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Malloy's future hangs in balance *State unions' balk threatens his credibility*

BY PAUL HUGHES REPUBLICAN-AMERICAN

HARTFORD — Gov. Dannel P. Malloy finds himself in a make-or-break moment, one fraught with far-reaching implications for the first-term governor.

"I would say the whole state is watching," said Gary Rose, a political scientist from Sacred Heart University who follows Connecticut politics.

A frustrated Malloy has had to admit that he has been unable to get state employee unions that helped elect him last year to agree to \$2 billion in concessions and other savings.

The new Democratic governor needs to save \$1 billion a year to balance the two-year, nearly \$40.2 billion budget that he negotiated and signed.

If there is no concession deal, the failure will look bad for Malloy. If any governor could get an agreement, he declared only last week, it was him. He campaigned on his negotiating skills and labor relations record as mayor of Stamford.

"This is his first major test," Rose said.

Malloy is moving ahead with plans to lay off upwards of 5,000 state employees because unions missed a Monday deadline that he set to reach a deal. The first layoff notices went out Tuesday.

Negotiators for the administration and the State Employee Bargaining Agents Coalition are continuing to try to reach an agreement.

If the talks fail, the threatened layoffs get the governor only part of the way to saving \$1 billion a year. Malloy is also preparing to propose spending cuts to make up the rest — reductions that he says will be painful and deep.

This will mean bringing along a legislature that Malloy holds responsible for creating the budget mess that he says he is trying to clean up. Its Democratic majorities have not shown much appetite for cutting spending.

"That is a huge challenge," Rose said.

He said how Malloy handles himself and manages the budget crisis will reverberate four years from now, when he will be up for re-election.

"It is that big," Rose said.

Roy Occhiogrosso, a senior Malloy adviser, downplayed the implications for the 2014 campaign. The one-time political consultant was also a top campaign aide to Malloy.

"I don't think anything that happens now will be the determining factor in what happens if he decides to run for re-election," Occhiogrosso said.

If thousands of state workers are laid off this year, he said, he doubts the layoffs will torpedo the governor's re-election prospects.

"I think if in four years he chooses to run for re-election, and he has helped create jobs, and the economy is in better shape, and he has kept the commitments that he made as a candidate for governor, then I think the politics will take care of itself," Occhiogrosso said.

Malloy has made clear that he would lay off thousands of workers and slash spending if unions did not agree to \$2 billion in concessions and savings. He has ruled out additional tax increases to close any budget gaps.

"All he is doing is exactly what he said he was going to do," Occhiogrosso said. "That that has not happened too often around here is something that I think he is suffering for."

Rose said there is an argument to be made that Malloy benefits to one degree or another no matter what happens.

If Malloy gets unions to agree to concessions, it would represent a big coup. If he does not, there will be voters who will applaud layoffs and spending cuts.

There may also be an upside if Democratic lawmakers seek to substitute additional taxes for spending cuts to close a budget gap.

Malloy could stand firm against raising taxes beyond the record increases that he and Democratic leaders have already approved. However, there also could be consequences if he pushes through unpopular spending cuts.

The possibility of deeper spending reductions is raising alarms across Connecticut. The governor's budget office prepared a list of \$1.6 billion in possible cuts.

Towns and cities are worried that reductions in municipal aid will throw local budgets out of balance. The governor's Plan B budget, as the cost-cutting options have been tagged, included nearly \$482.4 billion in possible cuts to various grant programs.

The Connecticut Council of Small Towns is urging lawmakers to reject any cuts to municipal aid.

"Municipalities simply can't absorb additional cuts in state aid," said Bart Russell, executive director of COST. "Many towns have already adopted budgets and the Plan B cuts in municipal aid would leave them with enormous holes far too big to fill. They would be catastrophic."

The list of options also includes a 3 percent cut in funding to privately provided social services. The Connecticut Community Providers Association is warning of cutbacks in needed services.

"After years with virtually no funding increases, an across-the-board cut will have a devastating impact on the ability to provide services," said Terry Edelstein, the association's executive director.

The Connecticut State Dental Association feared Medicaid cuts would reduce dental coverage for thousands.