



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

Testimony of
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Good afternoon Senator Harp, Representative Walker and members of the Appropriations Committee. My name is Mark Ojakian and I am here today to discuss the Governor's recommended FY 2012 – FY 2013 biennium budget for the Office of Policy and Management (OPM).

Reflective of the serious fiscal challenge facing the State of Connecticut, OPM's recommended general fund budget of \$82.1 million for FY 2012 is \$47.7 million, or 36.7%, less than OPM's FY 2011 general fund appropriation of \$129.8 million. The FY 2013 recommended general fund budget of \$83.9 million is \$45.9 million, or 35.4%, less than the current year's appropriation.

The decrease primarily relates to the PILOT – New Manufacturing Machinery and Equipment (MME) grant, which reimburses towns for the revenue loss resulting from property exemptions granted to eligible businesses. This grant, currently funded at \$47.9 million, is recommended for elimination in light of the significant local tax options the Governor is proposing, including an additional tax on hotels, car rentals and sales on products and services sold through retail establishments, making the increased real estate conveyance tax rate permanent and expanding the current optional conveyance tax, and imposing a new cabaret tax and personal property tax on boats and vessels. This diversification of local governments' tax base is projected to generate \$85.2 million of revenue in FY 2012. OPM is aware that the Governor's proposal, which eliminates PILOT MME funding but maintains the exemption on machinery and equipment, would have a negative impact on some municipalities. OPM is in the process of developing a plan to resolve this problem.

Other municipal aid includes flat funding for the revenue loss resulting from exemptions to disabled persons, elderly and permanently disabled homeowners, and eligible veterans, and a \$2 million annual reduction in the Distressed Municipalities grant. The proposed budget includes increased funding for tax relief to elderly and disabled renters in the amount of \$2.2 million in FY 2012. During FY 2011, OPM processed tax relief payments to over 45,000 renters.

There is also increased funding in the amount of \$600,000 in each year of the biennium for Regional Planning Organizations, of which \$300,000 is available annually to incentivize the voluntary consolidation of planning regions. This additional funding not only recognizes the increased statutory roles played by Regional Planning Organizations over the last several years but also the importance Governor Malloy places on these important organizations.

OPM's recommended budget also reflects the Governor's efforts to improve the delivery of state services through state agency consolidations. OPM's Energy Unit will be transferred to the new Department of Energy and Environmental Protection. This newly formed department will enable the state to continue its environmental conservation and regulation functions and couple them with energy policy and pricing. In addition, several staff from the Department of Information Technology will be transferred to OPM with responsibility for the development of statewide IT policies and long-term strategic planning. OPM's recommended budget also includes a one-time appropriation of \$350,000 to effectuate the proposed reduction of budgeted state agencies from 81 to 57.

Another principle of Governor Malloy's proposed budget is the aggressive maximization of federal revenue; the proposed budget assumes new revenue of \$20 million in each year of the biennium. To assure this is realized, OPM's recommended budget includes a one-time appropriation of \$250,000 for consulting services to assist the interagency working group to study and operationalize various efforts. Examples of such efforts include the possibility of a State Plan Amendment allowing the state to develop a waiver to cover community support programs and other recovery services for specific populations, and the billing for Medicaid administration activities in various human service agencies.

Thank you for the opportunity to testify before you today. OPM's recommended budget reflects the Governor's principles that will put Connecticut on the path toward fiscal stability and, ultimately, sustainability. My staff and I would be happy to answer any questions that you might have.