



Putting Connecticut Back To Work: How Investment in Public Services Will Save Jobs and Grow the Economy

Introduction

Economists agree that investment in public services is key to saving jobs and growing the economy. In fact, renowned economist [Mark Zandi](#) has found that **every dollar invested in public services yields \$1.41 in economic growth**. But if Congress fails to offer assistance, Connecticut and other state and local governments will be forced to make drastic budget cuts, which will jeopardize the fragile economic recovery. Spending cuts would cost millions of jobs nationwide and endanger the critical public services upon which hundreds of thousands of working families depend.

It is critically important that the jobs bill, currently debated in Washington, include major investments in public services. Simply put, Connecticut will suffer significantly if Congress fails to act.

The Looming Crisis in Connecticut and Across the Country

If investment in services generates job growth, the converse is unfortunately true as well. States are experiencing unprecedented budget shortfalls and may enact layoffs that lead to service cutbacks, resulting in further economic downturn. **Economists predict that without federal assistance to state and local governments to relieve budget shortfalls, 900,000 Americans could lose their jobs in fiscal year 2011, and three million will lose their jobs by 2012** — hardly the sign of economic recovery.

Like dozens of other states across the country, Connecticut faces a budget shortfall thanks to recession's under-anticipated longevity and depth. Unless Congress acts, Connecticut residents will suffer dire consequences. Connecticut faces a \$515 million budget shortfall in 2011, a gap that emerged midway through the biennial budget, and a \$3 billion dollar deficit in the next fiscal year. Governor Rell's proposed Midterm Budget Adjustments anticipates \$366 million in additional federal aid to the state (via the extension of the American Recovery and Reinvestment Act, Federal Medical Assistance Percentages (FMAP), and the fiscal stabilization fund). Without these funds, thousands of state residents' jobs are threatened. And without increased revenue, the proposed flattening of municipal aid will likely result in thousands of jobs lost in towns and cities throughout Connecticut further reducing already hard-hit public services and public schools. In particular, the state foresees:

- **Large cuts in K-12 and other public services:** Last year Gov. Rell proposed a 3 percent cut to aid for municipalities, totaling \$84 million. Pending additional federal stimulus, funding will be steady next year, which continues the trend of deteriorating state support to local jurisdictions. This will lead to cuts in local services, jobs and inevitably, property-tax increases, as local jurisdictions struggle with dramatically falling revenues.



- Budget reductions to after-school and school-based health **programs that serve Connecticut's children**, as well as other broad reductions in non-entitlement health spending, such as aid to the disabled, the elderly, and teen pregnancy prevention.
- **Funding decreases to small-scale public health programs** (AIDS, Alzheimer's disease support, needle exchanges) jeopardize the health of thousands of at-risk state residents and create an environment where easily preventable problems become costly treatments.
- **Reduced intake for social safety-net programs**, including the state-administered General Assistance, Husky and the Charter Oak Health Plan.

Tough Choices Unless We Act

Throughout the state, schools and local governments are feeling budget pressures and taking desperate actions to balance budgets, with the unintended consequence of harming the economy and the public. News stories from across the state underscore the point:

- **Finch: State Budget Deficit Means Trouble Ahead for Cities:** "When legislators start weighing another \$84 million in proposed municipal aid cuts to close a budget gap, Bridgeport, New Haven and Hartford will face some untenable choices between cutting deeper into municipal services or raising property taxes, Bridgeport Mayor Bill Finch told business leaders Tuesday morning. Bridgeport has already taken a \$2.6 million reduction in state aid in its \$489 million city budget." — *Stamford Advocate*, Dec. 8, 2009
- **Norwich Could Chop Budget 15 Percent:** "City officials are looking at the possibility of more than 50 layoffs next year... the city manager has directed all department heads to prepare contingency plans to deal with cuts as deep as 15 percent. ... the Board of Education chairman is saying a "consolidation of schools" is possible." — *Norwich Bulletin*, Jan. 22, 2010
- **Wallingford Teachers Urged to Take Early Retirement:** "The possibility of laying off 56 teachers has parents, Board of Education members and the educators themselves on edge. The layoffs are part of a massive overhaul..." — *New Haven Register*, Jan. 22, 2010
- **Economy Forces Newington Schools To Resort To Job Cuts:** "In the face of tough economic times, interim Superintendent William C. Collins has resorted to job cuts and increased class sizes in his proposed \$59.7 million budget for 2010-11... Six teaching positions will be cut as well as 10 of about 100 special education tutors. Custodial, clerical and administrative staff have been trimmed and Collins is considering eliminating eight to 10 coaches." — *Hartford Courant*, Jan. 21, 2010
- **Conn. Closes Webster Prison in Cheshire:** Connecticut officials have closed the minimum-security Webster Correctional Institution in Cheshire and transferred its 220 inmates to other jails to help reduce the state's budget deficit. ... The shutdown is expected to save the state \$3.4 million a year, mostly from reduced energy costs." — *The Associated Press*, Jan. 15, 2010
- **Conn. Budget Problems Delay Sex-Offender Facility:** "The Connecticut General Assembly established a \$2 million residential treatment center last year for sex offenders on parole or probation, but it has not gone forward because of the state's budget problems. The lack of such a center is the main reason why, on Thursday, a rapist will be released from a Connecticut prison with nowhere to go..." — *Associated Press*, Dec. 22, 2009



Conclusion

President Obama said, "jobs must be our number-one focus." Clearly he recognizes that we must put Americans back to work. To do that we must invest in our communities, to save jobs, grow our economy and revitalize every "Main Street" in Connecticut.

Some will ask how we pay for this recovery investment in a time of ballooning deficits. But that's not the right question. The real question is: **"How do we recover without it?" And with recovery comes additional revenue. With additional revenue, deficits decline.**

- How do we protect families without the ability to hire and retain firefighters and police officers?
- How do we provide children with the quality teachers a constructive and nurturing learning environment requires?
- How do we ensure our elderly have the health care providers they need and, after a lifetime of work, deserve?

Congress must act now to ensure that Connecticut and the entire nation experience a full economic recovery. Congress must invest in public services to save jobs and grow the economy.

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