

## House Republican Press Release

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### As Surplus Turns to Deficit “Doing Nothing” No Longer an Option



#### *Republican Alternative Budget Cuts Gas Taxes, Encourages Job Creation and Streamlines State Government*

Connecticut is facing an economic environment that has changed significantly since we passed the biennial budget in 2007. Our state surplus has disappeared and we are now projecting a \$68 million budget deficit this year, with larger deficits expected in the years ahead. At the same time, the cost of gasoline is racing past \$4 per gallon and Connecticut residents continue to struggle with the rising cost of everything from food, to home heating fuel, medicine and other necessities.

In responding to these changing economic conditions, Democratic leaders have recommended that we “do nothing” – that we simply live with the budget we passed in 2007 and deal with tomorrow’s problems tomorrow.

In our opinion, to do that is to either accept or ignore the challenges facing each and every Connecticut resident today. Doing nothing means raising taxes and going back on this legislature’s promise to make important improvements to public safety. If we do nothing, the gross receipts tax on gasoline will increase on July 1<sup>st</sup> if and there will not be any money available to pay for the important criminal justice reforms passed since January.

The people of Connecticut need leadership out of their elected officials to help mitigate future budget deficits, while at the same time providing needed relief to families and small businesses. We need to make smart and sometimes difficult decisions now to help protect Connecticut’s long-term economic security.

To that end, Republican members of the General Assembly recently introduced a balanced budget proposal that would cut state gas taxes, provide tax incentives to small businesses, streamline state government, and reduce state spending by more than \$160 million.

Our budget is below the state spending cap and is currently the only proposal before the General Assembly that is balanced; offers significant and lasting tax cuts; addresses shortfalls in the Special Transportation Fund (STF); and funds the two major criminal justice initiatives adopted this year.

The Republican proposal calls for spending \$16.844 billion, \$234 million below the existing 2008-2009 state budget. Highlights of our proposal:

- Balanced Budget for '08 and '09
- \$25 million budget surplus for '09
- No Tax Increases
- No Program Cuts
- No Layoffs
- Repeal of the Gross Receipts Tax Increase on Gasoline Scheduled for July 1<sup>st</sup>
- Cap on the Gross Receipts Tax on Gasoline
- Phase Out of the Business Entity Tax
- 1% Increase for Private Providers & Nursing Homes
- Saving the Early Reading Success Program
- Two Month Gas Tax Holiday
- Does not touch the Rainy Day Fund
- Reduces the Size and Cost of Government through Voluntary Early Retirement Incentive Program.

Our budget proposal achieves savings in two principle ways: 1) We save \$17 million by moving 700 seniors from nursing homes to homecare under the Money Follows the Person program; and 2) We save an estimated \$163 million by offering a voluntary early retirement incentive program (ERIP) to more than 11,000 state employees. With these savings, the budget would be back in balance for 2008 and we would achieve a \$25 million surplus in 2009.

Money Follows the Person has proven to be a successful program with broad bipartisan support. It offers many seniors a more favorable long-term care option at substantial cost savings for the state.

State early retirement programs have also been successful in the past. Connecticut last offered an ERIP in 2003, in the midst of the last state fiscal crisis, and saw more than 4,000 workers retire, reducing state payroll by more than \$156 million.

We have offered our proposal to Governor Rell and Democratic leaders as an alternative way to addressing our current fiscal challenges. Whether our plan is accepted in part or in whole, we look forward to working with our colleagues to take advantage of our opportunity to “do something” – to pass a budget that will help mitigate the effects of a potential recession, provide tax relief to families and small businesses, implement the criminal justice reforms passed this year, and ensure our state’s long-term economic well-being.