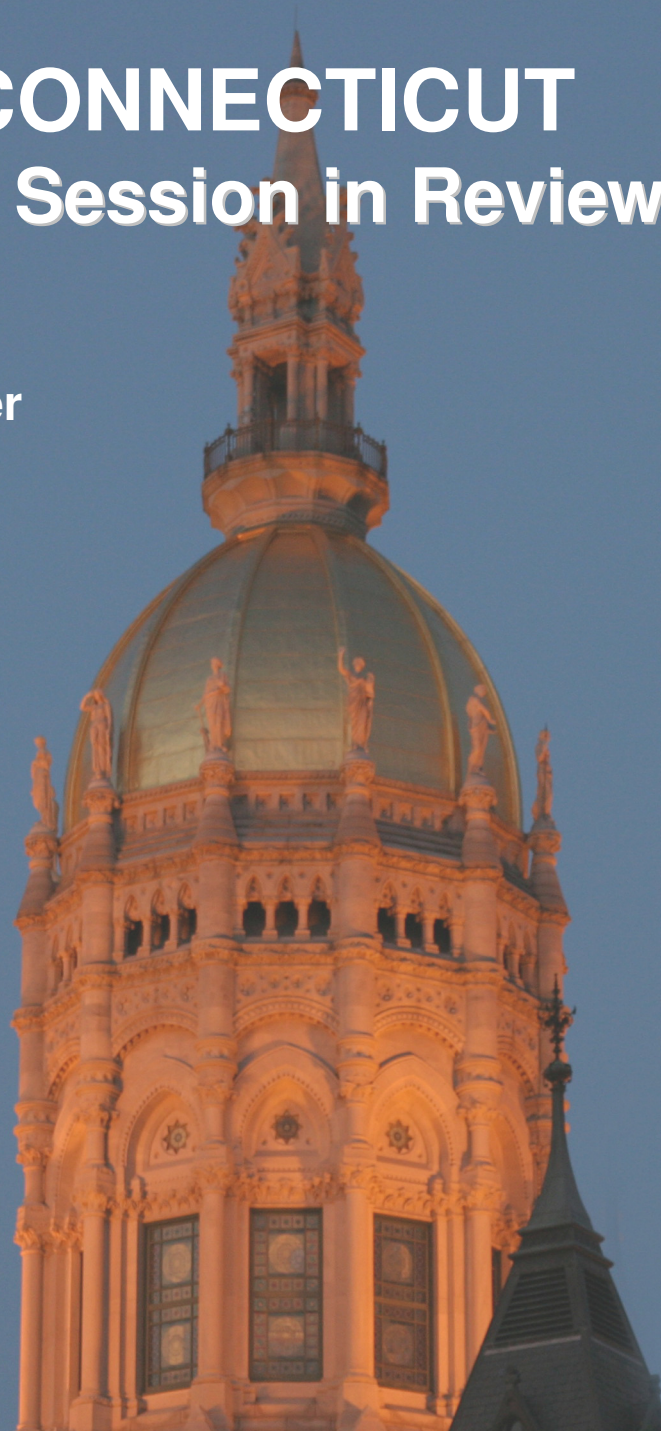
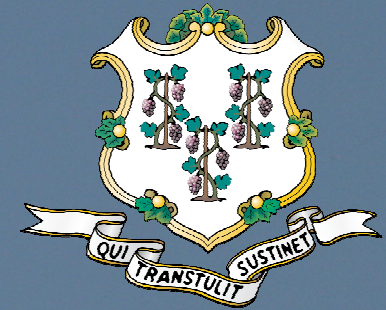


STATE OF CONNECTICUT

2011 Legislative Session in Review

State Senator Toni Boucher

November 11, 2011



Connecticut State Budget

Largest Tax Increase In State History, Passed May 2011

- Increases Income tax
- Increases sales tax to 6.35%
- Reduces property tax credit
- Anticipates an increase of the gross receipts tax on gasoline
- Increases diesel fuel taxes to 29¢/gallon
- Expands the death tax
- Increases taxes on: hotel rooms, cigarettes, alcohol, insurance companies, real estate sales
- 20% corporation tax surcharge
- Makes permanent the real estate conveyance tax
- Increases motor vehicle registration fees
- Increases driver's license fee
- Creates \$25 driver's license renewal fee for late filers



- clothing and footwear under \$50
- Hospitals
- pet grooming
- "Amazon tax"
- automobile road services and towing
- limousine services

- non-prescription drugs
- manicures and pedicures
- airport valet parking
- cosmetic surgery
- cloth and fabric
- luxury goods

- car rental
- admissions and dues
- electricity generation
- automotive storage
- packing and crating
- hazardous waste removal
- Yoga



Governor Malloy's Budget February 2011	Republican Alternative Budget April 2011	Adopted State Budget May 2011
\$39.9 billion total spending	\$36.4 billion total spending	\$40.1 billion total spending
\$2.0 billion assumed labor concessions	\$2.0 billion assumed labor concessions	\$2.0 billion assumed labor concessions
\$3.9 billion tax and fee increases	No Tax Increases	Over \$4 billion in tax and fee increases
Creates 5 new income tax brackets, raises all income tax rates	No Tax Increases	Increase in income tax, Increase the sales tax to 6.35%
3¢ gas tax increase	Caps petroleum gross receipts tax	.03¢ diesel tax increase to .29¢
10% corporation tax surcharge	No Tax Increases	20% corporation tax surcharge
Eliminates property tax credit	Keeps \$500 property tax credit	Reduces property tax credit to \$300
Eliminates 150 state jobs	Reduces CT's 54,000-person workforce by 5 percent, including 1,380 managers	Eliminates 71 state jobs
Funds 166 vacant positions (costing \$10.8 million per year)	Eliminates 166 vacant positions, saving \$10.8 million per year	Eliminates 114 vacant positions
Keeps longevity pay for state employees (approx. \$40.0 million/year cost)	Eliminates longevity pay for state employees	Keeps longevity pay for state employees (approx. \$40.0 million/year cost) – only 1 payment is suspended
Preserves municipal aid at current level	Preserves municipal aid at current level	Preserves municipal aid at current level



The Republican Alternative: The “No Tax Increase” Budget

- No Tax Increases. Period.

Would have:

- Reduced spending by \$1.5 Billion from the Governor’s plan
- Preserved education funding to cities and towns at their current levels
- Provided real efficiencies and workforce reductions
- Fully restored the property tax credit for homeowners
- Redirected Connecticut’s budget toward a more sustainable future
- Had no borrowing for day-to-day operations



Highlights of the Jobs Bill

An Act Promoting Economic Growth and Job Creation in the State

- **Creation of a Small Business Express Program**
 - funded with \$100 million in General Obligation (G.O.) bonds (\$50 million annually) which provides assistance to Connecticut small businesses that employ less than 50 employees through a streamlined application process with DECD.
- **Establishment of a Subsidized Training and Employment Program (STEP)**
 - administered by DOL to provide grants to eligible businesses and manufacturers to subsidize, for the first six months after a person is hired, a part of the cost of training and compensation.
- **Creates a Job Expansion Tax (JET) credit program**
 - combines three current tax credit programs and increases the amount available for job creation from the current \$200 a month to \$500 a month per full-time job created. In addition, this program now offers a \$900 per month tax credit to incentive the employment of an unemployed Connecticut resident, a disabled individual or an honorably discharged veteran. Tax credits received under this program are available for a three year period.



Highlights of the Jobs Bill

An Act Promoting Economic Growth and Job Creation in the State, continued..

- Creates a **First Five for Brownfields** program
 - Includes a \$20 million authorization. Four of the five sites selected by the DECD commissioner must have a committed developer with a sale agreement in place. One brownfield site may be selected even if it does not have a committed developer.
- Creates a new **Main Street Initiatives** Program
 - funded with \$5 million annually. These grants will be available to all STEAP eligible municipalities up to \$500,000 per municipality for eligible façade improvement related expenditures. As outlined in the bill, a municipality may use a portion of their grant to reimburse private business owners for a portion of the expense of exterior improvements to their business. The maximum reimbursement for such expenditures is set at \$50,000 to be provided at the following rates:
 - For expenditures up to \$50,000 reimbursed at a rate of 50%
 - For expenditures between \$50,000 to \$150,000 to be reimbursed at a rate of 25%



Connecticut Leads in most Taxes Levied

- The 2011 state budget produced the largest state income tax hike in state history. Even worse, small business and the taxpayer were not given an opportunity to prepare for it since they are retroactive to January 2011.*
Bloomberg released an analysis of a recent Tax Foundation report. It found Connecticut number one in the country in taxes levied, followed by New Jersey and New York. This is not new news for those that pay income, social security, gas, energy, car, real-estate, inheritance and so many other state taxes.

Source: Bloomberg



Connecticut ranks #1 in Debt next to Hawaii

10 States With The Highest Debt Per Person: Report Reuters

Looking at just state annual financial statements, the group found Connecticut has the highest debt per capita, at \$5,402, and nine states have debt of more than \$3,000 per capita.

WASHINGTON - The total of U.S. state debt, including pension liabilities, could surpass \$4 trillion, with California owing the most and Vermont owing the least, according to an analysis released on Monday.

The nonprofit State Budget Solutions combined states' major debt and future liabilities, primarily for pensions and employee healthcare, unemployment insurance loans, outstanding bonds and projected fiscal 2011 budget gaps. It found that in total, states are in debt for \$4.2 trillion. The group, which follows state fiscal conditions and advocates for limited spending and taxes, said the deficit calculations that states make "do not offer a full picture of the states' liabilities and can rely on budget gimmicks and accounting games to hide the extent of the deficit." The housing bust, financial crisis and economic recession caused states' tax revenue to plunge, and huge holes have emerged in their budget over the last few years. Because all states except Vermont must end their fiscal years with balanced budgets, states have scrambled to cut spending, hike taxes, borrow and turn to the federal government for help.

Taxpayers are worried the states' poor fiscal health will persist for a long time and some Republicans in Congress have questioned whether the situation is worse than the states say. State Budget Solutions relied on financial reports and income tax rates provided by the Federation of Tax Administrators in determining its rankings. The true debt totals may be lower, though, because the group also used the highest estimates of pension gaps. The conservative think tank American Enterprise Institute says public pensions are short \$2.8 trillion.

Others, including the nonpartisan research group Pew Center on the States, put total unfunded pension liabilities at around \$700 billion. The wide range is based on different assumptions of the returns of pension fund investments, which provide the bulk of money for benefit payments. Conservative economists say the investments will have annual returns of around 4 percent, while many funds expect returns in line with the average of the last 20 years -- closer to 8 percent. Using the higher pension gap number, State Budget Solutions said California is in the biggest financial hole -- with total debt of more than \$612 billion. New York follows with \$305 billion of debt, and then Texas, with total debt of \$283 billion. Vermont has the lowest amount of total debt at just over \$6 billion.

The group also looked at the financial shape of states using the Pew pension projections. It came up with a total debt of \$2 trillion for all states. California still owes the most under the alternative computation, but the state's total debt drops significantly, to \$307 billion. With the Pew numbers, New Jersey follows with \$183 billion of debt and Illinois is next at \$150 billion.

According to the analysis, California has also borrowed the most from the federal government to pay for unemployment benefits, \$8.6 billion. Michigan was next, taking out \$3.1 billion, and then New York, borrowing \$2.9 billion.

As unemployment shot up, some states could not pay for the surge in demand for jobless benefits. The federal government loosened its lending rules to keep states from having to cut other areas of their budgets. But last month the U.S. government again began charging interest on the outstanding loans and may levy extra taxes on businesses in states with outstanding loans.



Jackson Lab Deal

The proposed state plan for Jackson Lab includes:

- \$192 million forgivable loan at 1 percent
- \$99 million grant for research
- Ownership of the title to a 173,000 square foot facility on state-owned land free-of-charge (after 20 yrs and 600 jobs created)
- The lab would employ and generate an estimated:
 - 320 highly paid scientists and technicians in the first 10 years
 - 600 construction jobs

“This proposal would give away a \$200 million building and \$99 million in additional research dollars. The return to the tax payer would be the possibility that Jackson Laboratory could create 300 to 600 jobs – in 10 to 20 years.” Senator Toni Boucher



Questions?

Please Contact Me

State Senator Toni Boucher

Legislative Office Building
Room 3400
Hartford, CT 06106
800-842-1421

Toni.Boucher@cga.ct.gov
www.SenatorBoucher.com

