to address some of the enormous and pressing problems of our day with solutions that have been broad and bold and effective.

Ladies and gentlemen, I am not about to stand here and preside over the dismantlement of all we've worked so hard to accomplish!

For if we are to be great, as we must always strive to be, our greatness will be measured in our determination to go forward with the programs we know to be right and good. Our greatness will be measured not in our eagerness to deny, but in our willingness to assist. Our greatness will be measured in our ability to act now so that we don't have to react later.

State government is asked to do an enormous amount—and I am proud of the way Connecticut has answered that challenge. During this decade, for example, we at the state level have had to take on increased responsibility in many areas in which the federal government has ruthlessly pulled away from its own commitments.

A look at some of these federal pullbacks is revealing. Since 1981, federal grants for job training have been reduced from $81 million to $13 million; federal grants for student loans have been dropped from $226 million to $80 million; federal revenue sharing grants—money that went to our cities—went from $54 million to zero. And, ladies and gentlemen, federal grants for subsidized housing have gone from $650 million in 1981 to $110 million last year. In fact, if we take federal grants in 20 key areas, such as clean water, child care, highway funds, and the ones I have mentioned—and adjust for inflation—the State of Connecticut last year received $1.2 billion less in federal funds than it did in 1981. In all of these areas, the federal government—during eight years of Republican administration—has simply taken a walk, and we have had to step in with state dollars to take over these programs and run them.

And during the last six years, while we were taking on all these essential and costly additional programs, the taxpayers of this state did not pay a single dollar in new general taxes. In fact, they enjoyed tax cuts totaling more than a billion dollars. Never in the history of this state, I believe, has our prosperity been so evident.

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Today, however, if Connecticut is to continue its drive to greatness—as I believe it must—we will need new sources of revenue. If the programs and services that set us apart from other states in our vision, our decency, and our compassion are to carry on, then we will have to pay something more for them.

The budget I present to you today calls for four new taxes. It does not call for an income tax! I have made every effort to make these new taxes fair and equitable to all, according to their ability to pay.

I am first requesting a 10% surcharge on taxes paid by corporate businesses—to begin to stem the losses due to federal tax reform—as well as an increase in the minimum corporation tax from $100 to $250. These measures would take effect with the income year beginning January 1, 1989.

I am also asking for two changes in the state sales and use tax. First, an elimination of the exemption—effective April 1, 1989—of the existing 7.5% sales tax on certain services to businesses, including but not limited to legal, engineering, architectural, surveying, and accounting services. Second, I am asking that—beginning April 1, 1989—the sales tax exemption be lifted from all public utility services, including but not limited to telephone, telecommunications, gas, electricity, and cable television.

And to protect the poor, the handicapped, and the elderly from unfair treatment under this tax, I am also proposing legislation that will provide rate breaks to those who qualify under certain income and other guidelines.

Finally, I am calling for all capital gains to be fully incorporated into the current interest and dividends tax rates, effective for transactions occurring after February 8, 1989. Two years ago, when the federal government initiated this measure, I exempted Connecticut taxpayers from doing the same, simply because we did not need the money. Now I propose that we fall in line with the federal example as most other states have done.

Taken together, these new taxes will raise $683 million in new revenue for the State of Connecticut. These funds will allow us to maintain our strength and our stability at all levels of society.

I understand the call for greater budget cuts. I can assure you that I understand its appeal to the citizens of this state. No one likes to pay taxes. I don't like to pay taxes, either. But I also possess a basic faith in our state government here in Connecticut. I believe that there are important needs, vital needs out across the face of this state and I am not going to turn my back on them—and I don't think the people of Connecticut want me to turn my back on these needs.
I will not turn my back on the elderly, for instance, or the landmark ConnPACE program which for so many has eased the financial strains brought on by the cost of prescription drugs.

I will not turn my back on the homeless—who need the shelter that state funds help provide. Or on the working poor or those of moderate means who might need a hand up—not a handout—as they seek decent and affordable housing—especially in light of the federal government’s disgraceful neglect in this area.

I will not turn my back on the jobless—as they and their potential employers seek the benefits of a revamped job training program. And I will not turn my back on the poor, as we work to take them off the public welfare rolls and into the dignity and pride of real jobs.

I will not turn my back on the needs of the environment—especially our need for open space; or on the families and businesses that benefit from a safe and dependable system of child day care in this state; or on our motorists, who deserve a full commitment to the continuation of the road and bridge rebuilding program.

I will not turn my back on economic development, which is so important if Connecticut companies are to continue to innovate and breed the new industries and new products that we need for our future jobs and our future well-being.

In all of these areas, we have basic commitments to keep. If we’ve told the people of Connecticut that we are going to do certain things, then we ought to do them. I am not proposing that we pump new money and new programs into these parts of the budget, but I don’t believe we need to inflict them with deep and hurtful cuts either.

However, there does exist in this state one area of powerful and continuing importance that, I believe, demands an additional commitment from us all—and that is the education of our children.

I will not turn my back on the children of Connecticut. I will not forsake them as they make their way into the complexities of life in the 21st century. My pledge to excellence in education remains absolutely firm. I have said many times that we possess no natural resources here in Connecticut, no oil fields, no reserves of natural gas, no vast agricultural lands. In Connecticut, our main resource is our people, and our ability to think hard and work hard as we face the increasingly tough competition of the global marketplace.
Consequently, our ability to educate our children thoroughly is essential if the successes we enjoy today are to continue into the next generation. You can be sure that the children in Japan are preparing and the children in West Germany and Korea and the Soviet Union are preparing. We can't afford to wait for Washington to move in this vital area. We in Connecticut have to move—and that's exactly what we've been doing. Our Educational Excellence Program is a national model. Our willingness to raise teachers' salaries—to attract bright young talent into the teaching profession—shows not only that we are concerned about the quality of our teachers, but, more importantly, that we are concerned about our children, and their future, and the future of this state.

As a continuation of my commitment to education, I am proposing today that we restructure our Educational Excellence Fund as a permanently-funded feature of state government—and, indeed, that we dedicate all the revenue from our four new taxes, plus several existing revenue sources, to this education fund. State government now pays for virtually half the cost of our local schools—some $1.2 billion that local school systems plan on and depend upon. We owe it to our children and our future to establish a fund that is stable and that will distribute money fairly in the years ahead to the towns of Connecticut without putting an undue burden on the local taxpayer.

No, I will not turn my back on any of these needs. I am willing to stand squarely before you and say that we have an obligation to do what we can afford to do. We in Connecticut are not overtaxed. In fact, we rank 48th out of the 50 states in state and local general revenues per $1,000 of personal income. It is my belief that if we are the richest state in the nation—which we are—we must also strive to continue to be the greatest state—for all our citizens, not just the ones at the top.

I must warn you today, however, that all of our work, all of our accomplishments, are at risk if we cannot guarantee our citizens their inalienable right to a safe society. I believe that our most important fight in the year ahead will be the fight to rid our streets and our society of the scourge of drugs and crime that threatens to make victims of us all.

I want the word to go out today from this podium to every crack den, to every schoolyard drug dealer, to every drug-twisted criminal across this state: We will find you, we will arrest you, we will convict you, we will take away your property and we will put you in jail.

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It is essential that this message go out, and that we back it up. I am urging today that we supply our criminal justice system with whatever it needs to fight this battle effectively. I am calling for more than 200 new judges, state's attorneys, public defenders, deputy sheriffs, investigators, and support staff to help reduce the caseload and provide early screening of criminal cases. The cost of these new positions I propose be offset by increased fines and fees, so that criminals pay the cost of crime.

In addition, I am calling for the continued construction of new jail cells here in Connecticut. The budget I present to you today provides for the completion of nearly 1,400 new prison beds by the end of the 1990 fiscal year, with another 2,000 in various stages of planning or construction. We will also be adding personnel to staff these facilities, as well as for community services, parole services, addiction services, and halfway houses.

And, most importantly in the long run, we must continue our efforts in educating our young ones against the perils of drug use—so that the drug pushers will no longer find customers. And we must continue to treat those who seek treatment so they can once again join the rest of us in building and maintaining a safe society.

For it is our common goal—and certainly it is my fondest hope—that we can create a Connecticut that is whole and sound, that offers fairness to all, and opportunity to all who would take it. That is the driving force behind this budget, and I hope it will be the motivation for your deliberations and your actions in the months ahead.

In developing this budget, it has been my belief that we must cut where we can, but we must not cut for the sake of cutting or to satisfy a political agenda. That, I think would be irresponsible. We must remember that every program cut has an effect on the people in this state, invariably upon people who are in need. If we cut the program, the problem does not disappear, the need will not evaporate. Inevitably, the cost will have to be picked up by local governments or the suffering will spread—and the problems will grow more pervasive and eventually much more expensive to solve.

By the same token, there is a limit as to what we can fairly ask of the citizens of Connecticut. We must make sure that this state remains vibrant and competitive in all respects. We must strive to make state government efficient and cost effective. We must make sensible use of the taxpayer's money, which means eliminating duplication and weeding out the unneeded and the unwanted. All of this, I can assure you, I am dedicated to doing.
But, ultimately, as we consider this budget, we must ask ourselves a simple question. Have we built in Connecticut a fair and decent society—one that works well for the vast majority of the people most of the time—and, if so, is that society worth maintaining?

I am proud to stand before you today and assert that what we have built is worth maintaining. For it is nothing less than a framework for our daily lives as we work and dream and strive—together and individually—in this small and exceptional state.

There is greatness everywhere we look in Connecticut. There is wisdom and stability in our institutions. There is common sense and compassion and ingenuity in our people. Let it be our job in the weeks ahead to seize those virtues and put them to work in all we do. We owe no less to the good men and women of Connecticut who have put their trust in us.

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