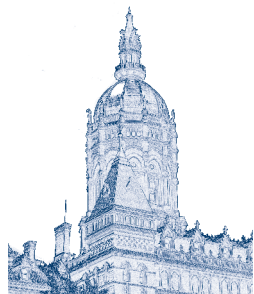


The Capitol Update

JANUARY 2009

**MURTHA
CULLINA**



An update on Connecticut State Government and Politics from The Government Affairs Group of Murtha Cullina LLP.

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*"Give me chastity and abstinence, O Lord, but not today."
-St. Augustine, Confessions, 397-401*

2009 CT GENERAL ASSEMBLY

The 2009 Session of the Connecticut General Assembly opened on Wednesday, January 7, accompanied by the year's first winter storm that matched the fiscal clouds darkening Connecticut's straining economy. Governor M. Jodi Rell used the occasion to deliver a decidedly sober "State of the State" address to a joint session of the House of Representatives and State Senate, and her message could not have been clearer. We are in unprecedented times. Six billion dollars stand between the continued delivery of state services and the total revenues needed to pay for these services. Not since 1991, when the state went through the tumultuous battle to pass an income tax, has the state been in such fiscal peril. Resisting calls for tax increases from battered consumers and businesses, Governor Rell indicated she will present a balanced budget to the legislature in February by eliminating waste in government and making wholesale reductions in state agency programs.

BUDGET TROUBLES

With new national figures on rising unemployment and a declining housing market, Connecticut enjoys a good deal of company in the proverbial "bread line." According to the Center on Budget and Policy Priorities, at least 44 states are facing budget shortfalls in FYs 10 and 11. The Center estimates combined budget gaps for the current fiscal year and the two prospective years will total more than \$350 billion. Nationally, through September 2008, state sales tax collections have declined by 5.7 percent and personal income tax revenues are off by 3.7 percent. During the same period, Connecticut saw personal

income tax revenues fall by 2.3 percent and sales taxes decline by 1.4 percent, leaving a potential \$343 million hole in Connecticut's current fiscal year budget. As our revenues continue to decline, estimates place this year's budget at a current deficit of more than \$900 million. This shortfall is modest compared to projected current service budget expenditures which will exceed revenues by \$2.5 billion in FY 10 and \$3.2 billion in FY 11.

Connecticut's revenue deficiencies mirror the troubled national economy. The national unemployment rate has risen to 7.2 percent, new and existing homes sales have fallen to record lows, auto sales have had their largest decline since 1974 and the tightening credit market has reduced consumer confidence to its lowest level in 28 years. In Connecticut, our economic problems have been compounded by the meltdown on Wall Street. With thousands of jobs tied to New York's financial market, Fairfield County is seeing its first significant economic downturn in decades. It is estimated that each Wall Street job supports a least three others in the region. The job and financial losses rocking Wall Street will have a significant impact on state revenues. Approximately 45 percent of Connecticut's personal income tax is paid by residents of Fairfield County. Economists predict Connecticut's economy will not right itself until 2010; hence, state revenues will not grow again for two or three more fiscal years.

This will be tough stuff for policy makers and politicians who will be desperately trying to preserve Connecticut's economic and social safety nets.

NEW LEADERSHIP IN THE HOUSE

Former Speaker James A. Amann, after serving eighteen years in the State House of Representatives, four years as Speaker and two years as the House Majority Leader, decided last spring to retire from the General Assembly. This year he is succeeded by Speaker Christopher G. Donovan, who was first elected to the General Assembly in 1992. Donovan previously served six years as the House Chair of the Labor and Public Employees Committee and as House Majority Leader since 2005. A self-described liberal Democrat, Donovan will lead the largest group of Democrat House members (114) since 1975, including 24 freshmen. Donovan's legislative record includes successful efforts to pass campaign finance reform, provide funding for stem cell research and a recent hike in the state's minimum wage. No doubt, his biggest challenge this time around will be to protect core state services in a period of declining revenues.

A graduate of Villanova University and the University of Connecticut School of Social Work, he resides in Meriden with his wife Sarah. They have two children. Donovan teaches part-time at the University of Hartford.

State Representative Denise W. Merrill is the new House Majority Leader, succeeding Donovan at that post. Reelected to her ninth term, Merrill was chosen Majority Leader by her caucus following a four-year stint as Co-Chair of the legislature's Appropriations Committee. An attorney and former school teacher, Merrill has been actively involved in higher and K-12 education issues. She was one of the prime movers of "UConn 2000," a \$1 billion program to refurbish and rebuild the main campus of the University of Connecticut in Storrs. She lives in Mansfield and has three grown children.

OTHER MAJOR ISSUES

While administration and legislative leaders try to paste together a new biennial budget, members of the General Assembly will have plenty of time to consider a host of public policy decisions.

ELECTION REFORM

Following on the heels of the last presidential election, some legislators are calling for a change in Connecticut statutes to allow early, in-person voting during election cycles. Thirty-one states now allow early voting. Additionally, the legislature will likely consider joining Hawaii, Illinois, Maryland and New Jersey in abolishing the Electoral College system with a plan that elects the President through a

national popular vote. The national popular vote system operates through an interstate compact and only takes effect if states representing a majority of the existing 538 electoral votes pass similar legislation.

THE WORKPLACE

Over the years, the legislature has attempted to pass numerous pro-labor bills, only to have many of them sidetracked in the legislative process or fall to a gubernatorial veto. Expected to be reconsidered this year will be bills to open the state employee health plan to municipalities, to require employers to provide employees paid sick leave and to prohibit workplace harassment.

MUNICIPALITIES

Facing declining revenues from a constricted housing market and a dramatic slowdown in commercial construction, Connecticut mayors and first selectmen are calling on the legislature to give them greater flexibility in developing new revenue sources. Municipalities are asking the legislature for the authority to create new municipal hotel, sales or land value taxes, to permit the regionalization of public services, to be allowed to negotiate multi-municipal master contracts with public employee unions, to eliminate certain state mandates and to make permanent existing real estate conveyance tax rates that are scheduled to expire July 1, 2010.

PUBLIC HEALTH

The Legislature created two task forces in 2007 to study the availability and delivery of health care in Connecticut- the HealthFirst Connecticut Authority and the Statewide Primary Care Access Authority. The HealthFirst Connecticut Authority released its recommendations to the General Assembly on December 17, 2008, recommending implementing a health care environment in Connecticut that is "data-driven and value-based." The Authority recommends universal access to health care built on the current employer-sponsored health care system, the maximization of federal reimbursement of health care costs, boosting Medicaid fee schedules, and addressing the affordability of coverage for residents above and below 300 percent of poverty. The preliminary report of the statewide Primary Care Access Authority suggests there is an adequate supply of primary care providers in the state, although the existing geographic distribution of these providers disadvantages many citizens in urban and rural locations. Additionally, the report predicts an impending shortage of primary care physicians in Connecticut in ten to fifteen years.

The question of legislation prohibiting smoking in the state's two Indian casinos is likely to be considered

again by the General Assembly. When the Mashantucket Pequots and the Mohegans entered into memorandums of understanding for the exclusive right to operate slot machines in Connecticut, tribal members agreed to comply with all the state's health and safety laws and regulations. In 2003, the legislature strengthened the state's anti-smoking laws by virtually eliminating the right to smoke in the workplace. Many legislators now agree that the failure of the casinos to comply with this law violates both the statutes and the original memorandums of understanding between the tribes and the state.

THE COURTS

In the past two legislative sessions, a series of recommendations on judicial transparency, emanating from two separate task forces in 2006, were discussed and reviewed by members of the General Assembly. For a variety of reasons, none of the recommendations was enacted into law. This session, the legislature is likely to reconsider laws requiring public access to court records, permitting cameras in the courtroom, mandating open judicial meetings and providing access to complaints about judges.

Also, the recent conviction of several New Haven bondsmen may push the legislature to consider a series of proposals developed by the Legislative Program Review and Investigations Committee in 2003 to create better regulation and oversight of the bail bond industry in Connecticut.

ENVIRONMENT

The first beverage container deposit law was passed in Oregon in 1972. Between 1972 and 1983, eight other states followed suit, including Connecticut (1978). Residents in our state redeem and recycle over 1.1 billion bottles and cans each year. In the past few years, members of the environmental community have pushed to expand the bottle deposit law to include water bottles and increase deposit fees from 5¢ to 10¢ per container. Expect debate on the issue to include a discussion of single-stream recycling.

Since 1986, the state has provided funding under the Clean Water Fund to municipalities to assist in the planning, design and construction of wastewater collection and treatment projects. In October 2007, Governor Rell signed legislation authorizing \$90 million each year in FY 08 and FY 09 for such projects. A working group of municipal leaders and members of the environmental community have detailed a statewide need of \$5 billion for clean water projects over the next twenty years.

EDUCATION FUNDING

In 2007, when the state was flush with cash, Governor Rell

and members of the legislature approved one of the largest increases in education spending in the history of this state. They ratcheted up the state's education grants to municipalities, providing \$1.81 billion in FY 08 and \$1.89 billion in FY 09. To support efforts to retain and add students to our institutions of higher education, the administration and legislators also added \$25 million to student aid programs for public and private colleges. Municipal and college officials will be actively working to preserve these funds in an effort to support an economic safety net for the state's future work force.

SOCIAL SERVICES

Given the failure of the administration and the legislature to provide a FY 09 cost-of-living increase to hundreds of social service organizations across the state that support a majority of Connecticut's citizens with health and welfare needs, pressure will build on the legislature to find the resources necessary for private agencies to continue their services. Members of the General Assembly and key administration officials will closely examine the differential between providing social services through public versus private institutions. Understanding that it costs the state at least three times as much to support a Department of Developmental Services' client by state employees compared to the private provider system, limited resources may be shifted away from the public sector to shore up the state's private sector social service network.

SHUFFLING THE DECK

It is the prerogative of the leadership of the General Assembly to decide who will chair the twenty-seven committees that grind out the bulk of the Legislature's work in each session. Unlike Congress, the path to becoming a committee chair is less involved with seniority than it is with political allegiance to the Speaker of the House or the President Pro Tempore of the Senate. These leaders have chosen the following line up of committee chairs for the next two years:

Aging

Sen. Edith Prague (D-19)* | Rep. Joseph Serra (D-33)

Appropriations

Sen. Toni Harp (D-10) | Rep. John Geragosian (D-25)*

Banks

Sen. Bob Duff (D-25) | Rep. Ryan Barry (D-12)

Children

Sen. Anthony Musto (D-22)* | Rep. Faith McMahon (D-15)

Commerce

Sen. Gary LeBeau (D-3) | Rep. Jeffrey Berger (D-73)

Education

Sen. Thomas Gaffey (D-13) | Rep. Andrew Fleischmann (D-18)

Energy & Technology

Sen. John Fonfara (D-1) | Rep. Vickie Nardello (D-89)*

Environment

Sen. Edward Meyer (D-12) | Rep. Richard Roy (D-119)

Executive & Legislative Nominations

Sen. Martin Looney (D-11) | Rep. Claire Janowski (D-56)

Finance, Revenue & Bonding

Sen. Eileen Daily (D-33) | Rep. Cameron Staples (D-96)

General Law

Sen. Thomas Colapietro (D-31) | Rep. James Shapiro (D-144)*

Government Administration & Elections

Sen. Gayle Slossberg (D-14) | Rep. James Spallone (D-36)*

Higher Education & Employment Advancement

Sen. Mary Ann Handley (D-4)* | Rep. Roberta Willis (D-64)

Housing

Sen. Edward Gomes (D-23) | Rep. Kenneth Green (D-1)

Human Services

Sen. Paul Doyle (D-9)* | Rep. Toni Walker (D-93)*

Insurance & Real Estate

Sen. Joseph Crisco (D-17) | Rep. Stephen Fontana (D-87)*

Internship

Sen. Joseph Crisco (D-17)* | Rep. Kathleen Tallarita (D-58)

Judiciary

Sen. Andrew McDonald (D-27) | Rep. Michael Lawlor (D-99)

Labor & Public Employees

Sen. Edith Prague (D-19) | Rep. Kevin Ryan (D-139)

Legislative Management

Sen. Donald Williams (D-29) | Rep. Christopher Donovan (D-84)*

Planning & Development

Sen. Eric Coleman (D-2) | Rep. Brendan Sharkey (D-88)*

Program Review & Investigations

Sen. John Kissel (R-7)* | Rep. Mary Mushinsky (D-85)*

Public Health

Sen. Jonathan Harris (D-5)* | Rep. Elizabeth Ritter (D-38)*

Public Safety & Security

Sen. Andrea Stillman (D-20) | Rep. Stephen Dargan (D-115)

Regulations Review

Sen. Joan Harley (D-15)* | Rep. T.R. Rowe (R-123)*

Transportation

Sen. Donald DeFronzo (D-6) | Rep. Antonio Guerrero (D-29)

Veterans Affairs

Sen. Andrew Maynard (D-18) | Rep. Theodore Graziani (D-57)

* Indicates change of chair from last session

The Capitol Update is a publication of the Government Affairs Group of Murtha Cullina LLP. For further information or assistance, please contact David McQuade at (860) 240-6141 or dmcquade@murthalaw.com.