



# THE CAPITOL UPDATE

AN UPDATE ON  
CONNECTICUT STATE  
GOVERNMENT AND  
POLITICS FROM  
THE GOVERNMENT  
AFFAIRS GROUP OF  
MURTHA CULLINA LLP

## 2007 CT General Assembly

A unique state election last November in which Republican gubernatorial candidate M. Jodi Rell bested her Democratic opponent by a 20% margin but failed to keep the Democrats from gaining control of the General Assembly by a super majority set the stage for a battle of wits, ideas and political turf as the legislature convened its five month session on January 3. Observers, pundits and bloggers were not disappointed. The 2007 session turned out to be one of the most contentious, yet productive legislative sessions in recent memory. More than 250 public and special acts were passed, including major reforms in health care, education and energy. Eminent domain safeguards were added to the law, the state's teachers' retirement fund was fortified, legislative oversight was established on federal Medicaid waiver applications and the only tax increase to pass fell on cigarettes sold in Connecticut.

The following is a review of the major issues considered during the legislative session.

### Budget

Like fans of "The Sopranos" following the final episode of the show's six-year run, citizens of Connecticut were left in the dark about their state finances when the General Assembly adjourned its regular session on June 6 without adopting a new state budget. The song that accompanied the mob show's finale, Journey's "Don't Stop Believing," could have been sung in the waning moments of the session as legislators and the administration unsuccessfully rushed to conclude budget negotiations, only to have to call themselves into special session to complete their work.

In the weeks it took to pass a budget, the administration and all four legislative caucuses weighed in with partisan plans reflecting the goals of their political leaders. Proposals to shape the budget flowed like the action at Centre Court at Wimbledon – serve and volley, serve and volley. First to be jettisoned was Governor Rell's proposals for an across-the-board increase in the state's income tax. Next to be rejected were the Governor's plans to eliminate the municipal car tax, the phasing out of the estate tax and her attempt to cap local property tax increases. On the Democrat side of the ledger, proposals to increase personal income tax rates for high-income families, coupled with tax relief for low-income taxpayers and an earned income tax, failed to pass the legislature with enough votes to override the Governor's veto.

At loggerheads with the new fiscal year approaching, all parties conceded their individual tax proposals and took the partisan battle to the spending side of the budget. With a few new rounds of negotiations, and a bit more posturing, the legislature and the administration produced a \$17.6 billion state budget for FY08 and an \$18.4 billion budget for FY09, a 8.6% growth rate and a 4% growth rate, respectively. Major spending increases came in the areas of health care and education.

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## Health Care

In the 2006 election for Governor, every major candidate placed health care as their number one issue for reform. With estimates of some 300,000 Connecticut citizens being uninsured, a consensus developed that the state needed to step in and fill the vacuum created by a lack of a national health care policy. In December, Governor Rell announced a series of initiatives to expand Medicaid eligibility and provide a state-supported health care plan for uninsured adults ages 19 to 64. Rell's announcement was preceded by a \$25.8 million state bond package to expand community medical centers in fourteen areas around the state. Funding for these facilities would support the delivery of health care services to approximately 85,000 new clients presently without medical and dental care.

As the session opened, both Senate President Pro Tempore Donald Williams and House Speaker James Amann declared 2007 as the year of health care reform. Senator Williams focused on expanding Medicaid eligibility, increasing Medicaid rates and promoting outreach programs for existing health care programs. Speaker Amann directed his activities toward improving health care for children by expanding and promoting the HUSKY Medicaid program. Both legislative leaders viewed their proposals as the first step toward universal health care in Connecticut.

The compromise health care measure finally approved by the legislature and the Rell administration provides more than \$337 million over a two-year period to create new health care programs and aid in the expansion of existing health care services. Primary to providing increased access to health care are higher Medicaid rates to providers, expansion of the state's HUSKY program to a larger segment of the population, disease prevention initiatives, greater support for community-based and school-based health clinics, the initiation of a new health care records system and the creation of a state-supported private insurance program, the Charter Oak Health Plan, to provide affordable health coverage to uninsured adults. Additionally, the new health bill creates two new state entities, the HealthFirst Connecticut and Statewide Primary Care authorities to advance universal health care in Connecticut.

## Energy

Besides health care reform, changes to the state's energy policies consumed more effort and negotiating time than any other issue this session. Driven by an astonishing 90% increase in electric rates over the last seven years, legislators scrambled to come up with proposals that would meet their campaign commitments to temper the skyrocketing price of electricity in Connecticut. With four days left in the session, both legislative chambers passed a 165-page bill providing the first major reform to state statutes regulating energy since the passage of the energy deregulation act in 1998. Key to this measure are new efforts to support energy conservation through new and expanded energy efficiency standards, additional funds for demand-side energy management, electric generation options for incumbent utilities and the establishment of municipal "Energy Improvement Districts."

## Education

In her February budget message, with the words, "Today I sound a clarion call on behalf of our children," Governor Rell stunned legislators, municipal officials and educators by proposing a massive \$3.4 billion, five-year, spending package to fund additional preschool slots for children from low-income families, to raise the state's basic financial support for each K-12 student from \$5,891 to \$9,687, and to increase state-driven educational accountability programs and benchmarks to measure student performance and academic outcomes.

Governor Rell's education initiative was applauded by all ends of the political spectrum. It especially resonated with economists and social planners who have been warning Connecticut politicians for a number of years that the state's aging workforce and our failure to remedy low academic skills in the state's urban centers could seriously jeopardize Connecticut's economic future. With these concerns in mind, the legislature agreed with Rell's education spending priorities, providing \$1.81 billion in FY08 and \$1.89 billion in FY09 to ratchet up the state's educational grants to municipalities.

Additionally, because Connecticut is currently a net exporter of freshman college students, Rell proposed adding \$25 million to Connecticut's higher ed student aid programs to attempt to retain these students in our institutions of higher education. The legislature approved \$8.1 million for additional student aid to our private colleges and universities and a \$13.6 million increase for our public colleges and universities.

The legislature also agreed with a proposal, put forward by Connecticut State Treasurer Denise L. Nappier, to authorize \$2 billion in pension obligation bonds to pay down a portion of the state's unfunded liability in the Teacher's Retirement Fund. Actuaries have calculated that approval of this measure will save the state \$2.76 billion over a 25-year period through lower debt service costs.

## Eminent Domain

Following the June 23, 2005 U.S. Supreme Court decision in Kelo v. City of New London, which affirmed government's authority to condemn private property for economic development purposes, the legislature undertook a deliberative process of analyzing all aspects of Connecticut's eminent domain laws in search of a reform proposal that would balance the government's interests with the property rights of private citizens.

The final product, approved by the General Assembly and signed into law by the Governor, prohibits the taking of property by eminent domain solely to increase local tax revenue, mandates public hearings and requires a two-thirds vote of a local legislative body before property can be taken. The new law provides property owners with specific legal rights to enjoin a taking through an appeal to the Superior Court. Connecticut joins thirty-eight states that have enacted measures to place limits on eminent domain statutes.

## Environment

Since the creation of the Clean Water Fund in 1987, the state has made significant investments in municipal waste water and drinking water infrastructures. Between 1987 and 2002, Clean Water Fund bond authorizations averaged about \$50 million a year. In recent years, however, funding for such projects tailed off, slowing the process of cleaning up about 80 miles of rivers and 270 square miles of harbors that receive the overflow of untreated waste during heavy rainfall. To address this problem, Governor Rell proposed \$70 million in general obligation bonds each year. In its bond package deliberations, the legislature is currently considering an increase to \$110 million each year. A recent delay in approving the state's bond package has halted the resolution of this matter.

In December, 2006, Governor Rell signed a memorandum of understanding with six other eastern states to implement a Regional Greenhouse Gas Initiative to create a cap and trade mechanism to reduce carbon dioxide emissions from fossil fuel-fired electric power plants. A provision in the energy restructuring bill approved this year gives the Commissioner of Environmental Protection the statutory authority to implement regulations to reduce such greenhouse gases through the sale of pollution credits.

The legislature took another significant step to improve the environment by creating a mandatory recycling program for discarded electronic devices such as televisions, computers and certain video display units. Starting January 1, 2009, manufacturers of these products must participate in a program to collect, transport and recycle such products. Called a producer responsibility model, the Connecticut program effectively creates an incentive for manufacturers to improve the "lifecycle design" of their products to make them easier to recycle. The new law is a result of a two-year process led by the Council of State Governments (CSG) and the Northeast Recycling Council (NERC) working with representatives of ten northeastern states, the U.S. Virgin Islands, Puerto Rico and Quebec. Eight participating states put forth similar legislation this past session but only Connecticut successfully adopted a comprehensive plan, making us the fifth state in the nation to address the issue legislatively. An estimated 12 to 14 million computer systems are discarded each year in the United States.

## The Arts

A proposal last August by Governor Rell to establish a dedicated revenue stream for arts and culture programs found little traction in the legislature. Her “Cultural Treasures” program could not overcome the legislative bias against dedicated funds in the state budget and the well-established legislative penchant to support local arts and cultural programs through line item appropriations. In the end, a compromise developed to continue line item authorizations and to create a separate \$4 million competitive grant program in FY08 and FY09 to be administered by the Connecticut Commission on Culture and Tourism.

## Social Services

Connecticut’s private providers of social and health care services eked out a modest victory in the legislature by obtaining a 3% cost of living adjustment (COLA) increase in the state budget for FY08. No COLA increase, however, is built into the second year of the budget for these providers. Nursing homes are scheduled to receive a 2.9% COLA in FY08.

In other matters affecting private providers, the legislature reacted to a 2005 attorney general’s opinion requiring the periodic rebidding of “purchase of services” contracts between the state and private human service agencies by passing legislation to allow the Office of Policy and Management to waive competitive bidding requirements for existing human service contracts. Legislators expressed concern that strict compliance with the attorney general’s opinion might interrupt the continuity of care so important to the recipients of community-based services.

Also approved by the legislature is a measure to rename the Department of Mental Retardation as the Department of Developmental Services, effective October 1, 2007.

## Business

In the waning days of the legislative session, a coalition of business interests successfully blocked a wide range of legislation considered anti-business, including increased benefits for workers’ compensation, mandating paid sick time, a limitation on employer-employee communications, changes in the tax code that would result in higher corporate taxes and the elimination of the sales tax exemption on clothing purchases \$50 and under.

On the positive side, the legislature took steps to support the cleaning up of brownfields, authorized new tax credits for rehabilitating historic property used for residential and commercial purposes, encouraged the development of the film and media industry in this state, eliminated the prohibition against certain secondary-market ticket sales for sporting and entertainment events and exempted customer-side distributive electric generation units from having to purchase future pollution credits.

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