

## House Republican Press Release

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### Capitol Commentary - By State Rep. Mary Ann Carson



#### **Governor Rell Introduces Budget Proposal**

Governor M. Jodi Rell recently released her proposed \$35 billion biennial budget proposal. The Legislature will be making further adjustments to the proposal during the next several months, with a goal of approving a package prior to its June 6 adjournment.

The proposed budget would make significant increases to the Education Cost Sharing (ECS) formula. It would bring funding from \$1.6 billion to \$2 billion. It also contains funding for the governor's Charter Oak Healthcare Plan, which was proposed late last year. The plan is intended to provide health insurance for many of the state's estimated 400,000 residents who are currently uninsured. It would work with insurance companies operating in Connecticut to offer a standard healthcare plan at a cost of \$250 a month with subsidies that could reduce those premiums to \$75 depending on income level.

The budget proposal includes a number of initiatives to encourage energy conservation and to reduce energy-related taxes. In addition, the governor again proposed creating a new Energy Department for planning purposes.

Major allocations from the estimated \$500 million surplus include \$151 million to the Rainy Day Fund, bringing this account to \$1.1 billion total. This fund was established in the wake of the implementation of the state income tax to help cushion the impact on taxpayers when the state has difficult fiscal times. In addition, the governor's proposal would allocate \$150 million to the Teachers' Retirement System. The state made the first significant contribution (\$246 million) to this fund in many years as part of the current state budget. It remains under-funded by more than \$4 billion.

The governor's corresponding tax package would also enact a number of changes. It would revive the plan to eliminate local car taxes, amending its implementation to a five-year phase-out. Likewise, the estate tax, which affects estates valued at \$2 million or more, would be phased out over a five-year period.

The proposed tax change that has perhaps received the most attention would increase the state income tax rate from the current 5% to 5.25% in Fiscal Year 2007-2008 and to 5.5% in FY 2008-2009. The tax package would also increase in cigarette taxes, from the current \$1.51 per pack to \$2.00.

I have serious concerns about the proposed tax increases, especially a broad-based income tax increase. The fiscal impact to taxpayers in the 108<sup>th</sup> district is not a positive one. In fact, according to a recent analysis by the non-partisan Office of Fiscal Analysis:

New Fairfield taxpayers would pay an additional \$3,955,490 in income taxes over the two-year period, while our school system would only receive \$472,942 in additional state aid, resulting in a \$3,482,548 net loss. In this regard, Sherman would see a \$1,145,516 net loss, Kent would see a \$881,519 net loss and New Milford would see a \$2,547,604 net loss.

However, one should recognize that governor's budget represents only the first step in a long road toward a state budget that will hopefully provide needed services and stimulate jobs and economic growth for Connecticut and its families.