Synopsis of Governor's FY 11 Budget Revisions

Appropriations Committee Hearing

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Overview

- The Governor's revised budget proposal reduces the FY 11 existing budget by $27.7 million (all appropriated funds). This amount is less than 1% of the original budget.

- General Fund: Comparing the Original FY 11 Appropriation and the 1/15/10 Consensus Revenue Estimates for FY 11 yields a shortfall of $450.5 million.

- The Governor solves this General Fund deficit by reducing expenditures by $28.6 million and increasing revenues by $422.3 million yielding a positive balance of $0.4 million. See Table I for detail.

- By subcommittee, only Transportation and Human Services received an increase over the original budget. General Government A received the largest percentage decrease at 10% while General Government B received the largest dollar decrease at $171.2 million (although the majority of this relates to an additional $100 million deferral to the state employee pension fund as allowed by the SEBAC agreement). See the Table II for detail by subcommittee.

- The proposal reduces by $244.4 million the $551.8 million in bottom line lapses and moves much of this into agency budgets. See Table III for detail.

- The Governor proposes a net revenue gain of $422.3 million, including $20.0 million associated with the implementation of Keno and $382.6 million from additional federal grants.

- The Governor assumes the original budgeted amount of $1.3 billion in securitization in FY 11. Although this is included in the FY 11 original budget, legislation is needed to adopt the securitization provisions.

- The Treasurer and OPM jointly explored six options for generating General Fund revenue in FY 11. The two principal options that included revenue estimates (the others did not) are the securitization of a 1) portion of the revenue stream from existing charges on electric bills ($1.3 billion) and 2) various gaming products including a new game, Keno ($600 million).

- The Governor cancels $388.7 million in prior General Obligation (GO) bond authorizations. However, she also establishes new GO authorizations of $131.0 million primarily for loan guarantees for small and medium sized business.

- The proposal does not include any additional details on the deficit mitigation plan for FY 10 that is required to be submitted by the end of this month.

Table I: Summary of Governor's General Fund FY 11 Outlook ($ - millions)	
Consensus Revenue Estimates of 1/15/10	$ 17,144.2
Original Net Appropriations	17,594.7
Balance	(450.5)
Governor's Proposed Net Revenue Changes	422.3
Governor's Proposed Net Appropriations Adjustments	(28.6)
Total Changes	450.9
Revised Balance	0.4

Table II: FY 11 All Appropriated Funds By Subcommittee

	Original Appropriation	Governor Revised	Higher/(Lower) than Orig. Approp.	% Change from Orig. Approp
Gross Appropriations				
Legislative	$ 81,916,201	$ 81,916,201	$ 0	0.0%[1]
General Government A	25,862,855	23,276,646	(2,586,209)	(10.0%)
General Government B	5,228,915,215	5,057,698,733	(171,216,482)	(3.3%)
Regulation and Protection	303,640,727	283,864,695	(19,776,032)	(6.5%)
Conservation and Development	210,077,487	191,270,777	(18,806,710)	(9.0%)
Health and Hospitals	1,770,181,925	1,726,365,786	(43,816,139)	(2.5%)
Transportation	573,015,452	575,488,280	2,472,828	0.4%
Human Services	5,899,936,489	5,963,611,507	63,675,018	1.1%
Elementary and Secondary Ed.	3,336,565,990	3,311,893,304	(24,672,686)	(0.7%)
Higher Education	754,115,880	743,361,890	(10,753,990)	(1.4%)
Judicial and Corrections	1,306,150,881	1,259,461,762	(46,689,119)	(3.6%)
Total Gross Appropriations	**$19,490,379,102**	**$19,218,209,581**	**($272,169,521)[2]**	**(1.4%)**
Lapses	(551,776,618)	(307,348,313)	244,428,305	(44.3%)
Total Net Appropriations	**$18,938,602,484**	**$18,910,861,268**	**($27,741,216)**	**(0.1%)**

[1] This figure does not include a bottom line lapse reduction that eliminates the advocacy commissions in the amount of $1.4 million.

[2] This figure includes gross decreases of $770.6 million offset by gross increases of $498.4 million which yield the net figure shown.

Table III: Governor's FY 11 Lapse Adjustments Detail (All Funds)			
Lapse Description	Original Appropriation	Governor Revised	Revised - Original
DoIT Lapse	($ 31,718,598)	$ 0	$ 31,718,598
DOIT Lapse - Legislative Agencies	-	(25,175)	(25,175)
Eliminate Legislative Commissions	-	(1,647,069)	(1,647,069)
Enhance Agency Outcomes	(50,000,000)	(50,000,000)	-
Estimated Unallocated Lapses	(87,780,000)	(87,780,000)	-
General Other Expenses Reductions	(11,000,000)	(11,000,000)	-
General Personal Services Reduction	(14,000,000)	(14,000,000)	-
Legislative Unallocated Lapses	(2,700,000)	(2,700,000)	-
Management Reduction	(12,500,000)	-	12,500,000
Management Reduction - Legislative Agencies	-	(903,521)	(903,521)
Personal Services Reductions	(193,664,492)	-	193,664,492
Personal Services Reductions-Exec. Branch Commissions	-	(87,237)	(87,237)
Personal Services Reductions - Legislative Agencies	-	(1,205,311)	(1,205,311)
Reduce Other Expenses to FY 07 Levels	(32,000,000)	(32,000,000)	-
Reduce Outside Consultant Contracts	(95,000,000)	(95,000,000)	-
Estimated Unallocated Lapses - TF	(11,000,000)	(11,000,000)	-
Personal Services Reductions - TF	(10,413,528)	-	10,413,528
TOTAL LAPSES	**(551,776,618)**	**(307,348,313)**	**244,428,305**

Legislative

Legislative Commissions

- The six legislative commissions and 16 positions are eliminated in FY 11 through a lapse budget reduction. The table below presents the impact on each of the Commissions:

Legislative Commission	Eliminated Positions (#)	Funding Removed ($)
African-American	2	212,236
Aging	4	256,071
Asian Pacific American	1	52,310
Children	7	530,420
Women	6	505,420
Latino & Puerto Rican	3	319,791
Total	**23**	**1,876,248**

Note: The Eliminate Legislative Commissions bottom line lapse figure is $1,647,069

General Government A & B

Office of Policy and Management

- Reduce funding for Leadership, Education, Athletics and Partnership (LEAP) by $425,000 and Neighborhood Youth Centers by $743,500.
- Reduce funding for Payment in Lieu of Taxes (PILOT) for Manufacturing Machinery and Equipment by $4.45 M, which results in a greater pro rata reduction in the reimbursement to eligible municipalities for exemptions provided to qualified manufacturers.
- Eliminate the Capital City Economic Development Authority (CCEDA) and transfer its duties and staff to the Office of Policy and Management. The budget increases the position count by four, but CCEDA currently has six full-time and one part-time staff members, thus it is uncertain whether this provision will result in lay-offs.
- The Governor's budget reallocates OPM's Long Term Care program and its two staff members and associated Personal Services of $216,769 and Other Expenses of $6,900 from the General Fund to the Insurance Fund. OPM entered into a memorandum of understanding transferring the costs for the Long Term Care Program to the Insurance Fund effective January 1, 2010 for FY 10.
- Additionally, the budget reallocates OPM's Energy Unit and its 11 staff members and associated Personal Services of $746,000 and Other Expenses of $27,443 from the General Fund to the Consumer Counsel and Public Utility Control Fund.

- Reduce funding in the Justice Assistance Grants account[1] by $898,178 associated with the statewide consolidation of information technology appropriations.

  Question:

  - Does this reduction reduce the maintenance of effort for this account? Will it result in a loss of Federal funds?

Miscellaneous Appropriations of the Comptroller

- Reduce $500,000 in grants to municipalities for payment in lieu of taxes (PILOT) for state owned property.

State Comptroller – Fringe Benefits

- According to the SEBAC 2009 Agreement, the state's pension contribution to the State Employees Retirement System (SERS) may be reduced by up to $100 million annually if expected revenue is projected to be $300 million less than budgeted and the Governor exercises recision authority. Funding in the amount of $100 million is reduced from the FY 11 budgeted SERS account to reflect that these conditions have been satisfied.
- Funding of $10 million is provided to reflect a re-estimate of savings associated with converting the state employee and retiree health plan from fully-insured to self-insured. The FY 11 original appropriation included $80 million in savings attributed to converting to a self-insured health care plan. These savings are due to the anticipated lag in claims incurred, but not immediately reported to the new self-insured plan in the first two months of the transition. Section 18 of PA 09-7 of the September Special Session, "An Act Implementing the Provisions of the Budget Concerning General Government and Making Changes to Various Programs" requires the Comptroller to begin procedures to convert the state health insurance plans to self-insured plans for the benefit period beginning on or after July 1, 2010.

Regulation and Protection

Department of Public Safety

- Redeploy 21 school resource officers to patrol duties and reassign 2 troopers to patrol duties with associated savings of $1,150,000.
- Defer a trooper training class with an estimated size of 75 trainees, for a savings of $1,533,850. This reduction will defer a class budgeted in FY 11. A training class with a target graduation number of 60 will commence in Spring 2010.
- Consolidate the Board of Firearm Permit Examiners into the Department of Public Safety. The Department of Public Safety will assume administrative duties associated with the Board of Firearm Permit Examiners, resulting in a savings of $82,607.

[1] This account is used to provide state matching funds for various criminal-justice related federal grants.

Department of Public Utility Control

- Eliminate 2 funded vacancies and associated funding of $319,160 including fringe benefits.

Conservation and Development

Department of Economic and Community Development

- Suspend funding totaling $1,000,231 for the following programs: CCAT Energy Research ($95,000); Main Street Initiatives ($171,000); for Hydrogen/Fuel Cell Economy Funding ($225,625); CCAT Manufacturing Supply Chain ($380,000); and Entrepreneurial Centers ($128,606).
- Reduce funding totaling $1,191,580 for the following programs: Small Business Incubator Program ($300,000); Fair Housing ($81,250); Southeast Incubator Program ($62,500); Congregate Facilities Operation ($688,455); Development Research & Economic Assistance Funding ($59,375).
- Transfer the $237,500 for the Film Industry Training Program from the Commission on Culture and Tourism (CCT) to DECD. In FY 10, the Tourism Film Division with four staff and associated funding of $300,000 was transferred from CCT to DECD to administer the film industry tax credit.

Commission on Culture and Tourism

- Reduce funding of $4,829,845 for selected Culture, Tourism and Arts grants.

Department of Environmental Protection

- Decrease funding for the Underground Storage Tank (UST) Account by $1.8 million, from $4.9 million to $3.1 million.
- Decrease funding for Councils, Districts, and Environmental Review Teams (ERT's) by half, from $800,000 to $400,000 in FY 11
- Transfer $2.65 million ($1.9 million in Personal Services for 29 positions and $750,000 in Other Expenses) to move the boating account from a non-appropriated account to the General Fund. In 2009, the legislature eliminated the Conservation Fund (where the boating account resided), sending all boat registration fee revenue to the General Fund (PA 09-3, JSS, Sec. 394, the budget bill). Before this was enacted, PA 09-8, SSS, Sec. 21, the revenue implementer, restored the boating account as a separate, nonlapsing account.

Department of Labor

- Funding is suspended for Connecticut's Youth Employment Program, Opportunity Industrial Centers, Individual Development Accounts, STRIDE

(Skills, Transitional Support, Respect, Integrity, Direction and Employment) and STRIVE (Support and Training Result in Valuable Employees), resulting in a savings of $4.5 million. These programs served a total of 5,142 participants in FY 09.

Health and Hospitals

Department of Mental Health and Addiction Services

- Funding of $5,882,000 is provided for community placements and the development of alternative care bed necessary to support the closure of Cedarcrest Hospital.

Department of Public Health

- Increase funding for Personal Services by $1.5 million to annualize the FY 10 deficiency in this account.
- Restore partial funding for the X-Ray Screening and Tuberculosis Program by $389,096. Funding in this account was reduced by $379,900 (50%) in FY 10 and FY 11 in anticipation of an increase in federal reimbursement (through Medicaid) for tuberculosis payments, due to enhanced information sharing between DSS and DPH. Few individuals qualified for federal reimbursement in FY 10, creating a deficiency in the account.
- Reduce funding for selected programs:
    - Needle and Syringe Exchange by $136,522 ($22,754 of which is the annualization of FY 10 rescissions),
    - AIDS Services by $1,485,779 ($252,630 of which is the annualization of the FY 10 rescission),
    - Community Health Services by $2,095,816 ($349,303 of which is the annualization of the FY 10 rescission),
    - X-Ray Screening and Tuberculosis by $18,995 (the annualization of FY 10 rescission),
    - Genetic Diseases by $263,225 ($43,871 of which is the annualization of the FY 10 rescission),
    - Venereal Disease Control by $22,772 and
    - School Based Health Clinics by $1,216,933 ($522,032 of which is the annualization of the FY 10 rescission).
- Suspend funding for Fetal and Infant Mortality Review ($299,250).

Department of Developmental Services

- Reduce Personal Services by $5,598,138 through reduced overtime in DDS operated settings and the anticipated attrition of 36 positions in FY 11;
- Reduce Personal Services by $1,190,748 through the closure of two building at the Southbury Training School;

- Reduce the Employment and Day Services account by $5,946,000 to reflect the annualization of the new attendance-based reimbursement system begun in Spring 2010 pursuant to FY 10 rescissions;
- Reduce funding for the Voluntary Services Program by $1,696,390 to reflect reduced annualization resulting from the FY 10 closure in the program; and
- Increase funding for the Birth to Three Program by $9,300,000 to reflect the annualization of the FY 10 deficiency.

Transportation

Department of Motor Vehicles

- Transfer 3 positions and related expenses, $490,853, from the Boating Account to the General Fund.[1]
- Funding, in the amount of $250,000, is provided for 20 Motor Vehicle Examiners positions effective 4/1/11 in order to meet the REAL ID Act compliance date of 5/10/11.[2]

Department of Transportation

- Expand the Shoreline East Schedule with an associated cost of $1.6 million.
- Increase the rail subsidy, at a cost of $13.9 million, in lieu of a 10% plus fare increase on Metro North/New Haven Line as a result of reductions in ridership coupled with increasing operating costs (higher fuel, electricity and insurance costs).
- Obtain savings of $400,000 by eliminating manned ticket windows at stations in Darien, Fairfield, New Canaan and Westport to reduce contractual costs.

Human Services

Department of Children and Families

Major funding increases include:

- A net additional $1.5 million to reflect increased staffing (+53 positions) and other expenses at the Connecticut Juvenile Training School, as well as enhancing community based services, in response to the age of juvenile jurisdiction being raised to 16 on 1/1/10.

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[1] Funds from annual boat registrations fees deposited into the Boating Account is proposed to be deposited into the General Fund and associated expenditures appropriated from the General Fund.

[2] The Real ID Act is a federal law passed in response to the terrorist attacks of 9/11 in which fraudulent identification documents were utilized. The law standardizes certain security, authentication, and issuance measures for state driver's licenses and identification cards.

- Funding of $2.9 million to reflect transportation costs associated with implementing "educational stability" provisions of the Fostering Connections to Success and Increasing Adoptions Act of 2008. Effective 7/1/10, the state must coordinate with local school districts to ensure that foster children remain in their home schools unless it is determined that doing so would not be in the child's best interest.

Major funding reductions include:

- Savings of $3.7 million to be achieved by closing four Therapeutic Group Homes in light of reduced demand for this level of care.
- Savings of $2 million from reducing the capacity of contracted Juvenile Outreach, Tracking and Reunification programs for juvenile justice involved youth in recognition of the declining number of committed delinquents.
- Savings of $1.9 million from eliminating Enhanced Care Coordination services, under which contractors provide assessment and care planning for children and youth in out-of-home levels of care.
- Savings of $1.4 million from eliminating a Short Term Residential Program (operated by Wheeler Clinic) that provides short-term clinical and diagnostic services for children between the ages of six and eleven.
- Savings of $1 million to be achieved by improved oversight and targeting of individualized wrap-around services and establishment of a prior authorization process for one-to-one supervision in residential treatment centers and group homes.
- Net savings of $1 million from reducing bed capacity within privately operated Safe Homes by twenty percent while enhancing the clinical services within the remaining programs.
- Net savings of $1 million from terminating support for contracted Intensive Safety Planning (ISP) services and instead enhancing the Reconnecting Families program. ISP services (at $1.5 million) were intended to provide intensive services immediately following the removal of a child but before a contested order of temporary custody (OTC) hearing. The use of improved decision tools has resulted in those cases in which a removal decision is made being rarely remediable in the immediate term, even with ISP services. Offsetting additional funding of $0.5 million is recommended to enhance Reconnecting Families services, which work with families undergoing reunification.

- Savings of $0.6 million to be achieved by terminating support for the Lifelong Families Ties program, which focuses on achieving permanency plans for children and/or youth through the exploration, identification of and expanded connection with current and past family members and other persons in the child's community. Approximately thirty families are served annually.

Department of Social Services

The Governor's budget proposal includes an additional $274.3 million in technical updates to reflect increased caseloads in many entitlement programs, including HUSKY B, Medicaid, Temporary Family Assistance, Charter Oak ConnPACE and SAGA. Significant policy initiatives are detailed below:

New Initiatives

- Reverse the delay in the June, 2011 HUSKY payment to ensure eligibility for potential new federal stimulus funds. This restoration adds a one-time cost of $72.5 million in FY 11, but potentially enables the state to draw down $266.5 million;
- Delay implementation of higher rates under the SAGA program that were assumed necessary for a federal Medicaid waiver, for a FY 11 savings of $91 million;
- Transition the HUSKY A program from an at-risk, capitated managed care model to a non-risk, administrative service organization model, for a savings of $28.8 million;
- Delay the June, 2011 federal Medicare Part D clawback payment for one month, for a one-time savings of $12 million;
- Restructure non-emergency transportation under Medicaid, for a savings of $5.9 million;
- Limit Premium Assistance under Charter Oak, for a savings of $4.2 million;
- Restrict Funding for Federally Qualified Health Center (FQHC) enhancements, for a savings of $4.1 million;
- Return SAGA to a fee-for-services structure, for a savings of $2.34 million;
- Reduce SAGA FQHC payments to 90% of Medicaid rates, for a savings of $1.7 million;

Reduction Initiatives from Previous Budget / Mitigation Proposals

- Impose cost sharing requirements under Medicaid ($9 million);
- Eliminate coverage of most over-the-counter drugs under Medicaid and SAGA ($6.3 million);
- Reduce non-entitlement accounts ($6.3 million);
- Restrict vision services for Medicaid adults ($4.6 million);
- Adopt SAGA medical necessity and appropriateness definition for Medicaid ($4.5 million);
- Suspend funding for the Transportation for Employment Independence program ($3.2 million);

- Suspend certain programs of the Children's Trust Fund ($3.0 million);
- Cover Medicaid medical interpreters through an administrative process ($1.8 million);
- Remove Limited Vision and Non-Emergency Medical Transportation Benefits under SAGA ($1.4 million);
- Limit Maximum Allowable Cost Reimbursement for Certain Drugs ($1.1 million);
- Revise Medicare Part D Co-payment Requirements for Dually Eligible Clients ($1.1 million);
- Expand DSS' Preferred Drug List to Include All Mental Health Drugs ($1.04 million);
- Delay Implementation of the HIV/AIDS Waiver ($1.0 million);
- Modify Premium Payment Requirements under HUSKY B ($1.44 million);
- Align HUSKY B Co-Pay Requirements to State Employee Health Plans ($710,000);
- Suspend Funding for HUSKY Outreach ($643,927).

Commission on the Deaf & Hearing Impaired

- Consolidate the Commission on the Deaf & Hearing Impaired within the Department of Social Services.

Elementary and Secondary Education

State Department of Education

- Reduce Personal Services by $4.3 million: $3.9 million and 54 corresponding positions are attributed to the suspension of the Licensed Practical Nurse program within the technical high school system; $400,000 and one position are attributed to the suspension of the new early childhood office. It is unclear how the delay in the creation of the new early childhood office will impact potential federal grants the state would otherwise qualify for?
- Reduce the Transportation of School Children grant by $4.8 million (10% of the FY 11 original appropriation). This grant was capped for both FY 10 and FY 11. If this program was uncapped, then additional funding of $30.6 million would have been required in FY 10 and $35.7 million in FY 11.
- Reduce the Nonpublic Transportation grant by $399,500 (10% of the FY 11 original appropriation). This grant was capped for both FY 10 and FY 11. If this program was uncapped, then additional funding of $625,000 would have been required in FY 10 and approximately $625,000 in FY 11..
- Reduce the Interdistrict Cooperative grant by $3.0 million. The reduction will be from non-Sheff related programs. This is a non-formula grant that is awarded on a competitive basis, and award recipients vary from year to year.
- Reduce the Health Services grant by $477,500 (10% of the FY 11 original appropriation). This grant was capped for both FY 10 and FY 11. If this program was

uncapped, then additional funding of $1.2 million would have been required in FY 10 and approximately $1.5 million in FY 11.

- Reduce the Education Cost Sharing (ECS) grant by $426,769. This additional funding was provided in both FY 10 and FY 11 for the City of Stamford. It is anticipated that this reduction to ECS would not impact ARRA funds.
- Reduce the Magnet School line item by $1.5 million. Section 22 of PA 09-6 (SSS), the Education Implementer, provided $750,000 of additional funding to both Wintergreen (Hamden) and Edison (Meriden) magnet schools. The additional funds increased the per pupil reimbursement levels for in-district students attending the two schools. With the elimination of the funds, it is assumed that both schools would receive the statutory level of $3,000 per in-district student.
- The Governor's proposed budget did not include any additional funding for the Excess Cost grant. The FY 10 - FY 11 biennial budget included a $13.4 million dollar reduction in both FY 10 and FY 11 in the Excess Cost account. It is anticipated that this reduction along with FAC item 2008-36, which transferred $5.4 million into Excess Cost, may prevent the State Department of Education from meeting their maintenance of effort requirement to obtain federal funds. It is anticipated that an additional $15.0-$19.5 million would be required to meet maintenance of effort requirements, in order to avoid the significant loss of federal funds, which is anticipated to be in excess of $130.0 million.

Teachers' Retirement Board

- Maintains the suspension of the state's contribution towards retired teachers' health insurance.

Higher Education

Constituent Units of Higher Education

- Funding levels for the constituent units of higher education are reduced to reflect minimum federal ARRA maintenance of effort requirements. This reduction provides the constituent units with the same level of funding provided in FY 10 after rescissions.

Department of Higher Education

- Eliminate $712,500 from the CommPACT Schools grant. The CommPACT school grant provides funding for the Neag School of Education at the University of Connecticut to administer a field-based support program for up to twelve CommPACT schools. Funding is also provided to the Connecticut State University System for development of a college readiness grant program to address core subject matter deficiencies among high school students and to improve such student's performance on Connecticut Mastery tests as well as college placement exams. Without funding, both UConn and CSU will be unable to administer the programs.

- Eliminate $500,000 for the Americorps program. The Americorps programs support various service projects through an RFP process. Without funding, the projects would not go forward.
- Eliminate $500,000 for the Kirklyn M. Kerr Grant Program (to provide opportunities in veterinary medicine). Sections 57 and 58 of PA 09-6 (SSS), the Education Implementer, transferred $500,000, in FY 11, from the Connecticut Independent College Student Grant to Opportunities in Veterinary Medicine, to fund the slots for the Connecticut students attending the veterinary program at the University of Iowa. It is unclear if the funding is cut what will happen to the slots that Connecticut has committed to, and what will happen to the students currently enrolled in the program?

Judicial and Corrections

Department of Correction

- Funding of $5.1 million and an additional 208 positions are recommended to reflect a revised estimate of the impact of implementing criminal justice policy changes. Savings of $43.2 million had been budgeted under the agency's operating accounts in FY 11 in anticipation of the potential closure of facilities or portions thereof and implementing various provisions of PA 09-7 SSS (the General Government Implementer), which included: increasing the length of a furlough that the commissioner can grant an inmate; allowing a furlough to be granted for any compelling reason consistent with rehabilitation; modifying participation of parole board members at parole hearings; and transferring certain incarcerated aliens to federal custody.
- A funding reduction of $2 million is recommended for the Correctional Managed Health Care program operated by the UConn Health Center, which provides medical, mental health, pharmacy and dental services to inmates at DOC facilities statewide, DOC-contracted halfway houses and at John Dempsey Hospital. This reduction is in recognition of the declining inmate population.
- Savings of $0.7 million to reflect the suspension of funding first provided in FY 10 for services to Children of Incarcerated Parents. None of this funding has been expended to date.
- Savings of $0.3 million to reflect the suspension of funding first provided in FY 10 for assessing/developing the infrastructure needed for inmates to participate in Distance Learning programming in conjunction with Charter Oak State College. None of this funding has been expended to date.
- Savings of $0.2 million to reflect reduced support for the Mental Health Alternative to Incarceration Center program (originally budgeted at $0.5 million under the DOC in FY 11), a collaborative effort involving the DOC, the Court Support Services Division of the Judicial Department and the Department of Mental Health and Addiction Services.

Judicial Department

- Eliminate 45 funded vacancies with associated savings of $2.0 million.
- Suspend funding for the Justice Education Center and obtain associated savings of $293,111.
- Reallocate $2.3 million for Intensive In-Home Child and Adolescent Psychiatric Services (IICAPS) from Judicial's Court Support Services Division to the Department of Children and Families and the Department of Social Services.

Division of Criminal Justice

- Eliminate 4 Non-RIP Funded Vacancies with associated savings of $346,796.

Public Defender Services Commission

- Reduce funding for Non-Contractual Special Public Defenders with associated savings of $137,488.
- Reduce funding for Personal Services by $2.7 million; eliminate 20 positions (including vacancies).

Revenue Proposals

The Governor's FY 11 Midterm Adjustments propose a net revenue gain of $422.3 million, including $20.0 million associated with the implementation of Keno and $382.6 million from federal grants. The Governor also proposes an expansion to the Job Creation Tax Credit Program.

More information is provided as follows:

Keno
The Governor proposes to expand the state's lottery system by introducing Keno. This is estimated to result in a revenue gain of approximately $20.0 million in FY 11 and $60.0 million annually thereafter.

It is uncertain[1] if the introduction of Keno would be a violation of the state's gaming compact with the Mohegan and Mashantucket Pequot Tribes. A violation of the tribal/state slot machine agreements could put more than $350.0 million per year in state revenue at risk.

Federal Grants
The Governor's FY 11 Midterm Adjustments include $382.6 million in additional revenue from federal grants. Specific federal grant increases assumed include $266.5 million from enhanced federal matching funds for Medicaid and Title IV-E programs, $99.1 million in education aid, and $17.0 million from retroactive Social Security billing due to misclassification of disabled Medicaid recipients.

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[1] A June 1, 2009 letter from the Attorney General provides no definitive answer to the question of whether legalizing Keno would impact the state's existing compacts.

Funding proposed in H.R. 2847, the Jobs for Main Street Act, includes $23.5 billion in enhanced federal Medicaid match funds, a proposal which is similar to one contained in the President's FFY 11 budget.

Job Creation Tax Credit

The Governor proposes to expand the existing Job Creation Tax Credit Program to include small businesses with fewer than 25 employees. The proposed $2,500 credit per new job created may be taken against the income tax, corporation business tax, or insurance companies tax, and may be used for three years beginning in income year 2010. The credit retains the current cap of $10.0 million annually.

Securitization

The Office of the State Treasurer and the Office of Policy and Management jointly explored six options for generating General Fund revenue in FY 11. The two principal options that included revenue estimates are as follows:

1. Rate Replacement Bonds - Issue tax-exempt 2010 Rate Replacement Bonds (2010 RRBs) that securitize a portion of the revenue stream from existing charges on electric bills of the state's two major electric utilities. It is estimated that this option would generate $1.3 billion in General Fund revenue. They would be issued over 10 years, with annual debt service payments of approximately $180 million. The estimated interest rate is 4.0%.

2. Lottery Revenue Bonds - Issue tax-exempt bonds that securitize the revenue stream produced by the Connecticut Lottery Commission's current gaming products[1] and from a new game, Keno[2]. It is estimated that this proposal would generate $600 million issued for a 10 year term with annual debt service payments of approximately $90 million. The bond proceeds would replace appropriated funds to pay FY 11 General Fund debt service. The estimated interest rate is 4.75%.

The other options explored were: 3) tobacco settlement funds, 4) highway tolls including establishment thereof, 5) existing General Fund revenues (personal income/sales taxes/casino); and 6) sales of major state assets. No revenue estimates were included with these options.

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[1] The CLC's current gaming products include Powerball, Classic Lotto, Cash5, Lucky-4-Life, Play3 Day, Play4 Day, Play3 Night, Play4 Night, and Scratch.

[2] Keno is a lottery-like or bingo-like gambling game in which players wager by marking an "X" over the "spot" choices on a blank keno ticket form with 80 numbered selection boxes (1 to 80). The numbers correspond to ping pong-like balls, each of which is imprinted with a number 1 through 80.

Capital Budget Changes

The Governor's recommended midterm capital budget adjustments include cancellation of $388.7 million in prior General Obligation (GO) bond authorizations and new GO authorizations of $131.0 million. The new authorizations include:

1. Municipal capital equipment purchase grant program - $10 million

   The program will allow municipalities that share services to jointly acquire capital equipment such as snow plows or data processing equipment. The grants are for up to 25% of the cost not in excess of $250,000.

2. Development of a new data center for the Department of Information Technology (DOIT) - $21 million

   The Construction of a new data center will provide long-term savings by allowing DOIT to move out of leased space into a state-owned facility that will accommodate its future expansion needs.

3. Small and medium size business loans and loan guarantees - $100 million

   The program will use: (a) $75 million for guarantees of loans between $0.5 million and $3 million, which will leverage an estimated $400 million in capital from private sources and (b) $25 million for direct loans of up to $0.5 million.