



State Representative
Henry Genga

> Current Budget Forecast

Our projected revenue for the next two and a half years is down significantly due to the economic problems on Wall Street, leaving us a 22% to 24% gap to fill. That translates into a deficit approaching \$10 billion.

There are two main factors causing this gap:

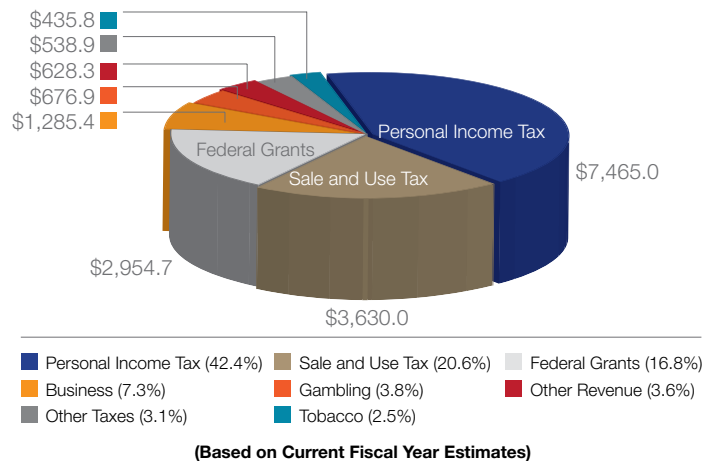
1. State revenues are falling.

- Our income taxes are rapidly falling. As people are laid off they owe fewer income taxes and since 40% of Connecticut's income taxes are from capital gains, the decline in the stock market also contributes to the reduction.
- Business profits are down, so corporate taxes are down.
- Sales tax revenues fall as people buy less.
- Gasoline consumption and prices are down, so gas tax revenues are down.

2. We have structural deficits.

- The state paid some ongoing operating expenses in past years with one-time revenue sources and surpluses that have now dried up, but the operating expenses continue without a funding source.

Total Revenue: \$17.62 Billion
Revenue to the General Fund (in millions)



Henry Genga

Assistant Majority Leader | State Representative

Representing East Hartford | 10th House District

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State Representative

Henry Genga

Dear Neighbor,

Thank you for giving me the honor of serving you, our town, and our state for a second term. The challenges facing us this legislative session are enormous, but I have faith that we will make the necessary adjustments, work together to ease the suffering of those hardest hit by the economic downturn, and develop strategies to get back on our collective feet with renewed strength and prosperity.



I have spent time talking with many of you about the economic situation, and I was often asked questions about both where the state's revenue comes from and how the state spends your money. So this mailer gives you some basic facts about Connecticut's budget and our current economic forecast.

Policymaking is about the allocation of scarce resources, the pooling of citizens' funds to invest in infrastructure and services for the common good, and the redistribution of resources to those whom society wishes to protect and support. In the current economy, we will have to sharpen our focus on our highest priorities and expect to make some sacrifices.

I want to keep you informed and to solicit your ideas and input as the legislature grapples with the impact of a deep economic downturn on our state budget. I welcome your thoughts about budget priorities, places and programs to cut, and ways to raise revenues. Please feel free to call me at 800.842.8267 or email me at Henry.Genga@cga.ct.gov.

Sincerely,

Henry Genga



> The Budget Process

The budget is an enormous document that lays out how the state's money will be spent. The legislature's Appropriations Committee produces a budget after a series of public hearings. The Governor also submits a budget for consideration. The majority of these proposals are usually very similar, but there are always points of contention that must be negotiated. The final product of those negotiations is presented to the House and Senate for an "up or down" vote.

> Historical Budget Trends in CT

Connecticut's state budget typically has tracked the national economy over the years. In the last 20 years, we had budget deficits in the early 1990s when the economy slowed, and we had deficits in the two years after the 9-11 terrorist attacks threw our national economy into a tail-spin. We have had budget surpluses in the past 5 years.

> Options for Filling the Gap

We must consider a combination of difficult options, given the magnitude of our problem, *which include:*

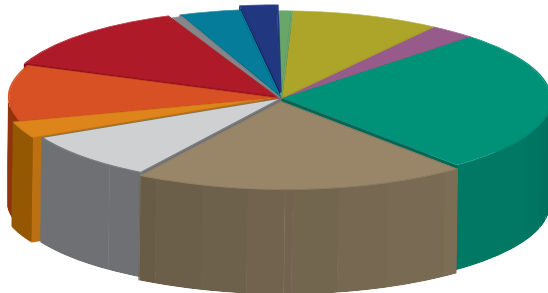
- **Cutting spending:** We must reduce spending by suspending or eliminating inefficient or non-essential programs while preserving critical services.

We cannot make cuts that jeopardize public safety, public health, or environmental protection. We cannot cut funding to towns that will hurt children's educational options. We must continue to spend on investments that provide jobs such as transportation and emerging technologies.

- **Seeking federal funds:** The federal economic stimulus package will help our state by providing federal funds that will have a direct impact on our budget and a significant impact on our economy. We anticipate receiving more money from Washington D.C. for health care, education, transportation, and infrastructure projects.

- **The Rainy Day Fund:** This fund currently has \$1.4 billion because we have followed a fiscally responsible path and saved during the good times.
- **Working with state employees to reduce costs:** State employees have always stepped up to the plate and helped in difficult years. The Governor is currently meeting with employees to negotiate their contribution in the upcoming years. During past budget shortfalls, agreements between the state and state employees have significantly helped mitigate budget problems.
- **Tax Fairness:** At a time when many families and businesses are already struggling to make ends meet, increasing most types of taxes would have negative consequences. We should be committed to a fair tax structure that doesn't overburden families, seniors and small business. However, there are some businesses that do not pay their fair share of corporate taxes and we will be looking to close these loopholes.

Total Budget: \$18.49 Billion



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|---|------------------|--------------|------------------------------|------------------|--------------|
| Regulation and Protection (DPS, Banking, Insurance, and others) | \$438.7 | 2.4% | Pensions/Benefits | \$1,871.2 | 10.1% |
| Conservation and Development (DEP, DECD, Tourism, and others) | \$108.7 | 0.6% | Debt Service | \$1,966.9 | 10.6% |
| Health and Hospitals (DPH, DDS, DMHAS, and others) | \$1,686.5 | 9.1% | Judicial | \$553.1 | 3.0% |
| Transportation | \$506.4 | 2.7% | Corrections & DCF | \$1,599.0 | 8.7% |
| Human Services (Medicaid, SAGA, Families Assistance) | \$4,950.4 | 26.8% | Legislative | \$76.0 | 0.4% |
| Education (K-12, Higher Ed.) | \$3,810.0 | 20.6% | General Govt. | \$607.7 | 3.3% |

(Based on Current Fiscal Year Estimates)

Expenditures

This pie chart shows our expenditures by major category.

Categorizing the expenditures another way, 6 large budget items that account for 70% of the budget are:

- Medicaid expenditures: 20% (40% of this is for nursing home care)
- Aid to towns, including education, & roads: 16%
- Services to the mentally ill & developmentally disabled, and children in DCF: 13%
- Debt service: 11%
- Law enforcement, criminal courts, and prisons: 7%
- 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, employee, and veterans' services.

Cash assistance "welfare" to needy families and adults constitutes less than one percent of the budget.