SENATOR OSTEN (19TH): Is that you Susan?

SUSAN WEISSELBERG: Yes, it is, Senator Osten.

SENATOR OSTEN (19TH): All right. Very good. Just go ahead, I'm just going to grab my book.

SUSAN WEISSELBERG: Good afternoon, Representative Baker, members of the Appropriations Committee. My name is Susan Weisselberg, I am here in my capacity as Acting Deputy Secretary of the Office of Policy and Management to talk about the Governor's recommended biennial budget concerning OPM.

Our recommended general fund budget is 316.9 million for fiscal year '20 and 323.4 million for fiscal year '21. The adjustment to our fiscal year '20 general fund budget is 53.1 million dollars less than the 370 million for fiscal year '19 Appropriation. That 53.1 million dollars is chiefly due to three items. The first is allocating or transferring funding for private provider COLAS to
the appropriate agencies, when that funding passed in 2018 at the end of the session not all the details were worked out for where the private provider COLAS would go to what agencies and as it has gotten worked out in the interim between fiscal year '18 and now we therefore allocated it appropriately to those agencies.

The second change has to do with the transfer of funding, contract assistance, funding for the City of Hartford to the State Treasurer, that's 20 million dollars and that goes to debt service for the contract assistance.

The third key item there has to do with the adjustment for the COGS from an appropriated to a non-appropriated account. We are putting a lot of effort into the work of the COGS and in fact, the advisory commission on intergovernmental relations and that transfer reflects that.

Otherwise, our budget includes the insurance fund and the change in that is due to State employee wage adjustments and to reflect actual fringe benefits. We have made no recommended change to the Mashantucket Pequot and Mohegan fund budget of 49.9 million. In addition, we maintain fiscal year '19 funding levels for statutory formula grants including the PILOT for State owned property, PILOT for colleges and hospitals and as noted previously the Mashantucket Pequot and Mohegan fund grant.

In addition, the budget continues funding related to the municipal revenue sharing, municipal transition and municipal stabilization grants. All well named of course.
We'd like to say that the Governor's budget reflects Governor Lamont's goal to make local government more efficient and provide property tax relief to Connecticut's citizens and that underlies our work with the COGS and the ACIR and talking about having each COG establish a regional assessment division so that we can begin sharing some services and saving municipalities some money in ways that, you know, we want to start streamlining and helping in efficiency, in helping to be efficient.

Attached to my testimony are the updated estimates of statutory formula grants, which supersede Section E in Governor Lamont's proposed budget book.

I thank you for the opportunity to testify today. This is a challenging time and OPM looks forward to working with you in the General Assembly to create a path forward, to create a path to move the State forward, to address structural fixed costs, keep spending in line and to invest in priorities and programs that will enable Connecticut to lead a 21st Century economy.

With that, I am happy to take questions. In my previous experiences there are usual quite a few.

Thank you.

SENATOR OSTEN (19TH): Thank you. So, in regards to the permanent full-time positions that you have. It says there are 125 permanent full-time positions. Are all 125 funded in the personnel service line items that you have?

SUSAN WEISSELBERG: No, they are not. And I can get you that information on how many are funded.
SENATOR OSTEN (19TH): Because I would like to see us cut those positions from the full-time equivalent physician numbers, I think that falsely gives the appearance of us having far more employees per agency. So, I want to figure out a way to either have a bifurcated number so it would say --

SUSAN WEISSELBERG: How many filled and how many funded?

SENATOR OSTEN (19TH): Yeah, because I think that -- and even the ones that are funded, how many of those are filled. So, it's actually three numbers.

SUSAN WEISSELBERG: I see. Filled, unfilled, funded.

SENATOR OSTEN (19TH): Filled, unfilled and funded, how many are funded? Funded would be the first number. So, if you have 125, how many of those are funded and how many of those funded are filled?

SUSAN WEISSELBERG: Okay.

SENATOR OSTEN (19TH): So, that --

SUSAN WEISSELBERG: We're happy to start looking at what a format would look like for us and work with you as we proceed with looking at the budget.

SENATOR OSTEN (19TH): And there were four positions that were filled in fiscal year '19. Do you know what four, those four positions were?

SUSAN WEISSELBERG: Yes. And in fact, they were six and we have had a conversation, we had sent OFA that information, but I believe that this had gone to print before they were able to correct it. Those
positions include and give me a moment, please. We have two around performance metrics.

We now have a Chief Performance Officer that we did not have previously. And of course, I had it at my fingertips, but it's walked away from my fingertips.

SENATOR OSTEN (19TH): It always does.

SUSAN WEISSELBERG: It always does. We had one in criminal justice. Two for performance, one for assessment within intergovernmental policy. One around data and data sharing and one in IT support. Many of them directions that the State is moving in and we already had some statutory obligations. So, this is really to set OPM on a path going forward that meets the various needs of the State.

SENATOR OSTEN (19TH): And, thank you. And then regarding the funding for COGS. How much money is left in the RPIP account right now, do we know?

SUSAN WEISSELBERG: The remaining money in the account is obligated. We can get you a breakdown if you'd like.

SENATOR OSTEN (19TH): Okay. If you could bring that --

SUSAN WEISSELBERG: Sure.

SENATOR OSTEN (19TH): -- to the --

SUSAN WEISSELBERG: We'll provide it to the Committee.

SENATOR OSTEN (19TH): To the Committee, that would be great. What is the revenue source for this account? Is it straight tax dollars?
SUSAN WEISSELBERG: It's a tax intercept, I think from the hotel, I'm sorry, forgive me. Rental car and hotel. I couldn't remember that one.

SENATOR OSTEN (19TH): Okay. And what exactly is it funding for the COGS?

SUSAN WEISSELBERG: There's a base grant for the COGS to help them in their operations and then we also in increasing the work of the ACIR in looking at different regional possibilities it is also to work for the COGS on that and have them develop it. Each Cog is a little different. I think that's pretty much the way, and again, we can give you more detail.

SENATOR OSTEN (19TH): And are you planning on not giving the COGS any money this year? Is that your recommendation?

SUSAN WEISSELBERG: No, we are. Through the RPIP as opposed to an appropriated fund, that's why you see the zero.

SENATOR OSTEN (19TH): Okay.

SUSAN WEISSELBERG: It's not that they are not getting money, it's just that we are funding it differently. And in addition to which funding it that way allows for carry forward, an automatic carry forward if funding is unspent and with an increased emphasis on shared services, we think that providing that steady stream will be quite helpful in the work going forward.

SENATOR OSTEN (19TH): So, there have been some robust discussions on shared services? And would it be the Office of Policy and Management's position or the Governor's position, whomever you want to cite,
that not following through with shared services would see a decrease in funding for municipalities?

SUSAN WEISSELBERG: I think we want to work on that collaboratively. That's certainly an interest for people. We have been looking at ways to do that. And the Bill around shared services and regional efforts with ACIR and the COGS and OPM is currently in Planning and Development Committee.

We also have a Bill in the Education Committee and some of them share language around looking at how to share a services report on what is shared now and what might be shared going forward. We think there are opportunities that result in savings, but we have not overly disincentivize that.

SENATOR OSTEN (19TH): And regarding the RSA, what collective bargaining agreements are we going to see here next?

SUSAN WEISSELBERG: Very few, but if you'll give me a moment. The Assistant's Attorney General agreement and the State Police. Forgive me.

SENATOR OSTEN (19TH): State Police are still in arbitration is my understanding?

SUSAN WEISSELBERG: Yes, it is, ma'am.

SENATOR OSTEN (19TH): How about childcare? Are we seeing a childcare agreement this year?

SUSAN WEISSELBERG: That is in negotiation. It's still in negotiation, so I can't answer when and if.

SENATOR OSTEN (19TH): Because I heard we were getting six to eight and I was just curious. Why don't you come on up, Faye.
FAYE BROWN-ROOTEN: Hi, I'm Faye Brown-Rooten from the Office of Policy and Management.

SENATOR OSTEN (19TH): Nice to see you.

FAYE BROWN-ROOTEN: You too, Cathy. Senator Osten.

SENATOR OSTEN (19TH): No, Cathy is fine.

FAYE BROWN-ROOTEN: We are in interest arbitration with the MP1 State Police bargaining unit currently. We are waiting in interest to arbitrational award regarding the recently organized Deputy --

SENATOR OSTEN (19TH): Oh, is that --

FAYE BROWN-ROOTEN: -- so that award is anticipated any day now. We are also in negotiations hopefully trying to reach a satisfactory resolve with the various groups that will either accredited to bargaining units or set out on their own who are formerly known as managers.

SENATOR OSTEN (19TH): And I don’t know who started that trend, but, you know, making managers into collective bargaining people. I think we hold that person accountable for something, so, might know that person. It was me. So, the sooner we know the better. Is all of that money that would be there, is that in the RSA's now, the potential for that?

SUSAN WEISSELBERG: We have funding in the RSA's for that as potential. The other funding in the RSA really has to do with potential accrual payouts for potential retirements.

SENATOR OSTEN (19TH): And how do you figure out how many people -- Faye, you can go sit back down. I don’t have any more collecting bargaining agreement -- so, do you know how many, speaking of
retirements, do you know how many people are retiring this next year or how many people are eligible to retire?

SUSAN WEISSELBERG: Offhand, no. But we'd be happy to get you that information.

SENATOR OSTEN (19TH): Okay. That'll be great. I just have a couple of questions regarding the grants. And so, I noticed for example reimbursement to towns for loss of taxes on State property dropped about 16 thousand, 17 thousand dollars. 17 million dollars, is there a reason why? Or are we just saying --

SUSAN WEISSELBERG: It was an accounting measure. It still ends up at the fiscal year '19 level.

SENATOR OSTEN (19TH): Okay. So, the difference between agencies request and the Governor's request is just accounting?

SUSAN WEISSELBERG: Yes.

SENATOR OSTEN (19TH): It's not really a decrease in funding?

SUSAN WEISSELBERG: It's funded at the same level as fiscal year '19.

SENATOR OSTEN (19TH): Would that be the same thing as the private tax-exempt properties that also --

SUSAN WEISSELBERG: Yes.

SENATOR OSTEN (19TH): Okay. And then when we go down to the property tax relief for Veterans, has there ever been an accounting to figure out what originally we were trying to get for tax relief for Veterans? What it was equal to when it first
started and what it's equal to today in real dollars? So, for example --

SUSAN WEISSELBERG: Let me check and get back to you on that. I don't want to answer off of the top of my head, but why don't you, if you can give a little more, you started to give an example, forgive me.

SENATOR OSTEN (19TH): So, for example, if --

SUSAN WEISSELBERG: We fully funded the Veterans this year. There was no proration, but I think you were asking a different question.

SENATOR OSTEN (19TH): I was asking a different question. Yes, I'm asking a different question than that. So, property tax relief was for a Veteran was slated at say a thousand dollars, what a thousand dollars equaled when it first started is not what a thousand dollars equals today. So, I'm trying to figure out what that delta is. What does it really mean? So, I had Veterans that were emailing me regarding property tax relief and they said when we put in the first responder property tax relief for volunteer firefighters it's at a certain dollar amount or percentage of the assessed value of their property. And so, because the other, the Veterans wanted the percentage of the assessed value it doesn't equate to the same dollar amount.

SUSAN WEISSELBERG: Why don’t we look at, if we could take a look at what you're asking and look at it perhaps in dollars and percent.

SENATOR OSTEN (19TH): Thank you.

SUSAN WEISSELBERG: And I think that would end up being helpful.
SENATOR OSTEN (19TH): And then you were not planning on funding or you didn't have it in the agency request revenue sharing, transition and stabilization, what is the plan for those dollars?

SUSAN WEISSELBERG: We have put in municipal revenue sharing as it was in the fiscal '19 budget.

SENATOR OSTEN (19TH): Yes.

SUSAN WEISSELBERG: It is the same amount.

SENATOR OSTEN (19TH): So, that's in the Governor's budget, but it wasn't in OPM's original budget.

SUSAN WEISSELBERG: Correct. In working with the secretary and others it is in here as a Governor's recommendation at the same level. And municipal transition, which is the car tax, the numbers there are a little different because they vary based on actual mill rate. And so those calculations will vary each year.

SENATOR OSTEN (19TH): And then the stabilization grant?

SUSAN WEISSELBERG: Stabilization grant, which goes to a certain number of communities is, we just did it at the same level again as fiscal year '19.

SENATOR OSTEN (19TH): And you took 20 million out of the municipal restructuring?

SUSAN WEISSELBERG: Yes, to go, leaving I think 7.3 million in that for any communities that might be, but we moved the rest over for contract assistance since that had occurred since we proposed this two years ago.
SENATOR OSTEN (19TH): And then on the grants to Towns for the Mashantucket Pequot and Mohegan Fund, is the formula for that grant, is that formula been the same over the 27 years that we've had this?

SUSAN WEISSELBERG: Right now, it is a statutory payment list and so we essentially followed the legislative lead in using the payment lists. So, we have not done, we haven't looked at the formula itself.

SENATOR OSTEN (19TH): So, I'd like to understand the formula from when it was first established 27 years ago to today. And how has that changed on a year by year or --

SUSAN WEISSELBERG: So, perhaps part of that becomes what's the impact of the payment list versus the formula. Did you want a comparison of what you might have gotten under a formula or what communities might have versus the payment list?

SENATOR OSTEN (19TH): I actually have the payment list for the whole time. I have the 27 years of payment, but I don't have inside there built out the formula that's used to collect that data. I don't know if it's on a per capita basis, talking to her behind you because she's actually the one that's going to figure it out.

I've seen it on a, I don't know if it's just purely per capita and I would just like to understand that a little bit more so that I can figure out what the impact will be, because the host communities of the current are very concerned because they get less and less all the time. And they're worried about it, you know, sort of long term, so they're trying to figure out what that is. So, if we could, if I
could just find out over the 27 years how we've changed that.

SUSAN WEISSELBERG: We'll be happy to get that to you.

SENATOR Osten (19TH): Thank you. Are there any questions? Representative Zawistowski.

REP. ZAWISTOWSKI (61ST): Thank you, Madam Chair. I was at the briefing yesterday, so I'm able to, I've got a little bit of information here. Thank you for being in here today. I have a follow-up question on the PILOT in Pequot. Could you explain, there seem to be some changes over in policy on the PILOT in Pequot. The policy revisions don't exactly match the current services. It's about a delta of 1.1 million there.

SUSAN WEISSELBERG: I think it was the State PILOT where the appropriation was higher than the payment list. And so, we went by the payment list and that is probably the reason for that delta. It was about that amount as I recall.

REP. ZAWISTOWSKI (61ST): Okay. Yeah, if we could just check on that.

SUSAN WEISSELBERG: Yeah, we'll get you information, but in one of the PILOTs the payment list in appropriation did not match.

REP. ZAWISTOWSKI (61ST): Okay.

SUSAN WEISSELBERG: And so, when we put recommendations in for '20 and '21 we followed the payment list.

REP. ZAWISTOWSKI (61ST): Okay. Thank you for that. Also, on the municipal restructuring account,
there's a deduction from OPM of 20 million dollars, which is what we hedged, or 20 million dollars per year, which he had authorized in legislation last year.

The additional debt for service that were agreed upon by the Treasurers Office and the Governor for the City of Hartford, I know those are added back into the Treasurers Budget, you're taking 20 million dollars per year out of OPM. Do you know where -- can you help me bridge that gap as to where the other amount is coming from?

SUSAN WEISSELBERG: So, it was 20 million in the OPM budget. We thought it was appropriate to go towards the debt service of the contract assistance agreement and I can get back to you with a specific location within the Treasurers Budget.

REP. ZAWISTOWSKI (61ST): Okay. Thank you. Because I just feel uncomfortable with gaps. I just like to kind of make --

SUSAN WEISSELBERG: No, I understand that. And I just don't have that information on where in the Treasurers Budget is.

REP. ZAWISTOWSKI (61ST): Okay.

SUSAN WEISSELBERG: It's part of the overall debt service, but we can get you additional points of where debt services in their budget.

REP. ZAWISTOWSKI (61ST): Yeah, thank you. There is a breakdown in the Treasurers portion of this, but I need to find out where that's coming from before this date. So, just if you can check that out.

SUSAN WEISSELBERG: Okay.
REP. ZAWISTOWSKI (61ST): Thank you. That's all that I have right now. Thanks.

SENATOR OSTEN (19TH): Representative Lavielle.

REP. LAVIELLE (143RD): Thank you, Madam Chair. Thank you for being here. Thanks for your testimony. One real quickie here. In the policy revisions on providing funding for minimum wage impact on private providers you've got an increment of three million dollars the first year and six the second year. Should that be nine to take account of what you've got the first year? Should that be six plus three?

SUSAN WEISSELBERG: We were, that was pegged to the Governor's proposal to increase the minimum wage. So, we felt that that was the right amount based on the Governor's proposal.

REP. LAVIELLE (143RD): It was just it was unclear to me that I think it was the increase would be six and the second year, three in the first year, so, do you add the three to the six in the second year... do you see what I mean?

SUSAN WEISSELBERG: Yes.

REP. LAVIELLE (143RD): I'm not questioning the --

SUSAN WEISSELBERG: No, no, no.

REP. LAVIELLE (143RD): -- divisibility of the amount.

SUSAN WEISSELBERG: I think we wrote it the way we thought it should be implemented, but can I double check that and get back to you.
REP. LAVIELLE (143RD): Of course. Of course.

Thank you.

SUSAN WEISSELBERG: Thank you.

REP. LAVIELLE (143RD): I just also on the, you've just gone over with Senator Osten the municipal revenue sharing transition stabilization and so on, if you could actually provide those details for us in writing for the workgroups.

SUSAN WEISSELBERG: We intend to, sure.

REP. LAVIELLE (143RD): Yeah, that would be very useful, thank you. And looking at your testimony on the second page, it's the biggest paragraph on that page.

SUSAN WEISSELBERG: Okay.

REP. LAVIELLE (143RD): Where you talked about changing the funding source for grants to the COGS from the general fund to the regional planning incentive account. And basically, taking that off budget, so the total amount of that transfer or intercept, whatever you're calling it, would be?

SUSAN WEISSELBERG: I'm asking Jonathon Harris who is our Under Secretary for Intergovernmental Policy and Planning Division to just come and answer the question perhaps a little more articulately more than I can.

JONATHAN HARRIS: I doubt that. Yes, Representative, the amount, the estimated amount that would go into the RPIA for the next two fiscal years is about 1,725,000.00 dollars. And by the way, the COGS were funded through the RPIA, but that was suspended in fiscal year '17, '18 and '19 and...
we're just going back to the way it was in part as the Deputy Secretary said because the COGS prefer it that way, it gives them more flexibility and they're able to carryover funds.

REP. LAVIELLE (143RD): Okay. Yeah, I was going to ask why just because, yeah, I always worry a little bit about transparency because it takes it out of the general fund budget, so we don’t, we're not, it's not the only place that happens. So, we're not counting accurately somehow when we compare apples to apples.

JONATHAN HARRIS: Right. Totally understand. The other piece here is that the strategy is to provide the base grant so that the COGS can survive and perform and do what they're doing, but to actually have more dollars out there in a competitive way, in a targeted way that actually advance the goals that we all come to agreement on in sharing and consolidating services.

So, there's the base grant, the Secretary has some discretion to give a little bit more over that base grant and then through the ACAR process there is the ability to make recommendations to the Secretary to actually target dollars not just for general COG operations, but for specific purposes to advance the goals of the Governor and his body in the budget that's ultimately passed.

REP. LAVIELLE (143RD): Okay, thank you. One further, actually two. Deputy Secretary, you were talking a little bit earlier about the various bills in which the Governor has discussed savings opportunities through sharing services and so on and
so forth. If I'm not mistaken, those are meant to be savings on the municipal level, is that correct?

SUSAN WEISSELBERG: They can be on the municipal level or the Board of Ed. By municipal you may --

REP. LAVIELLE (143RD): Well, I meant not State level --

SUSAN WEISSELBERG: -- mean town and education --

REP. LAVIELLE (143RD): Not State level --

SUSAN WEISSELBERG: Yes. Although, one of the pieces in the Education Bill, one of the Education Bills being heard tomorrow talks about collaboration around special education services. Whether or not that ultimately saves the State dollars, I couldn't tell you. Because the chief goal of those provisions was to improve services to the students in a way that worked well and perhaps brought down excess costs.

So, that could end up saving State dollars as well as local, but I can't tell you that yet.

REP. LAVIELLE (143RD): Okay. The Special Ed provision actually has been, that I did, has been under discussion for a long time locally in all sorts of places, it's the rest that, you know, --

SUSAN WEISSELBERG: We're excited about that.

REP. LAVIELLE (143RD): There could be some potential there. Another one final question on which you didn't talk about. But as you may remember in the past couple of years there was some legislation passed and a lot of discussion around the technical schools.
SUSAN WEISSELBERG: Yes.

REP. LAVIELLE (143RD): Where they were having a very difficult time hashing through the bureaucracy to hire people and some of that authority was given directly to OPM and then the technical schools were made into a separate agency, but that hasn't gone into effect yet and I just wanted to ask what the extent of your work is at the moment for the technical high schools?

SUSAN WEISSELBERG: Excuse me, one moment. We've done a lien process with them on hiring. Something that we had actually offered to do several years ago and has taken place in more recent times.

In addition to which the Governor's Budget does propose delaying implementation of the independence to save some dollars on that piece, but we have been working with them to help expedite the hiring.

REP. LAVIELLE (143RD): So, you continue for the moment to provide some help to them?

SUSAN WEISSELBERG: Yes.

REP. LAVIELLE (143RD): And is that, do you have people assigned to that in particular as part of your staff devoted to that or what's the extent of your resource --

SUSAN WEISSELBERG: The people in our budget division who work on education matters work on that to help expedite it, because hiring requests come in, they work their way through several entities, they come to us and our people work to expedite when it comes to us. And also, our process improvement people worked on the lien to try, lien process to figure out where the disconnects were and how to
expedite that. And we've always given priority to instructional staff in expediting those positions.

REP. LAVIELLE (143RD): So, when the independence takes place those people will just be assigned to other work?

SUSAN WEISSELBERG: They already have plenty of other work.

REP. LAVIELLE (143RD): Okay.

SUSAN WEISSELBERG: So, it would not take away, we would not lose any people because of that.

REP. LAVIELLE (143RD): Okay. Thank you, I appreciate all your answers.

SUSAN WEISSELBERG: Thank you.

REP. LAVIELLE (143RD): Thank you, Madam Chair.

SENATOR Osten (19TH): Thank you. Senator Lesser.

SENATOR LESSER (100TH): Thank you, Madam Chair. And you did ask a few questions that I had earlier, which I appreciate, you beat me to the punch. One question just about PILOT funding in the budget.

I understand you fund PILOT and people at a FY '19 level. Did you recompute that or did you just simply hold Towns to the same level that they were prior?

SUSAN WEISSELBERG: We calculated for current services, which essentially means we used the same list for fiscal year '19 levels.

SENATOR LESSER (100TH): And did you seek to hold Towns harmless in that or did you use an adjusted formula?
SUSAN WEISSELBERG: So, the long answer is and I hope I get it right, that we used the fiscal year '19 payment list, but we went back in calculating current services to fiscal year '15 and held people harmless. I know that for your town you have a particular issue concerning that and I'd be happy to talk to you about it further.

SENATOR LESSER (100TH): I would appreciate that. Thank you. And then I think there was some discussion earlier about just the change in funding for COGS.

SUSAN WEISSELBERG: Yes.

SENATOR LESSER (100TH): And I know that there was a back and forth and I may have missed some of it, but it's your understanding that that funding has not been cut, it's just been reallocated in terms of how it's being changed into a regional performance --

SUSAN WEISSELBERG: It has chiefly been reallocated, the funding for COGS has been erratic in recent years and that has been a concern we have heard repeatedly from the COGS and while as a policy we too don't favor going off of budget for accounts where, with all that I think people are looking to COGS for it made sense to us to go back to that system for base grants and then some competitive grants.

SENATOR LESSER (100TH): So, the Chair had asked earlier, Senator Osten had asked earlier about the RSA account and my understanding is that part of it is for collective bargaining agreements, but then there's also flexibility for non-collective bargaining agreements as well, do you have the breakdown in terms of that, what the recommended 18
and 23 or how much of it is for collective bargaining versus non-collective bargaining?

SUSAN WEISSELBERG: I do not and we have a fair amount for the payout of accruals for potential retirement and you probably missed the part where we said we would bring in the numbers of people who might be eligible for retirement.

SENATOR LESSER (100TH): Right. I think I may be missing a lot this afternoon, so I appreciate you bringing me up to speed. And thank you, it's good to see you.

SUSAN WEISSELBERG: Thank you, Senator.

SENATOR OSTEN (19TH): Representative Rotella.

REPRESENTATIVE ROTELLA (43RD): Hi, thank you. Thank you for coming. I just want to go back to the Pequot Grants and the funding for the Pequot Grants. So, did I understand you to say that you went back to the 2015 levels and that's what's in here?

SUSAN WEISSELBERG: No. For the Pequot Grants we stayed at fiscal year '19 levels. What Senator Osten was asking us to do was to sort of track the formula over time --

REPRESENTATIVE ROTELLA (43RD): Right. So, you will provide that to us?

SUSAN WEISSELBERG: -- with the payouts, and yes, we will.

REPRESENTATIVE ROTELLA (43RD): Okay. Did you say something in regards to the 2015 levels?

SUSAN WEISSELBERG: That had to do with the PILOT payments.
REPRESENTATIVE ROTELLA (43RD): Okay. And not the Mashantucket, but you're going to give us --

SUSAN WEISSELBERG: Correct.

REPRESENTATIVE ROTELLA (43RD): -- from the beginning of time what it's been for each?

SUSAN WEISSELBERG: What the formula has --

REPRESENTATIVE ROTELLA (43RD): Yep.

SUSAN WEISSELBERG: -- been over time for Pequot, yes.

REPRESENTATIVE ROTELLA (43RD): So, we will get that.

SUSAN WEISSELBERG: Yes.


SENATOR OSTEN (19TH): Representative Baker.

REP. BAKER (124TH): Thank you, Madam Chair. Thank you for coming out and sharing. I know earlier that Senator Osten had spoke about and asked you for some data in regards to the amount of positions that are actually full, filled and funded. Do any of the personal services reflect these numbers that we are seeing on here? Are they already filtered into in terms of their being fully funded? Are those numbers in there?

SUSAN WEISSELBERG: Our personal service numbers, Sir, reflect not 120, we do not have 125 funded positions, they reflect the positions that we do have, and so we'll clarify that in the data that we provide.
REP. BAKER (124TH): Okay. Okay. And then, so also, can you elaborate a little more on this restructuring of the regionalization and I know you talked a little bit about it and stuff and how it was going to be some sort of an incentive.

SUSAN WEISSELBERG: Primarily what we've proposed is that stakeholders come to the table and work together. When we propose that both around education with a commission on shared school services where a vast array of education stakeholders could come to the table where it would gather data, where issue a series of reports that would all be public and evaluate, look at opportunities for sharing between and among school districts and also municipalities.

And by the same token, we have a Bill that, the one in Planning and Development that talks about ramping up the work of the commission, the Advisory Commission on Intergovernmental Relations with the additional stakeholders, additional work plans and tasks to look at it and in both settings we ask for towns and school districts to report on what services they might be sharing and what they could be sharing.

We think that that dialogue and discussion is important to undertake first because there have been pieces of those discussions in different settings over the years. But this, we believe that what we're proposing, that what the Governor proposes elevates that discussion, has clear deadlines, clear accountability, clear transparency and then we work to finalize recommendations and make implementation and then implement.
There are some shared services this Legislature, a year and a half ago came up with some proposals for sharing of superintendents, this looks at that again. There are, we talk about some regional assessment possibilities, which we think would save towns some money and revaluation as well.

Public safety answering points, you know, that's been an issue. Everyone says there should be fewer and we continued the work down that path. But a lot of it we believe that the towns, the school districts, the different interest groups should all be involved in that discussion. That there should be public meetings and, you know, we should all be there.

REP. BAKER (124TH): Thank you for sharing that information and you did bring up a good point in terms of with the education, I know the City that I serve, Bridgeport, we have a lot of students that come in and utilize our services and we continue to be a underfunded City, so we are struggling on that part and I know last year we toyed with asking the State for some kind of relief, because we knew that that would put us under some more structure.

So, I look forward to hearing more about this as we move forward.

SUSAN WEISSELBERG: And we look forward to your participation. We understand the needs of Cities and the wide range of people they serve.

REP. BAKER (124TH): Thank you.

SENATOR OSTEN (19TH): Representative DiMassa.

REP. DIMASSA (116TH): Good afternoon, Sue. It's always good to see you.
SUSAN WEISSELBERG: And you.

REP. DIMASSA (116TH): Quick question and I know Senator Lesser I think was going to touch on this as well. The separate independent fire districts, I know things have changed. The PILOT funding is no longer listed separately for those districts. I think some were in the stabilization grant last year.

This year it looks like West Haven is under transition grant, but if you could give me an idea and if you have to get back to the subcommittee, I'll understand, but an idea for those districts where that money is included. If it's going to the towns, which perhaps may be the case and if you can give me an idea what the amounts would be.

SUSAN WEISSELBERG: I think we, again, followed the fiscal year '19 payment list, but why don't we dive in and help point you to where it is.

REP. DIMASSA (116TH): Perfect. Yeah, and if you can, for all, I think there's 19 maybe, 19 separate districts. I know Middletown is one. I know Senator, Senator has them in his district too, if you can give us an idea just for all of them, not just mine, that would be helpful.

SUSAN WEISSELBERG: We'd be happy to do that.

REP. DIMASSA (116TH): Thank you very much. Thank you, Madam Chair.

SENATOR OSTEN (19TH): Are there any other questions? Seeing none. Thank you very much.

SUSAN WEISSELBERG: Thank you all. Have a good afternoon.
SENATOR OSTEN (19TH): You too. State Treasurer. You can start whenever you're ready, sir.

SHAWN WOODEN: -- to submit testimony, now you can hear me. Okay, great. Concerning Governor Lamont's proposed budget for the Office of the Treasurer and Debt Service for fiscal years 2020 and 2021.

I came into office 51 days ago determined to deliver a fresh perspective and innovative ideas to the Treasury. In doing so, I look forward to working collaboratively with the Legislature to strengthen the State's financial outlook, grow our economy and provide necessary support to local communities.

The written testimony I've submitted to you today is based on several of my main priorities. This includes improving the State's credit ratings in overall fiscal stability, most notably in addressing our underfunded pension liability crisis that's crippling our State budget.

The testimony also acknowledges work being done on other initiatives that are important to me in order to move our State forward.

I first want to voice my strong support for what I believe is one of the most critical proposals the General Assembly will face this session, an Act stabilizing the Teacher's Retirement Fund.

In brief, this proposal allows the State to restructure payments to the pension fund in a way that is more sustainable for taxpayers as well as keep our commitments to teachers and bond holders. Fitch ratings recently noted that this proposal will alleviate significant fiscal risk to the State.
Under the current framework, required payments into the teacher's pension fund are projected to increase to an unsustainable level, peaking in 2032 at more than 3.4 billion.

My proposal created in concert with the Governor and OPM would allow the State to reamortize and reduce required payments into the payments at a more sustainable level.

This proposal is also consistent with complying with our contractual commitment to bond holders by providing adequate provision to ensure that they are paid. This will be done through the creation of a Teacher's Retirement Fund special capital reserve fund.

The Office of the Attorney General has confirmed that the proposed structure would not violate the bond covenant. We have proposed that the reserve fund be initially funded from the State's current fiscal year 2019 surplus. In the very unlikely scenario that the reserve fund is drawn upon lottery revenues would be pledged to replenish the fund.

As outlined in the Governor's budget, this approach will allow for several key changes to the Teacher's Retirement Fund that I believe will put the State on a sustainable path towards fully funding the TRF while maintaining fiscal responsibility.

I want to make very clear that no changes are being made or proposed to the scheduled principal and interest payments on the bonds. This approach is similar to changes made in 2017 to the funding of the State Employees Retirement System and will produce significant budget savings immediately.
Specifically, OPM estimates it will result in budgetary savings totaling 183.4 million in fiscal year 2020 and 189.4 million in fiscal year 2021.

Now, moving on, in regards to the debt service budget, there are some potential shortfalls within the budget, the proposed budget and I look forward to working with OPM and the Subcommittee to find a resolution.

In terms of the Treasuries operating budget, I'm committed to carrying out my responsibilities in a prudent and cost-effective manner. You may know that roughly three percent of Treasury operations are supported through the General Fund with the rest being funded by sources outside of the General Fund.

Still, for more than a decade, the Treasury has done more with less. Over the past 15 years the office has cut its staff by 68 positions or 31 percent. This should be reflected in the materials that were provided to you as well in a chart format.

Moreover, we currently have 31 vacant positions. After taking office I learned that the Office often left positions unfilled and had senior personnel performing more than one critical job. For example, the Deputy Treasurer was also Assistant Treasurer for cash management. Also, one person serves as Assistant Treasurer for the Second Injury Fund Division and Assistant Treasurer for the Unclaimed Property Division.

Also, the Chief Compliance Officer simultaneously served as Assistant Treasurer for Policy. This is no way to manage properly a multibillion-dollar operation.
Additionally, the Treasury was assigned the responsibilities on new boards and commissions such as the Municipal Accountability Review Board of which I'm Co-Chair, the Pension Sustainability Commission and the Retirement Security Authority to name a few without additional staff or resources.

We've reached the limits of how far we can tap into non-general fund sources to meet our mission. At the same time, I have a duty to build and, in some cases, rebuild an office that performs these essential functions.

That is why I ask for your support of a modest budget increase of approximately $250,000 dollars for additional staff support. I would be happy to discuss this request in more detail during the Subcommittee workgroup process.

Additionally, the Treasuries efforts to date in implementing a Connecticut program to offer tax advantage savings accounts to individuals with disabilities has been hampered by the lack of dedicated funding.

Legislation to allow Connecticut to create these able accounts was enacted in 2015 and assigned administration of this program to the Treasury without an appropriation.

The Office requested 160 thousand per year to get a Connecticut program launched and available to our residents. I would like to reiterate that request and would be happy to provide additional information during the Subcommittee working group process.
Thank you for the opportunity to offer input on the Governor’s proposed budget and I’d be happy to take your questions.

SENATOR OSTEN (19TH): Thank you very much for coming today. It's a pleasure seeing you. So, I just want to talk a little bit about the full-time positions and so, you have total authorized positions in 2019 as 153 on the sheet that you handed out in your testimony and 45 in the State Treasurers budget recommendation. Are there other positions some place else? Everybody else is handing you paperwork now.

SHAWN WOODEN: The numbers, 45, I'm sorry, can you repeat the numbers you just referred to?

SENATOR OSTEN (19TH): Yep. So, well, actually I have a couple of different questions. So, you have agency request permanently full-time positions 45 and one for the special transportation fund. And then my question on that is, of those 45, are all of them funded in the personnel service line item that you have? Is the first question.

And then the second question on that is, of those 45 that are in the budget, on the personnel services line item, how many of them are not funded? Not filled? Excuse me.

SHAWN WOODEN: There are currently 31 unfilled positions.

SENATOR OSTEN (19TH): 31 unfilled positions that are not included in the number 45. So, you have two different sheets here. You have this sheet right here that was part of your testimony?

SHAWN WOODEN: Yes.
SENATOR OSTEN (19TH): And it says 153, and then you have the sheet that is the General Government B sheet that we work on fulltime equivalent and that has 45. So, I'm trying to reconcile those two numbers so --

SHAWN WOODEN: Right. So, let me, on 45 are the number of general fund positions.

SENATOR OSTEN (19TH): Yep.

SHAWN WOODEN: And of that 45, 37 are filled.

SENATOR OSTEN (19TH): Okay. And of those 45, how many of them are included in the personnel services line item on the general fund?

LARRY WILSON: Madam Chair, Larry Wilson of the Treasurers Office.

SENATOR OSTEN (19TH): This is not, just so you know, I'm not just picking on you, I've been picking on everybody today, I'm just trying to get a correct number of the amount of people that we're actually hiring in the State, I just don't --

SHAWN WOODEN: Yes.

SENATOR OSTEN (19TH): -- so I think our numbers are not, we don’t, the formula that we have here doesn’t give anybody any choice, so I'm trying to understand the choices of it, so.

SHAWN WOODEN: And just so you know, I don’t feel picked on.

SENATOR OSTEN (19TH): Okay, good.

SHAWN WOODEN: You're asking appropriate questions, so this is Larry Wilson our until tomorrow Interim
Deputy Treasurer and also for the last 18 months Assistant Treasurer for cash management.

LARRY WILSON: Madam Chair, of the 45 general fund positions that are authorized as of today 37 of those are filled, two of those with eight vacancies, two of which are funded. The remainder are not.

SENATOR OSTEN (19TH): So, six are not included in the agency requested budget?

LARRY WILSON: One more is included in the requested budget, one less is included in the OPM or the Governor's recommended budget.

SENATOR OSTEN (19TH): I'm assuming that's a one in the special transportation fund is filled?

LARRY WILSON: That's correct. Actually, two positions were requested in the Governor's budget process, they were not included in the budget. Let me clarify that.

SENATOR OSTEN (19TH): Okay. And the other positions are in what part of the budget and how are they, do they show up someplace in the documents that we have here?

LARRY WILSON: I'm not familiar with what documents you have in front of you. I'd be happy to rundown for you within our pension fund's management division, which manages the State's Pension Funds and Trust Funds, there are 32 positions.

Our short-term investment unit --

SHAWN WOODEN: And to be clear, as you rundown, those are not included in the General Fund count, so just to clarify.
LARRY WILSON: That's correct.

SENATOR OSTEN (19TH): Kind of like the banking fund or the insurance fund paid for with different funds.

SHAWN WOODEN: Correct.

SENATOR OSTEN (19TH): The same mechanism, just doesn't show up on what I have here. So, are they considered State employees or are they considered part of just --

LARRY WILSON: They're certainly State employees that are just funded through the Pension Funds and the assets of the, an income of the pension funds and trust fund.

SENATOR OSTEN (19TH): Okay. So, 32 are in the pension fund?

LARRY WILSON: And by the way, those are total positions. There's 10 vacancies among those.

SENATOR OSTEN (19TH): Okay.

LARRY WILSON: Within the short-term investment unit we have seven positions with one vacancy. Unclaimed property fund or division, we have 25 positions with four vacancies. And we'd be happy to provide this in a written format for you.

SENATOR OSTEN (19TH): That'd be great.

LARRY WILSON: And within the second injury fund there are 39 positions with eight vacancies.

SENATOR OSTEN (19TH): And when you say vacancies, you have 39 that are filled and eight more?

LARRY WILSON: Other way around. 39 total.

SENATOR OSTEN (19TH): Okay.
LARRY WILSON: 31 filled.

SENATOR OSTEN (19TH): Okay.

SHAWN WOODEN: Yes, because technically, 39 authorized positions and then filled and vacant of those that are authorized.

SENATOR OSTEN (19TH): Okay. So, that's 32/7, 25/39

LARRY WILSON: One for the special transportation fund, which we've discussed.

SENATOR OSTEN (19TH): Yep.

LARRY WILSON: And then four within the drinking and clean water fund. One of which is vacant. So, three are filled, one is vacant. Total of four.

SENATOR OSTEN (19TH): Okay. Unless I'm missing it, I just don't see a sheet on that, so.

SHAWN WOODEN: We will provide that.

SENATOR OSTEN (19TH): That would be great.

LARRY WILSON: Luckily, we have one in front of us, you don't, I'm sorry.

SENATOR OSTEN (19TH): That's okay. I try to do shorthand, I'm not really good at shorthand, never passed typing either.

LARRY WILSON: So, the total comes to that 153 that is on that other page that we gave you and the 31 vacancies and one, well, we actually have 32 vacancies and 121 filled as of today.

SENATOR OSTEN (19TH): And that 122, that incorporates both the general fund and the other fund all together?
LARRY WILSON: That's correct. That's correct.

SENATOR OSTEN (19TH): Okay. So, on your special capital reserve fund proposal for the Teacher's Retirement, this is something that we've been struggling with for a while anyways, so if you could just go into a little more detail on what you mean by that and where does that 381 million dollars come from?

SHAWN WOODEN: So, the special capital reserve fund is modeled off of a reserve fund that's been utilized in the State for several years to provide support to financings for, you know, some of our quasi-public agencies. And this would be a fund initially capitalized or funded with the current year projected surplus.

So, 380.9 million of the, I don't know if it's in excess of 400 or 500 or so million that's projected for current year. So, that would be the funding mechanism initially and if that was ever drawn upon and the purpose of that fund is to address just to take a step back as a number of you may recall discussions in the past regarding restructuring around the Teacher's Pension Fund it's gotten bogged down over the issue of the potential to violate our bond covenant. Pension obligation bonds were issued in 2008 that contained a covenant that said the State would not make certain changes to the annual contributions formula to pay into the pension system absent certain circumstances.

So, it restricted the State's ability to restructure absent to two provisions. One is the Governor declaring an emergency and getting approval by three fifths of both chambers of the House. The other
provision was unless you make adequate provision for the protection of bond holders. We have developed a proposal that starts with, you know, as the Treasurer's Office, we're not going to support anything that would violate our covenant with bond holders.

So, in order to do that we've created this special reserve fund going back to the start in order to provide that protection for bond holders in the event for their repayment of the debt to them. This has been, in other context it's been used very effectively in the State and viewed very favorably by the credit rating agencies and so that's what we've built for this as well as a mechanism using lottery system revenues potentially if that was ever drawn upon to replenish that fund.

So, that's how it works. You know, if using our past experiences as any model, we would not anticipate that that fund would be drawn upon at any point, but it would sit just in reserve. And eventually when the bonds are totally paid off, those funds plus any interest or earnings on that would go back into the General Fund or reserve fund.

SENATOR OSTEN (19TH): So, would they go, but if they, if we pass this and this, you know, would the intention be for that to go into the State's rainy-day fund? Would that be where that, that we agree that that's where that would go into so that -- or would we use that 381 million with whatever interest -- but how many more years do we have to pay on the --

SHAWN WOODEN: That would be -- is it an additional 17? Yeah, an additional 17 years.
SENATOR OSTEN (19TH): So, would that go into the rainy-day fund or be used to pay down --

SHAWN WOODEN: Oh, I'm sorry. Actually, that's not correct. No, no. It's an additional, right, so we are decoupling --

SENATOR OSTEN (19TH): Yep.

SHAWN WOODEN: -- right? The repayment of the bonds, which is 2032.

SENATOR OSTEN (19TH): Okay.

SHAWN WOODEN: That will remain as is, right? So, they will get paid off, you know, exactly when they expect it to be paid off. The unfunded liabilities that's what's being reamortize and stretched over in an extended period of time, so that's the 17 year --

SENATOR OSTEN (19TH): Okay. So, just on the 381 million for a second, that's the one that I'm just --

SHAWN WOODEN: Yeah, so when the bonds are paid off that would go to the Reserve Fund.

LARRY WILSON: Rainy day fund.

SHAWN WOODEN: Rainy day fund.

SENATOR OSTEN (19TH): Rainy, whatever we want to -- I was trying to figure out what am I going to call it, rainy day fund, fund balance, I don’t really care -- would it be better and just a question, and would it be better to use that money to pay down something? To pay down State employee or to pay down -- would we get a better bang for our buck on the 381 million dollars to pay down debt service or any one of the other obligations that we have. It's
a question that I'd just like to understand. No. They're saying no behind you.

SHAWN WOODEN: I mean I think ultimately, like you have a lot of moving pieces here. Right? And whatever it goes into the rainy-day fund, right, are available essentially for how the Legislature choose to appropriate that.

SENATOR OSTEN (19TH): That's another question I have, but I don't know that now is the appropriate time, but we are not allowed to take out of the rainy-day fund until it gets up to 15 percent now, is that true? Under one of the caps that we have.

SHAWN WOODEN: Repeat that. Right. It's deficiencies its available for coverage, but not additional appropriations.

SENATOR OSTEN (19TH): Okay. And is part of the proposal to take the return on investment down from eight percent to 6.99 percent?

SHAWN WOODEN: Yeah, so and I'm glad you raised that, because that's a critical part of doing this, 8 percent is just simply out of line with anything that is realistic in the marketplace in terms of expectations and so this would provide essentially the Legislature with the flexibility to accommodate that change and the Teacher's Retirement Board, you know they've been informed and the Chair of doing this, the Teacher's unions, so there's a lot of support for doing this, but doing it in a way that doesn't essentially exacerbate problems with the operating budget.

SENATOR OSTEN (19TH): And who has the authority to do that? Does that have to have sign off by the two
teacher's unions and the Chair of the Teacher's Retirement Board? Or is that a function of your office? Or is that a function of the Legislature?

SHAWN WOODEN: It's the Teacher's Retirement Board that sets that number. I am a member of that Board.

SENATOR OSTEN (19TH): Okay. Is there a Board that you're not a member of? Just wondering.

SHAWN WOODEN: Okay. So, at least that message has broken through here.


SHAWN WOODEN: So, with the -- which is made up of Representatives of the Teacher's Unions are also on that Board and so with the support of the Teacher's Unions, my office, the Governor, moving that number is achievable.

SENATOR OSTEN (19TH): And so that the intention is 6.99 that number that we should be at, is that reasonable for us to go down from 8 percent to 6.99, is that an achievable number? Or is that still too high?

SHAWN WOODEN: That's a very good question. I believe, yeah, I've been very critical publicly as it relates to these numbers.

SENATOR OSTEN (19TH): Right.

SHAWN WOODEN: I believe we could go down further than 6.9 percent. I don't know, right, it's the balance between --

SENATOR OSTEN (19TH): Can we afford that.

SHAWN WOODEN: -- the fiduciary for the pension system, you know, I want the State making more
contributions into that system and certainly making actual, real actually determine necessary funding for this. Can the State afford it? I don't know the answer to that. Or I have a guess.

SENATOR OSTEN (19TH): So, we'll get a sheet on the numbers of the employees that are in these other funds and maybe a little bit more on the scare funds so that we could see what we're doing and what maybe a written understanding on what we're going to do once that's paid back to where that's going to go.

SHAWN WOODEN: Yes.

SENATOR OSTEN (19TH): So that people can see it and include in there that it's from that part of it is that return on investment going from 8 percent down to 6.99 percent and if there's any analysis available to bring it down to 6 what that number would look like just so that I can understand the possibility of that number, not saying that I'm recommending that or even asking for that, I would just like to understand what are the real dollars that we would have to pay in order to bring it down to that 6 percent number.

SHAWN WOODEN: Yeah, we can get that for you.

SENATOR OSTEN (19TH): That would be great. Are there any questions? Representative Gilchrest.

REP. GILCHREST (18TH): Thank you, Madam Chair. Good to see you. I have a question about ABLE. I'm wondering were there in the Legislation back in 2015, were there requirements or restrictions on what those dollars were spent on from the savings account?

SHAWN WOODEN: In terms of an actual ABLE program?
REP. GILCHREST (18TH): Yeah.

CHRISTINE SHAW: Good afternoon, Christine Shaw from the Treasury. The 2015 legislation directed the Treasurer to establish a program, no accounts have been set up and no program has been established because there was no appropriation.

REP. GILCHREST (18TH): But there was no guidance on what then those dollars could be used for for folks if they opened those accounts?

SHAWN WOODEN: So, ABLE is modeled on Federal Legislation.

REP. GILCHREST (18TH): Okay.

SHAWN WOODEN: And so, the framework of what those dollars can be used for are federally based.

REP. GILCHREST (18TH): Okay. And then just a quick follow-up. What would you use the 160 thousand for?

SHAWN WOODEN: Investment consultants, this is, right, these are investment accounts, right? Putting money in, so I know that's one of the categories. What are some of the additional ones?

CHRISTINE SHAW: There would be fees associated with the legal costs for the disclosure documents. This is a program that is modeled after 529a, the section on the Internal Revenue Code and it's very similar to the College Savings Plan that exists.

So, if you're familiar with CHET and the array of investment options there are a lot of administrative costs associated with ensuring that the investment of vehicles are appropriately evaluated and that the structure is consistent with Federal and State Law.
REP. GILCHREST (18TH): Thank you.

SHAWN WOODEN: Thank you.

SENATOR OSTEN (19TH): Representative Gilchrest all set?

REP. GILCHREST (18TH): Yes.

SENATOR OSTEN (19TH): Thank you. Representative Zawistowski.

REP. ZAWISTOWSKI (61ST): Thank you, Madam Chair. Thank you for being here today. I have a question concerning the changes to municipal debt restructuring having to do with the Hartford bailout. And I asked OPM a similar question as well. I'm trying to reconcile what is in the OPM budget sheets versus what is in your budget sheet. There seems to be a little bit of a gap I'm trying to fill in here.

We have the Hartford debt repayment schedule, but I'm not -- what we're showing on OPM is 20 million dollars a year, so there's a gap there, I was hoping you might be able to help me out on possibly explaining a little bit further about the program of municipal debt restructuring.

LARRY WILSON: For the current year we will be spending roughly $43 million dollars, $20 million of which was transferred to our budget by OPM. $20 million was included in our budget, there was some carryover funds from last year and we may need to come to FAC for a small transfer between accounts within our debt service budget. That's for this year.
For next year, the amount included in the budget is $46 million dollars.

REP. ZAWISTOWSKI (61ST): Yeah, I also see that we've got a restructuring, I mean a schedule here of the debt going into the future, I just have some serious concerns about it.

Another question on the testimony itself, this is something that just came up while I was taking a look through it. There's a statement under the debt service budget, we are working with OPM to consider a delay in statutory provisions requiring the application of bond premium for project costs instead of debt service payments.

Could you explain why this is a concern? I mean, I'm concerned about it, but could you explain it for the Subcommittee please?

SHAWN WOODEN: So, in the debt service budget it does not account for the implementation I believe effective July 1 of this year.

LARRY WILSON: That's right.

SHAWN WOODEN: It was a piece of legislation passed last year related to the new bond authorization generally. Within that legislation there was this provision that said effective July 1 of this year the bond premium had to be utilized in a different way than how we have historically, the State has historically used it. And instead of repaying interest that had to be shifted to other projects or repayment of principal.

That was not accounted for in the proposed budget of the Governor and so therein lies a disconnect and if that is accounted for and to comply with that, the
debt service budget would need to increase pretty significantly. Because of that we, it's our recommendation to simply delay implementation for this biennium and plan for that to put it in place.

REP. ZAWISTOWSKI (61ST): Do you have any sense of the magnitude of the numbers involved?

SHAWN WOODEN: Yes.

SARAH SANDERS: Good afternoon, I'm Assistant Treasurer, Sarah Sanders of Debt Management. So, as Treasurer Wooden indicated we do see a shortfall versus what the Governor has proposed and that shortfall utilizing the methodology in place currently using premium to pay interest is $31.5 million in 2020 and $13.5 million in 2021.

If we were to shift to using premium to pay project costs, we wouldn't have it available to pay current interest. And that would have an impact on the difference that we have between the Governor's budget pretty significantly, it would go up to $51.2 million in 2020 and $95.9 million in 2021.

So, as Treasurer Wooden suggested we're working with OPM on the concept of delaying the effective date of that for two years given the budget challenges and to allow more time for the transition to a new methodology.

REP. ZAWISTOWSKI (61ST): Okay. What happens after the two years?

SHAWN WOODEN: It would need to be budgeted for.

REP. ZAWISTOWSKI (61ST): Okay. So, yeah, that's a pretty significant difference. And you said you're working with OPM too on that?
SARAH SANDERS: Yep.

REP. ZAWISTOWSKI (61ST): Okay. Thank you very much.

SHAWN WOODEN: Yeah, and then the process as we go forward, you know, we're happy to update the committee on kind of where that is and kind of the ultimate kind of recommendation.

REP. ZAWISTOWSKI (61ST): Yes, thank you. Yeah, you said you had mentioned that in your testimony and I'm sure we'd all be appreciative of that. Thank you very much. Thank you, Madam Chair.

SENATOR OSTEN (19TH): Thank you. Before we go on to Senator Lesser, just for a quick second, we talk about the money that we appropriated or granted in quotes to Hartford. Have you ever looked at the numbers on PILOT, if we had been funding PILOT at the statutory level, are you aware that Hartford would have been getting $50 million dollars more per year --

SHAWN WOODEN: Yes.

SENATOR OSTEN (19TH): -- if we had done the -- and we haven't funded that correctly since the year of 2000.

SHAWN WOODEN: That's correct.

SENATOR OSTEN (19TH): For PILOT State prop-- , for PILOT for property that we have taken off of the tax rolls. So, essentially if we had been paying PILOT at the statutory level, not even at a 100%, but just at the statutory level, Hartford would have been getting $50 million more dollars per year from the State --

SHAWN WOODEN: That's correct.
SENATOR OSTEN (19TH): -- to fund them.

SHAWN WOODEN: Yes.

SENATOR OSTEN (19TH): Right? It's sort of frustrating to me because then we talk about this, but really if we had been able to fund our obligations back then we wouldn’t be in the position we're in right now.

SHAWN WOODEN: No, that's accurate.

SENATOR OSTEN (19TH): So, thank you. Senator Lesser.

SENATOR LESSER (100TH): Thank you, Madam Chair and thank you Treasurer Wooden for your testimony. It's good to see you up there. My questions sort of start by following up on some of the questions we heard earlier from Representative Zawistowski.

Are your concerns regarding debt service, they apply across the board, it's not just to the debt service, but also to UCONN 2000, is that --

SHAWN WOODEN: They apply, are these limited to general obligation?

SARAH SANDERS: Yes.

SHAWN WOODEN: Yeah, these relate to general obligation debt service.

SENATOR LESSER (100TH): So, your belief is that other bonds of the State, debt service figures are appropriately budgeted?

SARAH SANDERS: Yes, we do. The UCONN 2000, the municipal restructuring, cheaper childcare, some other things that are separate line items as well as the special tax obligation bond budget.
SENATOR LESSER (100TH): Okay. And so, is it, so we're currently trying to forecast in the future two years expected bond premiums and that is something that we -- that's reflected in the OPM budget and we're counting on those here?

SARAH SANDERS: Yes.

SENATOR LESSER (100TH): Okay. And then that legislation that's set to take effect would restrict our ability to do that, is that correct?

SARAH SANDERS: There's currently, yeah, a provision that would go into effect July 1, 2019, it would change that and have us use it for projects, but as I said, we're looking at delaying that.

SENATOR LESSER (100TH): Yeah, and to be clear, right, and maybe this is what you mean, we would still utilize, we would still receive bond premiums when we do financings and utilize them for State purposes, but it would just go for different reasons and paid on principal possibly we'd end up borrowing less as a result of it, yeah. Thank you. And I noticed that there is a lot of your written testimony at least is focused on the operations of the Treasurer's Office, which I understand is a focus and it ought to be.

With regard to Representative Gilchrests' questions on ABLE, the last conversation I had with your office and this predates your tenor as Treasurer, I think the office was anticipating piggybacking on the programs of another State, are those conversations still underway or is that something that can't happen unless we make that appropriation?
SHAWN WOODEN: Those conversations are still underway. In connection with those conversations we would still need an appropriation. There is a question about, it is mechanically doable to utilize another State and we may end up there, but there is still a question as to the degree of work that we will need to do to one; be comfortable with that, two; have oversight because we're still talking about our Connecticut residents and directing them to another program.

SENATOR LESSER (100TH): Thank you. The tax bill that passed last year, the Tax Cuts and Jobs Act had a major change to the operation of 529 accounts like CHET and I know allowed for the use of those accounts to pay for K-12 tuition, is that something that's currently being done right now as far as you know with regard to with CHET accounts? And if so, do we have any sense on what that fiscal impact to the State is for that change? That question by all means if there is somebody behind you who has the answer to that, please.

SHAWN WOODEN: So, I'll take a stab at it and then they can jump forward if I've been insufficient. Yes, it's being utilized, right, so the federal change widened the scope of views of it and we don’t I believe have numbers on, you know, how that has expanded the universe of participants because of that change. Right? Because I think that's where you get into kind of the cost of that expansion, you know, making it more attractive to certain people to participate in that, but I don’t believe we have numbers.

SENATOR LESSER (100TH): And I'm sensing, I know that Senator Osten is very protective of making sure
that this committee doesn’t stray into the finance side of the budget, but to the extent that that could have an impact on the general fund revenues of the State if people are now tax sheltering their K-12 tuition and they hadn't been last year I would hope that that's budgeted somewhere so we could see how much that's affecting our bottom line as a State. And I know that might be a finance question.

SHAWN WOODEN: And let me just note that that is something that we have discussed and just it's a broader policy question in terms of what they've done at the Federal level and whether or not that's a good use of tax dollars.

SENATOR LESSER (100TH): I appreciate that. You're asking for about a quarter of a million dollar increase in your personal services line in the office. Would that correspond with the reduction in -- I know that there are also consultants and whatnot that are used by that office. Do you anticipate a reduction or how do you sort of see the appropriated parts of the office lineup with non-appropriated and outside staffing? I'm just trying to get a Birds-eye view of what we're looking at.

SHAWN WOODEN: I don’t necessarily, right, so there’s a separate question as to the usage of outside vendors and consultants and the prudence of kind of reducing that while getting better fees. Right? So, I'm going to separate that from this request in terms of the appropriation. This is unrelated to that. And this is to better function, better serve to not have multiple hats, individuals running divisions, you know, important divisions in multiple hats to deal with vacancies, and so it's different types of services.
SENATOR LESSER (100TH): Right. I appreciate that. And I appreciate your answers and I'm well aware of all the boards that you serve on, I don't think anybody has given a shout out to chief in CHESLA and your work to help make college affordable, but I think you are on more boards than just about anybody else in this building, so thank you for all of that.

SHAWN WOODEN: Thank you.

SENATOR OSTEN (19TH): Representative Lavielle.

REP. LAVIELLE (143RD): Thank you, Madam Chair. Good afternoon. Thank you for being with us. A few questions on the debt service side of all this. With the pension, the teacher's pension. What is the total increase in the debt service cost or whatever we want to call it of extending this from 12 to 30 years? What is the additional cost to us in doing that?

SHAWN WOODEN: The cost on the pension obligation bond, there is no extension of those 2008 pension obligation bonds.

REP. LAVIELLE (143RD): Understood. But there's still an extension of the payments, the schedule of payments.

SHAWN WOODEN: Right. So, the schedule of payments into, it's the employer contribution.

REP. LAVIELLE (143RD): Yes.

SHAWN WOODEN: That's schedule, so it would just delay the date of full funding of the pension system. So, there's no, this is not a refinancing of debt where you get a lower interest rate, but you pay that interest rate over a longer period of time.
So, this is just bringing our full funding up over a longer period of time.

REP. LAVIELLE (143RD): Yes. So, the mechanism that allows you to do that rather than, what is -- and I understand the bit about the covenant and the amount that you have put aside to allow this to happen. But from one day to the next you can't just decide okay, hey, I'm going to delay most of the payments and that way they will not balloon at the end like they're doing now. There is a mechanism that allows us to that, yes?

SHAWN WOODEN: Yes, there is a mechanism. That's correct.

REP. LAVIELLE (143RD): And I'm not talking about the one for the bond covenant. But there's got to be some cost involved in this as there was with the SCRS?

SARAH SANDERS: Sarah Sanders. Because we're taking, we're going to have savings over the first 13 years, then higher costs over the remaining 17 years, which makes sense. And on a nominal basis it totals to a large dollar amount of $15.6 billion, and this is really just working off of OPM's numbers.

However, what I would say is with such a long-time horizon you need to really bring everything back to the same dollars, current dollars and in the case of this plan the cost of money is 6.9%, so if you present value that nominal total difference over 30 years and bring it back to today's dollars it's $1.9 billion. Because when you have such a long-time horizon you need to look at the cost of money.
REP. LAVIELLE (143RD): I understand. Yeah, I understand that. Thank you, I've been wanting to know about that. So, that's very useful. And what actually is, I should know this, but what is the total of that pension obligation? Just as it stands now.

SARAH SANDERS: The remaining outstanding of the pension obligation bonds?

REP. LAVIELLE (143RD): Yeah.

SARAH SANDERS: Still about $2 billion I believe.

REP. LAVIELLE (143RD): But not of the bonds, but of the, of all of those contributions --

SHAWN WOODEN: The unfunded portion?

REP. LAVIELLE (143RD): Yes, the unfunded level.

SHAWN WOODEN: About $13 billion.

REP. LAVIELLE (143RD): Okay, thank you. Thank you very much for that, that's very useful. It's a little bit difficult, I've noticed from some of the questions and just trying to trace some things back to the sheets and we don't have to do this now, but for our workgroups, just to get a good handle on the differences in the debt service lines, just exactly what and I don't want to veer over into bonding, but the debt service that we have in the budget lines here, are those the correct ones in both the STO lines and also what the principal amount is that they're related to?

SHAWN WOODEN: Okay. We'll be prepared to go into detail during the working group process.
REP. LAVIELLE (143RD): Great. That will be useful particularly on the transportation line, but not exclusively. And then something else. In the policy revisions under reduced general obligation bond issuance, it says that the Governor estimates a result in reduction in general fund debt services $14 and $64 million dollars respectively. That's because those will not be used for transportation purposes, but they will not be used at all? Is that the inference I should draw there?

SARAH SANDERS: Could you repeat the question?

REP. LAVIELLE (143RD): Sure. It seems to indicate under the general obligation fund issuance policy revisions that there will be a reduction in debt service to the general fund because some of the GO bonds that were to be used for transportation purposes will not be, so there won't be any debt service on those bonds at all because they won't be, because they're not going to transportation they're not going to be used for anything. Am I reading that properly?

SARAH SANDERS: Yes. My understanding is, you know, there was authorized in legislation $250 million per calendar year of GO bonds for transportation, kind of a new concept, but my understanding is that's not provided for in the debt service budget.

REP. LAVIELLE (143RD): Okay. I had thought I read that in the budget itself, but I just wanted to be sure I was understanding that properly. Okay, thank you very much.

SHAWN WOODEN: Thank you.

SENATOR OSTEN (19TH): Representative Baker.
REP. BAKER (124TH): Thank you, Madam Chair. It's good to see you Secretary, I mean Treasurer. So, I know you talked, a lot of my questions were answered. So, I'm just going to be very brief. I know you talked a lot about positions and some of the questions were asked and you tried to give as much of a synopsis on the different positions.

You asked for some increases in the positions, can you provide this committee during the work session with just a breakdown on the additional monies that you're asking for and what those positions are going to be? And also, you talked a little bit about I guess you're utilizing some outside services, am I correct that you wanted some additional monies for? Is that correct?

SHAWN WOODEN: No. With respect to the outside services we're not asking for additional funding. And in fact, that might be an area we're, you know, where we get potential savings over time.

REP. BAKER (124TH): Okay. All right. Well, if you could just provide, you know, those positions, I would appreciate it. Thank you.

SENATOR OSTEN (19TH): Thank you. Senator Formica?

SENATOR FORMICA (20TH): Thank you, Madam Chair. Good afternoon, sir.

SHAWN WOODEN: Good afternoon, Senator.

SENATOR FORMICA (20TH): Welcome. Thank you for your service and congratulations. We appreciate the opportunity and I look forward to working with you getting through this.
My question is around debt service and I see the Governor has indicated he's reducing the amount of bonding that he's going to do by, is it $300 million in taking a savings on I think the principal and interest payments in year one of $14 million and then a larger number, I think it's $60 some odd million in year two.

So, I just want to understand how that savings would manifest itself so quickly? This doesn't, he's not bonding the $300 million, but we have debt service already in the cue that's determined to be paid for this year on bonding debt that we've already done, right? Just because he's not going to bond anymore, I think it would probably create some savings in my mind in the future. But I don’t know how it makes that savings in year one. So, I'm a little confused about that and I'm hopeful that we can have those savings, because savings are always a good thing. But I'm not sure how it's affected so quickly.

SARAH SANDERS: Well, we weren't able to exactly get to OPM's total numbers, but in general, when you reduce --

SHAWN WOODEN: We have not been able to yet in terms of the kind of the detailed basis.

SARAH SANDERS: But speaking generally, reducing issuance does have a little bit of a lagged affect as you indicated, because the principal doesn’t get paid until a year later and interest is semi-annual, so accounting for all of that we as I indicated earlier, we are using the methodology that OPM used. Reducing issuance of GO bonds to $1.6 billion per year for the next two years. We are close, but $31.5 million from 2020 and $13.5 million from 2021.
That's the difference between our estimates using the OPM issuance amounts and methodologies.

SENATOR FORMICA (20TH): All right. And would you say those numbers again, I'm sorry.


SHAWN WOODEN: So, our numbers are slightly higher.

SENATOR FORMICA (20TH): You're actually showing more savings, which would be --

SARAH SANDERS: No, no, no.

SHAWN WOODEN: Slightly higher debt service than what's currently reflected.


SHAWN WOODEN: And that's one of the things that we're working with OPM to resolve.

SENATOR FORMICA (20TH): Okay. So, it's still up in the air as a work in progress.

SHAWN WOODEN: Yes.

SARAH SANDERS: Yes.

SENATOR FORMICA (20TH): So, I'm not totally off base by asking a question like that.

SHAWN WOODEN: Correct.

SENATOR FORMICA (20TH): Okay, great. Thank you. And then with regard to the Hartford pay, are we still splitting it, $28 million and $20 million or some ratio like that with OPM? Because the number I think matches in '19, which is $48 million, but it's
different in '20 and '21. And is that part of the --

SARAH SANDERS: It's 100% funded out of our budget for '20 and '21.

SENATOR FORMICA (20TH): It's 100%. And these numbers, this chart that you're showing, the $48 million, the $46 million, that's a debt service repayment schedule?

SARAH SANDERS: Yes, that's 100% debt service on the bonds.

SENATOR FORMICA (20TH): What's that?

SARAH SANDERS: That's 100% of the debt service on the bonds.

SENATOR FORMICA (20TH): 100% of the debt service to Hartford on the bonds?

SARAH SANDERS: The Hartford bonds.

SENATOR FORMICA (20TH): And those are annual payments?

SARAH SANDERS: Sorry.

SENATOR FORMICA (20TH): Maybe you could explain the box, how's that? And if you wouldn't mind or I don't know how much time we have.

SARAH SANDERS: Okay. Well, as you know, there's a contract assistance agreement where the State has agreed to pay debt service on the Hartford Bonds, it's titled Municipal Restructuring in the budget and so the amount that is provided for that in the budget is the full debt service due on the Hartford bonds.
SENATOR FORMICA (20TH): And so, this is debt service, $48.6 million and $19 and $45.7 million, $56.3 million, etcetera?

SARAH SANDERS: Correct.

SENATOR FORMICA (20TH): Okay. That's debt service payments.

SARAH SANDERS: Yes.

SENATOR FORMICA (20TH): And that's fully now paid within your department? Not split with OPM as it was in the past?

SARAH SANDERS: Correct.

SENATOR FORMICA (20TH): Okay. Thank you. And then the Governor's policy about not using GO bonds for transportation funding, you know, we pushed for a long time for the prioritized progress which we think will be a way to help, you know, the special transportation fund and provide an opportunity to rebuild our roads and bridges without taxes. Have you had a chance to analyze that plan and see if that would make it any sense in terms of the amount of bonding that we have putting forward in balancing the debt payment that you're having to Hartford and the debt payment savings that you're anticipating giving your negotiations with OPM?

SHAWN WOODEN: Yes, from a capacity perspective.

SARAH SANDERS: I'm just trying to think, there was a lot in that question, I'm trying to think of how to answer it. You're talking about the GO bonds for transportation was your first topic, right?
SENATOR FORMICA (20TH): I think what we offered to do was to eliminate some of the discretionary bonding, which I think the Governor has kind of done by omitting $300 million, but taking some discretionary bonding and using it to fund the bond transportation, which in a way is different than the special transportation fund used to do, we will take some pressure off of the fund.

And so then have a revenue screen, we had the new car sales tax to go in there to try to generate the refilling if you will of the special transportation fund so that it would be in better shape a few years down the road and we thought that that might be a better way to do that.

So, I'm just wondering if you had a chance to look if that were a possibility, it's in this budget that we're in now, some portion of it. Would the debt service as it would relate to the money to go to the prioritized progress and fund transportation, would that be a better use in budget than what we were proposing, because the special transportation fund seems to be under stress at this point.

SARAH SANDERS: Well, I guess my response would be if we, if the legislature decided they really want to do the GO bonds for transportation of $250 a year to take pressure off of the special transportation fund we would just need more debt service for that because right now there is nothing provided. I don't think we object, we just need to have the funding.

SENATOR FORMICA (20TH): All right. We may be talking about apples and oranges, but you know what? Maybe when we get into the committee, we can kind of
review some of that and I will not take up much of this committee's time and I know we have some people waiting to come talk to us. But I could have that conversation forward about debt service, special transportation fund and how do we pay for that and is there a better way?

SHAWN WOODEN: Okay, sure. And we can communicate even before that process just so when we're in the working group we can know exactly what you want.

SENATOR FORMICA (20TH): Okay. Perfect. Thank you so much, I appreciate it. And thank you, Madam Chair.

SENATOR OSTEN (19TH): Thank you. Are there any other questions? I'm seeing none. Thank you very much.

SHAWN WOODEN: Thank you.

SENATOR OSTEN (19TH): And up next is the State Comptroller. Please start when you're ready.

COMPTROLLER LEMBO: I am ready. Good afternoon, Senator Osten, Senator Formica, members of the Appropriations Committee.

I'm Kevin Lembo, the State Comptroller and I'm pleased to be before you today. I will not read my testimony, you're welcome. I will however, compliment Senator Osten on her color of her jacket, very nice. Thank you.

SENATOR OSTEN (19TH): You can't wear it on St. Patrick's Day. So, orange and green would not be approved on by my mother.

COMPTROLLER LEMBO: I have one of those too, I understand. So, just a couple of highlights I'll
focus on, one is, you know we've done a whole bunch of work on the Open Connecticut site and some of the new enhancements to that are bringing the pension payroll up and online and also the quasi-public agencies up and available as well. We're still working through that, but it's going very well.

There are also interactive tools where the public can actually engage with you and with others about their thoughts on appropriation and on finance. So, that will probably add to your emails, but I hope that that is helpful and instructive as to where your constituents are.

To reduce healthcare costs, we've instituted the smart shopper plan and we're driving as best we can employees to high quality and average to low cost providers. Quality being first of course, but costs are as you have heard all over the board. So, often people think when they're paying for one thing that they are getting higher quality and that is proving not in fact to be the case.

We have successfully transitioned 52,000 Medicare eligible retirees over to Medicare Advantage saving the State $130 million dollars year over year. And that has also led to a subsequent decrease in the OPEB liability of $5 billion.

We see adding municipalities and other non-State public employers to the partnership plan and we now have a roster of about 50,000 lives in that plan and growing, by the way, I'm coming back to you in another committee asking you for some benefit design flexibility to be able to bring even more in.

Responsibilities of the Core, the core financial system of the State continues to be enhanced and
they are taking on more and doing more with less, the workforce there is 20% smaller than it was four years ago and I am as ever concerned about redundancy, but at this point we are comfortable, very comfortable with the Governor's recommendation in his budget for our agency for the biennium.

I want to thank the Governor for the collaborative way in which he has been dealing with me and our agency as well as Secretary McCaw and her staff.

On the healthcare accounts, and I'm trying to sort of hit highlights here. One other thing before that. There was a capital budget request in our original, that does not appear in the same place in the Governor's budget of $11.4 million, that is directly related to the Core Financial System to enhance cybersecurity, software maintenance, application support and modernization of hardware. We are told by OPM that that item is being moved off to the Governor's IT capital investment fund instead and I am comfortable with that move and thank them for that.

On the healthcare fund side there are big anticipated lapses, those were not developed by the Governor's Office or OPM and out of thin air, but rather there was ongoing conversation with our office and it anticipates those lapses in $50 million in the account in year one and $135 million in year two, that's going to come from a number of initiatives including in our process now for our new pharmacy benefit manager and some of you have heard me speak about this earlier today, but some real innovation and competition in that area and having these PDM's bid against one another for our business, business that they do want. Developing
centers of excellence, make sure we in fact are encouraging high quality and low to moderate cost in providers.

Enhancing and extending State smart shopper program. Operationalizing legislation that would set maximum prices for reimbursement to facilities and to providers in the fee for service environment. Our reimbursements are all over the board, they are negotiated by a third-party administrator, but we are going to use Medicare as a benchmark and some multiplier above Medicare to try to bring some uniformity to that.

And finally, the development of wellness programs that have proven to actually save money and improve the health of our members. All of this assumes that we don’t have an influx of a whole bunch of new State employees or a new influx of new retirees and if all of that holds I think we are very comfortable with the budget that's been put before you by the Governor's Office.

I thank you for your attention and I'm happy to answer any questions.

SENATOR OSTEN (19TH): Thank you very much. And so, my first question has been the same question I've asked of every State Agency. The 277 employees that you had requested and the Governor had recommended, how many of those positions are funded in your personnel services line item?

COMPTROLLER LEMBO: 41 of those are not funded.

SENATOR OSTEN (19TH): 41 are not funded?

COMPTROLLER LEMBO: Correct.
SENATOR OSTEN (19TH): And of those that are funded, are there any unfilled positions?

COMPTROLLER LEMBO: If we get the funding, we fill the job.

SENATOR OSTEN (19TH): That's not true in other agencies. Just so you know.

COMPTROLLER LEMBO: Okay.

SENATOR OSTEN (19TH): So, all of your positions are filled. So, you have 236 give or take 26/36, I might be off on a --

COMPTROLLER LEMBO: Yes.

SENATOR OSTEN (19TH): Give or take, thank you. And the difference between your requested personnel service in the Governor's, he has put in an extra million, no well actually, probably not a million, it looks like he's just put in a little bit extra in both years, which number can you suffice with the number that you requested? Or would you prefer his couple of hundred dollars more? Give or take. You don't care?

COMPTROLLER LEMBO: Either is fine, Senator, and you know this is unusual for me to come to you and say I'm happy with the budget.

SENATOR OSTEN (19TH): I know, well, different eyes looking at different things in different ways. So, on the adjudicated claims, can you tell me where do we stand this current year? And are there any possible claims that will hit in the next couple of years?

COMPTROLLER LEMBO: Yes. I'll ask Carolyn Murcier to update you on that. She can introduce herself.
CAROLYN MURCIER: Hi, Carolyn Murcier, Office of State Comptroller. Right now, we're looking at adjudicated claims is going to be about $49.3 for this year.

SENATOR Osten (19th): Million?

COMPTROLLER LEMBO: Million.

CAROLYN MURCIER: Million. Right now, that includes a $6.5 million claim that's outstanding for the Horan case for the accident on the Merritt Parkway and also includes CVAC ruling, which we are still paying.

SENATOR Osten (19th): And it includes what?

CAROLYN MURCIER: The claims for the CVAC ruling.

SENATOR Osten (19th): So, how many more years do we have? Are we in, I thought that we were very close to paying that off?

COMPTROLLER LEMBO: I think at this point they're down to the very special circumstance, those are being certified by the Attorney General's Office and once those are certified for payment, we will make those payments. How many are in that cue?

CAROLYN MURCIER: I don't have a current, I've been asking to get it, but they have been processing them a lot and so we are down to the last ones that are the more complicated cases that they are working on and resolving. So, we are getting close. Will we be done this year? I can't guarantee that, but hopefully very soon.

SENATOR Osten (19th): Under $10 million maybe, right now?
COMPTROLLER LEMBO: People or dollars?

SENATOR OSTEN (19TH): I know it's less than 10 million people, because that I know. So, if you could get that dollar amount that you have so far and then --

CAROLYN MURCIER: Sure.

COMPTROLLER LEMBO: We'll bring it to the workgroup.

SENATOR OSTEN (19TH): One of your potential will be on that. And do you anticipate any large dollar amounts in the next two years over the biennium?

COMPTROLLER LEMBO: It is very hard as you know to anticipate claims out of the adjudicated claims account. They come sometimes in flurries and they're all tied to sort of decisions or settlements that are struck.

SENATOR OSTEN (19TH): Have you looked at incorporating and did you put a, forgive me for not knowing this, but did you put any sort of policy forward that would elude small businesses and non-profits in the healthcare partnership plan?

COMPTROLLER LEMBO: Yes. There is a Bill before the insurance committee next week that would create a public option for small employers based on the State employee plan. And so that will be before the insurance committee next week.

SENATOR OSTEN (19TH): Same thing that the municipalities participate in, would it be that plan? Or would it be another set up?

COMPTROLLER LEMBO: I think we need some benefit design flexibility there as well to be able to
really attract folks into that. So, it would not be exactly what the partnership is offering now.

SENATOR OSTEN (19TH): And would the small business also include the not for profits?

COMPTROLLER LEMBO: Yes.

SENATOR OSTEN (19TH): Or is that different?

COMPTROLLER LEMBO: Yes, it would.

SENATOR OSTEN (19TH): So, how are you planning on expanding smart shopper on the site of service programs?

COMPTROLLER LEMBO: So, we're in active negotiation, as you know, Senator, we have almost always relied on our third-party administrators to do all the interaction between the hospitals and the provider groups.

We had stepped more into that space in the last few years, we are actively negotiating for contracts where provider groups for example bare some risk and are in charge of the specific population and that's going very well and we're hearing from both hospitals and provider groups that they would rather deal with us directly. I'll leave the why to that on the side for a moment.

So, we have been expanding the group of people who are in being seen in provider practices that are part of these accountable care organizations. We are doing more with hospitals in centers of excellence around different procedures. We are working with some, I'm sorry, on surgeries that are maybe frequent, but may not always have the outcomes that we would all anticipate in trying to think of
alternative modalities for those folks, for example, back surgery versus intensive PT and acupuncture and/or chiropractic or whatever else may give someone relief, all those things together will, the expansion of that will give us some additional standings.

SENATOR OSTEN (19TH): And are you looking at rolling this out in other States?

COMPTROLLER LEMBO: Rolling it in other States?

SENATOR OSTEN (19TH): So, the smart shopper plan and the site of service programs, would it work where we have a preponderance of retirees?

COMPTROLLER LEMBO: Retirees for example? A little tough. Because we have, our reach is limited when we get outside of the boundaries of the State as is any influence, we may have to get folks to come to the table. And keep in mind that when you look at the population that is out of State generally, they are retirees and generally those retirees are already on Medicare Advantage, which puts them in a whole different group.

We're talking about right now active employees, there are some young ones that are out there that are Medicare eligible.

SENATOR OSTEN (19TH): I don't know I'm retired, hazardous duty, but I don't consider myself young, so. Of course, I'm not out of State either, so. And on your proposal for achieved savings in hospital and physician services, what do the current contacts, when do the current contracts for the hospitals expire?
COMPTROLLER LEMBO: They're all different based on when the third-party administrator has contracted with them last. So, those are revolving contracts, they will come up at different times, many of them do already have provisions that would allow us to go in and renegotiate terms for this limited population.

SENATOR OSTEN (19TH): And how does this work for a lot of the hospitals had bought up many of the independent physicians and surgical centers, how is it working in that regard?

COMPTROLLER LEMBO: I would safely say that the vertical integration of the healthcare system that you describe has not really brought savings and instead in many cases has introduced new costs like facility fees into the mix that were not there before. So, the promise of those mergers I think generally had not been realized. There are some examples of success, but.

SENATOR OSTEN (19TH): And what percentage of Medicare are you looking at?

COMPTROLLER LEMBO: I don’t know the answer to that yet, we've begun conversations with hospitals and I have a couple of meetings next week.

SENATOR OSTEN (19TH): In regards to miscellaneous funds that you have I noticed in the workers compensation fund it's about less than half of what it is, you have an agent re-requested of 72 and the Governor has in 29,000, is that going to be a problem? Come on up.

COMPTROLLER LEMBO: Bob Gribban and he will introduce himself, Senator.
BOB GRIFFIN: Bob Gribban from the Office of the State Comptroller. So, what you're referencing is a gap accrual. And the numbers that were generated there are based, are done by OPM and based on history. So, we provide that historical information and they do this projection. I am thinking they probably have a very good reason for doing that and we don’t anticipate it will be a problem.

Essentially what it represents is salaries that were earned in the prior fiscal year that were actually paid in the next fiscal year and an adjustment for what that represents.

We can check a little more if you would be interested and get an answer back to you on that.

SENATOR OSTEN (19TH): Sure. Are you the person that does all of these miscellaneous accounts? Or are you just doing workers compensation?

BOB GRIFFIN: Well, all of these --

SENATOR OSTEN (19TH): The miscellaneous accounts, the regional market operation fund, the banking fund, the insurance fund, the public utility control fund, is that you? I just didn't want to let you go if you were --

BOB GRIFFIN: Actually, OPM comes up with the gap accrual changes. That is not really generated by our office.

SENATOR OSTEN (19TH): So, just so I understand this, the agency requested dollars that are in those amounts are then reviewed by the Office of Police and Management and readjusted to correctly reflect the numbers that should be in there?
BOB GRIFFIN: Do we actually request those? I don’t believe our agency actually requests information for, excuse me, ask for dollars?

SENATOR OSTEN (19TH): I just am looking at the --

BOB GRIFFIN: I know how the descriptions on the top say that.

SENATOR OSTEN (19TH): -- the form says that you requested, so I was just, who does request it if it's not you?

BOB GRIFFIN: It's OPM generates.

SENATOR OSTEN (19TH): So, OPM has an agency request then they correct it to correctly reflect?

COMPTROLLER LEMBO: They may begin with some trend and then put a number in and then go back and evaluate.

BOB GRIFFIN: So, there's an anticipated amount based on a budget and then the year, our office actually does run the process that figures out what amount of salary was paid that was earned in the old year, was paid in the new year, what kind of goods and services were actually received in the old year, but actually paid in the new year. So, there is some adjusting that goes on there at the end of the fiscal year. So, our office is actually involved in that part of the process.

All this information is then past to OPM, they look at the trend and anticipate what's going to happen in the next year.

SENATOR OSTEN (19TH): So, I think I understand that, but if you could just bring us the information
to the working group on that particular page. My last questions revolve around fringe benefits.

BOB GRIBBAN: Then I'll stay right where I am then.

SENATOR OSTEN (19TH): All right. Very good. So, I have a lot of concerns on the way we account for fringe benefits. And I think that we should account for at least have an accounting of them by tier. And the reason I say that is because we're fighting against ourselves when we talk about fringe benefits.

So, when somebody says an employee costs X, say they say the employee gets paid $100.00 dollars and their fringe benefits is $110.00, so that employee is worth $210.00 dollars. When it actually the employee is nowhere near $210.00 because 85 of those dollars are from tier one in particular. There may be some tier two dollars there, but mostly tier one.

We give a false impression to the general public that a State employee is $210.00 dollars when they're really nowhere near $210.00 dollars or $115.00, but we're not actually correctly putting out that information because a portion, a part of the debt or the unfunded liability from our tier one employees who are mostly retired, but not all onto regular active duty people.

And I think we also incorrectly, by doing that, I think that we also put at jeopardy grants that we could get for University of Connecticut, the health center, and resident State Troopers and other things. We make it so expensive that we're losing the ability to bring in dollars and so I wonder what the value is and I have a couple of ideas on sort of rejiggering that.
I know you put a letter out based on a plan and I believe it was in higher education?

COMPTROLLER LEMBO: It could have been.

SENATOR Osten (19TH): But I'm wondering if I have a, I'll use Residence State Troopers because I can understand and explain that one better. If we charge off resident State Troopers to at the salary plus, I think it's 113% of fringe is what they're getting right now. And we said to that municipality, we'll give you a grant out of the retirement fund of $35,000 dollars or a percentage of that still charging the municipalities a portion of the unfunded liability but shaving off some to make sure that that, we don't lose that program.

And would that not be a way to still live within the confines of what the Federal Government is saying we have to do with our fringe benefits? Charging everybody the same but giving grants in quotes to certain projects that are going on, which allow them to have a more reasonable and maybe more beneficial to us fringe --

COMPTROLLER LEMBO: So, you're talking about a fringe subsidy essentially or a fringe account that helps to defray the costs of the fringe?

SENATOR Osten (19TH): Correct.

COMPTROLLER LEMBO: You have done that already at the UCONN Health Center, there is an account like that that gets filled every year to help defray the costs of their fringe. That has not been the will of the legislature to date to do that in any broader way.
SENATOR OSTEN (19TH): So, one, I don’t think many people understand fringe.

COMPTROLLER LEMBO: No. We keep having the same conversation, you know, about this and I think we keep saying every year, if you want to appropriate for it please do and we're happy to sort of account for it in a different way. But and new ideas are sort of great in this area, but, you know, we blend the fringe, it goes across all State Agencies, we actually look at the lives that are in those agencies, if you just charge the rate for the employee based on their years of service and their tier, add an agency you can have wildly different sort of fringe rates and then you would be then disadvantaging --

SENATOR OSTEN (19TH): The younger people?

COMPTROLLER LEMBO: Or DSS over DCF, you know, I don’t know off of the top of my head, but they could have wildly different and that would raise a whole other series of questions about well, they're old and they're in tier one or tier two, so that's why they cost more --

BOB GRIBBAN: And let's not hire them. More or less now charge them to a funding source. There's cost shifting that goes on.

COMPTROLLER LEMBO: Think of the ARP Settlement on steroids. Right? So, I don’t want you because you've got 35 years in and you're going to hit my fringe in a way that's going to hurt my bottom line.

SENATOR OSTEN (19TH): I get that, but I know that we are actually driving both grants away for some of those organizations and we are driving, we are
increasing our costs to municipalities for programs that are beneficial to us on a public safety mechanism.


SENATOR OSTEN (19TH): And so, we will not have those programs around without having some readjustment on how we're handling this particular issue.

COMPTROLLER LEMBO: But until we reach a day, Senator, where the Federal Government will allow us to charge X program one fringe and Y program another, without running the risk of losing that that net-net of that is huge and my recommendation to the Governor would be to not entertain that unless there was some other system put in place that would create supplemental accounts for those agencies that you're concerned about and that those that get appropriated and debated on an annual basis.

SENATOR OSTEN (19TH): So, we are going to have a forum on fringe and quite frankly it's probably one of the highest parts of the budget and the least understood piece of the budget and sort of mushy on how we're figuring it out. So, I just want to let you know that I'm looking at a variety of ways, I'd be interested in a variety of ways that we could handle this particular issue. I just think that we're putting at risk some very good programs and I also think that we unfairly demonize state employees by putting out that a state employee is worth that $215.00 dollars when really, they're only worth $115.00 dollars.
COMPTROLLER LEMBO: Agreed. Agreed, Senator.

SENATOR OSTEN (19TH): All right.

BOB GRIBBAN: It's in the, we report in different place what the actual relative fringe is based on the tier. It's just not --

SENATOR OSTEN (19TH): So, on your open government do you use normal costs as an explanation or do you use normal costs, I believe that you use the accelerated.

COMPTROLLER LEMBO: I think we put a note, there's a note to the file, but it does use the same rate that we're using for everything else. I'll doublecheck that.

SENATOR OSTEN (19TH): Yeah, I think that that's disingenuous to the regular public for them not understanding, because they look at your numbers and think that that's exactly what a State employee comes and costs and so I think that that makes it really hard.

COMPTROLLER LEMBO: Disingenuous I would be careful, Senator, but I think we're trying to present the best information we can. And we'll take a look at that again.

SENATOR OSTEN (19TH): Well, maybe we need to put on that same line real cost and fringe benefit cost.

COMPTROLLER LEMBO: I think that actually is there. But I will go back and look because we had that debate.

REP. HADDAD (54TH): Thank you. And I appreciate that last conversation. I think there has been some testimony that is useful to my committee, because we have a Bill that would make some changes in this area. And we take your comments very seriously, I think that we need to do some more work to resolve the issue.

I have a couple of more specific questions. One is on the, as I understand it, the conversion in higher education of folks moving from the alternate retirement program to the State Employer Retirement System, right. Just we're at the tail end of that process, right?

COMPTROLLER LEMBO: Correct.

REP. HADDAD (54TH): So, employees had to have made their choices by September of last year and my understanding is that that's just really being realized in people's paychecks --

COMPTROLLER LEMBO: Between September and December they had to make an election. John, why don't you come over here. I'm just going to bring John Harrington up. John is the director of the retirement services division.

JOHN HARRINGTON: Hello, John Harrington, Office of the State Comptroller. Yes, with respect to the ARP, the hybrid process, there was an election period, elections had to be made between September and December of 2018, there's an implementation day of January 18th and so all of those changes to the plans were affected January 18th.

REP. HADDAD (54TH): Right. And so, are the numbers that are reflected in the proposal that's in front
of us reflective of those choices, you know, is there another shoe to drop or are we still calculating what adjustments might need to be made and insurers and our contribution to ARP based on those choices? There are about 1600 or so employees that made that --

JOHN HARRINGTON: Correct. There are 1500 in '95 that made that choice.

REP. HADDAD (54TH): Right. So, the question I guess is are there any adjustments necessary for in this budget proposal based on those --

COMPTROLLER LEMBO: Representative, we'll go back and I'll take a look at that, I want to make sure I get a clear answer on that. I believe they have, but I don’t want to say that until I'm 100% sure.

REP. HADDAD (54TH): Because it's not really, it's not a revenue neutral choice.

COMPTROLLER LEMBO: Correct.

REP. HADDAD (54TH): To us, right? There are consequences?

JOHN HARRINGTON: Right. And the process is not complete, so there's a transfer in membership, but there's also the completion of purchases, and so all those purchases have not yet been completed and those purchases would need to be complete before there's a true reliability for each individual employee.

REP. HADDAD (54TH): Right, right. And so, the only other thing I wanted to ask about with respect to this is, you know, and so for those 1600 people who are moving from one system to the other, when they
but into the service program, how is their buy in calculated? Roughly speaking.

JOHN HARRINGTON: Right. It's the actuarial equivalent of the full liability of the service that they're bringing over to the plan with projections going forward in terms of continued employment at a salary rate.

REP. HADDAD (54TH): Right. And so, so would it be safe to say that there's no unfunded liability for those employees? That they're out of their own pockets paying for the full value of their pension benefits moving forward?

JOHN HARRINGTON: That is the concept that they're paying the full actuarial cost. Correct.

REP. HADDAD (54TH): Right. I don’t know what percentage of the overall number of employees at UCONN or in the CSU system are making this choice, but when you calculate the fringe rate that gets charged back to the institution, are you taking that into account that those folks have no associated unfunded liability?

JOHN HARRINGTON: They're in the same blended rate I'm told now.

REP. HADDAD (54TH): They're in the same blended rate. So, again, if we're talking about research grants or something like that, one of those employees is on a research grant then the, I don’t know the right terminology, there's a surcharge for the unfunded pension liability because now they're in SERS, that's something that they would carry through their research grants as well? They don’t get credit for having, being an employee who is --
COMPTROLLER LEMBO: They're still subject to the blended rate, but let me go back and dig on some math for you and then we'll bring it to the work group.

REP. HADDAD (54TH): Yeah. I mean this is a very complicated issue, but I completely appreciate you and I think the concerns that were raised by the Committee Chair because I think that what we've sometimes are forgetting, I completely understand your analysis of what the consequence will be of not being able to recover some of those costs through federal grants and other grant applications or federally funded employees, but most of these folks live in a competitive environment.

They're an enterprise that the State is running. So, they're being funded through clinical revenue at the University of Connecticut, you correctly said that we've identified that as being problematic and so we've made an allocation but it's not nearly I think the total value of the value of the fringe differential, we started doing that for community colleges and our State Universities, but again, it was somewhat arbitrated amount was step forward, but not nearly enough.

But all of these folks, you know, they compete for research grants against folks who don't have an associated fringe rate, the students are choosing where they go to college and so they're choosing whether or not to pay the tuition rate at the University, at Central Connecticut or go someplace else. And the empty seat or the research grant that doesn't come or the patients who decide to go someplace else is worth something to us. And that I think is not being fully thought about when we, you
know, as we move forward in trying to calculate these rates and I think that that's where the Committee Chair is thinking about moving forward and we'll see if we can put our heads together and come up with a solution for this.

COMPTROLLER LEMBO: And Representative, calculating the economic loss there is going to be an important part of that equation. Right. To really get to, so incidents, cost, what is the actual loss and documentation of like, okay, this is how often this happens. This is the potential loss. It will help to make a more compelling argument across the board when and if there is some fix, I won't call it a fix, a proposal.

SENATOR Osten (19TH): Senator Lesser.

SENATOR LESSER (100TH): Thank you, Madam Chair. And thank you Comptroller Lembo not only for your testimony and for also plugging the insurance and real estate committee, props anytime anybody plugs one of our hearings.

COMPTROLLER LEMBO: Bang up job.

SENATOR LESSER (100TH): Thank you, Mr. Comptroller. I get it, folks have been asking, I'm looking at some increases on the fringe side and trying to get some clarity on that specifically looking at Retired State Employee Health Service cost and a State Employee Health Service cost.

Are there specific drivers for that that lead to the increases that we're seeing?

COMPTROLLER LEMBO: Increases in cost, you have general medical inflation. Really nothing too surprising and as you've heard me say probably five
million times by now, you know, our medical trend is even though it's a growth, it's still others would love to have our medical trend.

SENATOR LESSER (100TH): So, you've spoken at another event earlier today about a PBM contract that may be pending, is that reflected at all in this budget?

COMPTROLLER LEMBO: It is included in the potential lapses that are in that section, so I'm going to receive a recommendation tomorrow, so I'll know more then and we'll see what the actual number in savings actually looks like.

SENATOR LESSER (100TH): Okay. Great. And then back to the non-fringe side since this seems to be fringe day. Can you give us an update on CORE CT compliance? I know there's been an effort to bring in quasi and other entities into CORE CT, is that --

COMPTROLLER LEMBO: Into the transparency site, so one second. So, there's a Bill in GAE that would compel the quasi into the transparency site, it's been a little tough getting them to come along, I'll make a blanket statement there and that's not fair, some have been very much responsive to requests, others have not. There is special and then there's really really special and so it's trying to sort of get that all squared away.

When we look at best practice around fiscal transparency on a State to State basis, US PERB when they judge us, one of the ways that they will judge us now as continuing reiterative process around transparency is whether the quasi are in, so we are making a suggestion that the legislature consider
bringing them in and by mandate making them part of the transparency.

SENATOR LESSER (100TH): And I assume this may be premature, but have UCONN, the regional municipalities entities, you know, are there large governmental entities into that or is that down the line?

COMPTROLLER LEMBO: I think public quasi whether they're municipally formed or State formed would be an appropriate subject of that legislation.

SENATOR LESSER (100TH): Great, thank you very much. And then just lastly following up on Senator Osten's question earlier just with regard to expansion of the partnership plan, is that something that you would be seeking additional appropriation for?

COMPTROLLER LEMBO: Yes in one of the many Bills that we have before you there is language that does add that benefit designed to flexibility that would allow us to market those 50,000 lives that I referenced earlier, disproportionately you're the Representative of Fairfield County where the cost of care is somewhat higher than the statewide average and so it made absolute sense for those communities to come on into the partnership plan, but unless we get some municipalities from some of the other communities as well then you get a tilting of that plan in a way that, you know, is problematic, my hair is not on fire if I had any, but it's something that needs to be watched and municipal benefit designs as you know, are all over the place at this point, some have already gone to HSA's, some would like to come back to a more traditional plan at the
right price point and we want to be able to offer them that.

SENATOR LESSER (100TH): Thank you.

SENATOR OSTEN (19TH): Representative Dathan.

REP. DATHAN (142ND): Thank you very much, Madam Chair. And thank you Comptroller Lembo for being here and good to see you again.

COMPTROLLER LEMBO: Good to see you again.

REP. DATHAN (142ND): First of all, I just want to commend your office for the wonderful job you've done on the Open Government platform.

COMPTROLLER LEMBO: Thank you.

REP. DATHAN (142ND): It has answered a lot of questions for me and I've sent constituents there and they seem to be able to get around and understand how things work and I do think in a state where we're in right now with such financial difficulty making sure that we give as much information we can is very beneficial.

I am looking forward to hearing more at the forum on fringe and really just trying to understand because the details that the, you know, OFA have provided on the Governor's budget aren't quite truing up and assuming that that's going to be handled in the breakout session?

COMPTROLLER LEMBO: It certainly can be. We can dig deeper on some of those categories.

REP. DATHAN (142ND): Yeah, just because I'm trying to get an understanding. My second question if that's a second question is the, you talked about
software platform in terms of protecting our government from hacks and things like that, I wasn't 100% sure, do you mind just kind of clarifying what that is? And you're saying that you are happy that we have provided for it in another part of the budget.

COMPTROLLER LEMBO: Yes.

REP. DATHAN (142ND): I just want to make sure that we're not exposed in any way to any cyber threats.

COMPTROLLER LEMBO: No, we're happy with the funding mechanism that's the easy way to answer that question and I'll Angelo Romano to come up, Angelo directs the CORE financial system. So, if all the blinking boxes are working it's thanks to Angelo and his team.

REP. DATHAN (142ND): Okay. Thank you, Angelo.

ANGELO ROMANO: Good afternoon. As far as the cyber security it's more to just look at evolving threats. We have a government financial system that has exposure to the internet. It is certainly a target domestically and internationally and we've had a couple of incidents mostly with phishing attacks where people have voluntarily given up their credentials, so we're trying to harden that.

Specifically, the phishing attacks and also working closely with Department of Administrative Services in best as they're looking to look for newer technologies along with the Governor's digital services.

So, there's always new techniques out there to try to harden our environment, so that's where some of
this money will be spent, but trying to align with the Governor's initiative and the Department of Administration.

REP. DATHAN (142ND): And do you see this as an ongoing expense every year? I'm just trying to think, you know, long term or --

ANGELO ROMANO: Yes, it will definitely be an ongoing expense. An ongoing expense, most of these things will be purchased as services. So, they'll be monthly or yearly charges.

REP. DATHAN (142ND): Great, thank you so much for your explanation. Thank you.

ANGELO ROMANO: Thank you.

COMPTROLLER LEMBO: Thank you.

SENATOR OSTEN (19TH): Representative Lavielle.

REP. LAVIELLE (143RD): Thank you, Madam Chair. Good afternoon. It's always good to see you, we always get good information from you. No, seriously, it's about clear as this stuff gets. With that said, you know, I know you encounter this all the time, it's very difficult with having all of this over in your office and then having to try and figure out how it corresponds to this, to the various agencies. So, I understand we're going to be getting some of those breakdowns in the fringe form, right? So that we can actually figure out what is being spent for the activities of each agency, which I welcome, thank you.

So, one question that I had was on the one percent employer contribution for the defined contribution plan and I think, do correct me if I'm wrong on
this. I think that before that one percent was actually being funded by the retirement fund itself, but now it's going to be appropriated?

COMPTROLLER LEMBO: We're talking about tier four? We're running out of chairs.

REP. LAVIELLE (143RD): Don't tell me, I actually made sense?

BOB GRIBBAN: So, the money wasn't appropriated in a separate account, so it was actually charged to the SERS general fund appropriation. And next year there will be a separate appropriation to cover it. It was not paid out of the fund though, it was paid out of the general fund.

REP. LAVIELLE (143RD): Okay. So, what is the reason for the change?

BOB GRIBBAN: It would just be cleaner to have it in the separate place then the SERS appropriations is really supposed to take care of the employer contribution to the pension fund. The general funds portion of that.

REP. LAVIELLE (143RD): Okay. So, this is distinguished because it's to the, it's actually to the employees, to each of their --

BOB GRIBBAN: Employer match that's the way to invest with accounts that the employee manages. Yes.

REP. LAVIELLE (143RD): Okay. Thank you. And I must have zoned out that when Representative Haddad was talking about the higher education alternate retirement program. I don't recall if he asked you
for a breakdown of how many people have made that choice?

COMPTROLLER LEMBO: About 1600.

REP. LAVIELLE (143RD): Okay. And do we have a breakdown of the funding for that, is that the regular SERS?

COMPTROLLER LEMBO: So, the value of that buy in?

REP. LAVIELLE (143RD): Yes.

COMPTROLLER LEMBO: We can get you that, certainly. Yes. It exists, we just don’t have it with us today.

REP. LAVIELLE (143RD): That would be great, thank you. And I think we covered everything else, I'll see more once I get all these numbers for the breakdown session. Thank you.

COMPTROLLER LEMBO: Thank you, Representative.

SENATOR OSTEN (19TH): Any questions? Thank you very much, we kept you here a long time. I'm sorry.

COMPTROLLER LEMBO: I want to apologize to the Attorney General.

SENATOR OSTEN (19TH): I'm sure he was interested in what you had to say. Mr. Attorney General, thank you for coming. Please start when you're ready.

ATTORNEY GENERAL TONG: Thank you, Chairwoman Osten, ranking member Formica, acknowledge Chairwoman Walker and ranking member Lavielle, great to see you all.

Senator Formica, I was just in New London, so I was doing my part for your District.
SENATOR FORMICA (20TH): And I'm sure you know like I do that that is the best District in the State.

ATTORNEY GENERAL TONG: Well, next to Senator Osten's District in Eastern Connecticut.

I'm joined today by Antoria Howard who is the Associate Attorney General for Management and Administration and we greatly appreciate the opportunity to present our budget summary and request to you today. There is written testimony as its customary, but I'm also providing a short power-point presentation, do you all have this in front of you? We will have our power-point presentation distributed. Do you mind if I wait two minutes so that --

SENATOR Osten (19TH): We don’t mind at all.

ATTORNEY GENERAL TONG: -- I can hand that out to you, because it's a short I think seven or eight slides. It's good to see such a preponderance of House members here. Former House members too. Once a House member always a House member.

But I'm happy to go over some basics of the office, but I'd really like to start at the heart of the matter. If I could direct your attention to the fifth slide in the power-point I distributed, it's entitled OAG Return on Investment, OAG being the Office of the Attorney General. And I just wanted to draw the Committee's attention to a very important fact that the work of the Office of the Attorney General makes a dramatic impact on the State and its budget and the general fund.

Over the last 10 years since fiscal 2008/2009 the Office of the Attorney General has generated $5.5
billion dollars for the State and its residents. It has cost $295 million in that same time period and so we have returned more than 19 times what we cost to the State.

In fiscal year 2017/2018, so last year, we generated a total of $707 million for the State and its residents and our cost was just under $29 million. So, in this particular year, just last year we generated 25 times, 25 X more than we cost to the State.

I want to while those numbers are strong and important particularly to the work of this committee, I want to note a difficult trend, there's a downward trend and if I ask you to turn two slides after that to the number of employees you will see that in 2017/2018, we are operating at relatively historic lows over the last decade. And the numbers were in the 300's, the low to mid 300's in the decade before that.

But in this last year we were down below 300 at one point and though the total amount generated for the State was high at $700 million, I'm going to ask you to skip forward a couple of more slides so the revenue to the general fund slide and that's an important slide.

This is hard dollar revenue to the general fund of Connecticut. You will see that we generated $204 million in '17, '18, which is still something like nine or ten times what we cost. You will note the year before we hit a peak of $361 million dollars, but that included a one-time settlement recovery of $120 million from the RBS Security Settlement. If you take RBS out of that, the last three years have
been the lowest three years in the last decade of return by the Office of the Attorney General to the general fund.

There is clearly a direct correlation between the number of employees we have, the number of lawyers that we have and the amount that we can bring back to this committee and to the State in hard dollar recovery for the general fund. And the reason why is simple. Because most of my job and most of our job and most of the job of the 200 lawyers or so in the Office of the Attorney General is focused on being lawyers for all of you. And for the State. And most of our work is done in child protection and in corrections and child support enforcement. In collections and in representing and advising State Agencies.

Most of that work, 90% of our work doesn’t make the front page. And so, the work that really enables us to be affirmative work to go out there and to take on multi State efforts like the big tobacco case, like the major generic drug price fixing case, which Connecticut is leading now, we're leading 47 other States. Cases like that, the case against RBS, the case against Wells Fargo, the national mortgage servicers, those are affirmative cases that we aren't required to accept because we're the State's lawyer, we decide to take on those cases and we can go out and capture major recoveries for the State, but we have to have people to do that.

And if I don’t have people, enough people to handle the day to day work of representing State Government and all of you and our State Agencies then I can't spare them to do affirmative work that can capture larger recoveries for the State and that's why it's
very clear that there's a direct correlation between our head count and the amount that we can return to the general fund.

That being said, it's my 50th day as your lawyer, it is a great honor to serve this State. The one thing I've learned is that I won't be able to screw this job up too bad because we have such amazing lawyers and staff that serve this State every day and that work in the trenches with all of our departments and agencies and the various branches.

A couple of quick highlights, the things that take up my day in addition to representing the State and serving as your lawyer are for example; the large generic drug price fixing case, you asked, Senator Lesser, why are healthcare costs going up? Because there is pervasive widespread price fixing in the generic drug industry and we have evidence of that, of direct collusion and conspiracy to fix prices on everyday drugs, sometimes charging as much as 1000, 2000, 3000 percent more than they did just a couple of years ago. And Connecticut is leading a 48 State coalition.

In that case I'm also on the National Executive Committee in the opioid investigation, I'll be in Washington D.C. next week meeting with my State Attorney's General peers and talking about our strategy in trying to take on the National epidemic of opioid addiction and the addiction industry generally.

So, that's also a core component of the work that we do in the Attorney General's Office, it's a lot for anyone office or agency to take on, but we're proud
to do it. And with that, I'm happy to answer any questions.

SENATOR OSTEN (19TH): Thank you very much. And I'm going to start with the question I've been asking every agency. So, your agency requested 311 fulltime equivalent positions and also recommended by the Governor, not quite the Governor. So, according to your power point presentation you have 301 current staff. Is the 311 number that's here, are those funds, are those positions funded in the dollar amount that you asked for in personnel services?

ATTORNEY GENERAL TONG: So, if I want to be technically correct in answering that question, so let me say first that my office has sufficient money in its current appropriation and allocation to fund the positions that we have and to do some additional hiring, not a lot of hiring, of some vacancies that have persisted for some time. That being said, the 311 number is a capacity number, it's the number of positions that have been allocated to us, but it doesn't really correlate to dollars. We are in fact 46 positions short of that sitting here today.

SENATOR OSTEN (19TH): So, if I looked at your power point presentation, it says current staff 301.

ATTORNEY GENERAL TONG: That's, sorry to interrupt, Senator, but that is a mix of general fund positions and positions funded through other means, either by agencies or other funding streams.

SENATOR OSTEN (19TH): And what other funding streams are those? Where is that numbersome?
ATTORNEY GENERAL TONG: I'm going to turn that over to the Associate Attorney General.

ANTORIA HOWARD: That number is not listed, but some of the funds, we have positions which are funded by PERA, we have positions funded by DEEP, we also have positions funded by the University of Connecticut. And those positions are not included within that 311 funding. They are included within the 301 of about full, of our attorneys.

SENATOR OSTEN (19TH): So, can you get me the list of every other agency that you're including into your attorney count?

ANTORIA HOWARD: Sure, we can get that.

ATTORNEY GENERAL TONG: Yes, we can. And apologies, it is a little bit complicated, but because of the set up of our office there are lawyers imbedded in other agencies and in other functions that are funded by those agencies.

SENATOR OSTEN (19TH): Department of Corrections usually has one too.

ATTORNEY GENERAL TONG: Yeah, yeah.

SENATOR OSTEN (19TH): Also, so you have 311, so that's not the 204 in '97, so 311 are all funded in this personnel service line item? Does that account for all of that?

ATTORNEY GENERAL TONG: I don’t know that that's and I don’t know that that's an accurate description. There are 311 positions allocated to us that we could fill if we had the money, but we don’t have sufficient budget capacity to cover 311 positions.
SENATOR OSTEN (19TH): So, what I want is the number of positions that are unfunded, the number of positions that are funded and the number of positions that are not filled that are funded. So, those three numbers. So, that way I can understand what we have for an employee count because when the general public is reading this, they're adding up how ever many employees we have, this doesn’t accurately account for those employees.

And you talked a bit about, you asked for about a million dollars more in personnel services from the Governor?

ATTORNEY GENERAL TONG: I don’t think --

SENATOR OSTEN (19TH): It says the Agency requested $31.2, the Governor has $30.3, so it's about a million dollars short. Is there, are you able to live with what the Governor recommended? Or are you saying that with $31 your numbers of people would be higher? It's a question.

ATTORNEY GENERAL TONG: Yes. So, for our current staffing projections on what we need in the immediate term, the Governor's number suffices to serve what we need today. That being said, as I indicated earlier and the reason why we asked for more originally is because we are seeing on the ground constraints in our ability to go out there and pursue affirmative litigation that can generate additional recoveries for the State and the general fund, number one. And also, our core functions for example in child protection, we could use one or two more lawyers. In child support and collections, we could use another lawyer. In the employment department, which handles employment matters for all
State agencies, we could use another lawyer. So, as I look at those needs, we are under pressure, there was a decision made by the prior Attorney General and his administration to delay their plans on hiring until a new administration came in to office and so we're a bit backed up in terms of hiring and filling vacancies and playing a little bit of catch up.

SENATOR OSTEN (19TH): And you talked about the, there's been a clear trend across every State agency to see a decrease in staffing and I understand the, what you're trying to do with the connection between the revenue to the general fund, you had another big blip in 2014, 2015, do you know what that blip was associated with? Was there a specific case?

ATTORNEY GENERAL TONG: I don’t know exactly off of the top of my head, it may have had been the national mortgage servicers settlement, that may have contributed to it. But I don’t know exactly what that was attributed to.

SENATOR OSTEN (19TH): So, I guess my last question and I think you're getting off easy. I kept the prior person here far longer. What would be, when you come in for the workgroup, I'd like to have a better understanding of the kind of cases that you think you're going to look at for an affirmative, you talk about looking at real dollars on an affirmative basis. What are you looking to do? I'd like to understand that a little bit more. So, I know what you're looking at. I want to make sure I'm not doing it so that I don’t get caught up in all of that.
ATTORNEY GENERAL TONG: Well, I'll give you an example. The Dodd Frank Law provides a blanket of protection for people in this Country against financial fraud and abuse including in areas I'm looking at Senator Lesser like student loans. And Dodd Frank delegated authority to prosecute wrongdoers in the first instance the Consumer Financial Protection Bureau. It also delegated authority to State Attorney's General. And as this administration and I don't think it's a secret as the President of the United States dismantled the CFPB, that response delayed now falls to State Attorney's General to stay on the front lines in defending Connecticut residents and families and people in this Country from financial fraud and abuse. And going after major financial institutions has the salutary benefit of protecting people from wrongdoing, but it also potentially results in large recoveries, financial recoveries that could potentially go to the general fund. That's one example.

SENATOR OSTEN (19TH): And where does the action that you are a part of or lead of in regards to the wall funding or the National Emergency, is that an affirmative action?

ATTORNEY GENERAL TONG: That is an affirmative action.

SENATOR OSTEN (19TH): Thank you. Senator Lesser.

SENATOR LESSER (100TH): Thank you, Madam Chair and he may have gotten off easy with you, but I don’t intend to let General Tong off quite that easily. No.
ATTORNEY GENERAL TONG: I have no doubt, Senator Lesser.

SENATOR LESSER (100TH): No, I actually want to first of all I want to applaud you for your office in standing up on particularly the student loan side, I know that the U.S. Department of Education and Justice Department are asserting that we're preempted from protecting student loan borrowers and I know that your office is doing its upmost to protect Connecticut's right to protect borrowers in this State and I want to applaud you for that.

I just wanted to drill down into that argument you were making for more manpower in the office, you know, I think that, Senator Osten's question really hit the nail on the head, which is, you know, it depends what our expected, we look at all this revenue that you're bringing in and how that benefits the State as a whole, but obviously it depends on where you're filling those gaps and there are certainly areas that you're doing in your department that in your office that tend to bring in a lot of revenue as in other areas that tend not to.

So, you would focus your efforts on complex financial enforcement efforts? I know that New York State for example has done a lot, has brought in a ton of revenue on bank secrecy act and AML enforcement and is that something that kind of thing you would like to prioritize if you had extra resources?

ATTORNEY GENERAL TONG: So, that's not the only area, that's one area. And in giving my experience as an area I'm particularly comfortable in, but the environmental space is also a critical place where I
would say we might be missing some opportunities to take the lead on affirmative litigation, I forget the acronym for the type of pollutant, but it's basically industrial Teflon and I think there's a Bill in the public health committee to ban the use of PFOS. These chemicals that are used in firefighting foam that end up in our watershed, I've been approached by outside advocates to take on that litigation. I've been approached by other advocates to take on litigation related to other financial products like variable rate demand obligations, frankly, I get a lot of requests and solicitations to look at various environmental financial and other consumer protection areas, technology privacy is huge for us. Our office is leading the way in the investigation in the Cambridge Analytica breach and also, you know, Wells Fargo, we took a lead on Home Depot and a number of other breaches.

So, those are all areas that give us opportunities for affirmative litigation, we get a lot of opportunities we can't take them all on. And we're an office that tends to do this work ourselves, we don't often contract with outside counsel to do that work for us and we want to take advantage of those opportunities because they're good cases. And they're not just good cases legally and because of the potential recovery, but because they impact the lives of people in this State and we have an obligation to protect and defend them.

SENATOR LESSER (100TH): And I appreciate that and I guess obviously I share a lot of those same concerns and I serve on the public health committee too, so I'm familiar with that all, but certainly, you know, my sense though is that that issues of complex financial enforcement, those are in addition to
being, you know, important serious crimes those are also sometimes the most lucrative enforcement wise and so, you know, as we think about that return on investment if we were to try to find extra positions that would be something that would be helpful to sort of figure out is where, you know, where those folks would be tasked.

You also defend the State against liability, I know there are a couple, there are some potentially large cases pending against the State, I'm thinking of questions about Department of Corrections, on the Medicaid side of things. Are there things that we should be thinking through as we approach the budget that on a liability side and if you can't talk about pending cases I can understand that.

ATTORNEY GENERAL TONG: All I can say is there are a number of significant exposures out there, they've been well documented and covered in the press and in a debate in this building, we're defending them vigorously, but also my job is to look for ways to cap the State's liability and exposure and for lack of a better description get out of dodge. And when I have the opportunity to do that, I try to do that.

SENATOR LESSER (100TH): Thank you.

SENATOR Osten (19TH): Senator Formica.

SENATOR FORMICA (20TH): Thank you Madam Chair. Good afternoon, Sir, welcome. Thank you for coming. And again, congratulations.

ATTORNEY GENERAL TONG: Thank you, Senator.

SENATOR FORMICA (20TH): I appreciate you being there and appreciate you recognizing New London every once in a while. I think we're going to try
to do something down the road there. We're talking about need of staff and what that would generate. Is your group unionized?

ATTORNEY GENERAL TONG: Yes.

SENATOR FORMICA (20TH): So, I ask that because I wonder if we could take on this contracted, you know, and get a return for investment if we're successful and I'm not sure that we can do that given the fact that they're unionized, so is that a possibility or?

ATTORNEY GENERAL TONG: Senator Formica, I just want to make sure I understand your question, which is given that I have a unionized workforce including our attorneys, do I feel like we could continue to get a strong return on investment from our personnel assets and I believe that we can.

SENATOR FORMICA (20TH): No, no, no. That's not my question. I know you can because you've proven you can. I've seen that. My question is in the private sector attorneys take cases based on percentages yielded, so if we contracted attorneys, we can't afford to put lawyers in, adding 50 spots for example, is there an opportunity to use contracted lawyers that get paid based on the quality of the case and the numbers that they bring in? If they get a third, we get two-thirds and I know that with unionized employees that becomes more difficult. And I wasn't sure whether you had. I was in no way disparaging the great work of the attorney's in your office.

ATTORNEY GENERAL TONG: So, now I understand the question better and of course there's hourly rate arrangements and we have those too. But yes, there
are contingency fee arrangements and a lot of the affirmative work that people pitch to me is on a contingent basis.

Let me say this, we as an office going back before my tenor and among Attorney's General going back through the last several have expressed a disinclination to engage with outside counsel on a large scale, the reason why is because the Attorney General by statute and under our Constitution has a responsibility for all legal matters involving the State.

And it's a personal responsibility that we take very seriously as Attorney's General. And farming the work out necessarily entails giving up a good deal of the supervision day to day, which I think we're reluctant to do. The only other thing I'll say is, you know, when you hand out 20 or 30 percent to outside counsel, they're not doing it because they're not going to make money and so I think you know it's an open question as to whether they can do it cheaper than we can. I bet in most cases they don't.

SENATOR FORMICA (20TH): Great. Thank you very much. I appreciate that answer.

ATTORNEY GENERAL TONG: Thank you.

SENATOR FORMICA (20TH): Thank you, Madam Chair.

SENATOR OSTEN (19TH): Representative Currey.

REP. CURREY (11TH): Thank you, Madam Chair. Nice to see you General Tong. Quick question, if you're asked to live within the confines of the Governor's proposed budget are you still going to be able to create your civil rights initiative?
ATTORNEY GENERAL TONG: Yes.

REP. CURREY (11TH): Thank you.

SENATOR Osten (19TH): Is that it? Anybody else have any questions or concerns? Thank you very much. Thank you for coming. Have a nice day.

ATTORNEY GENERAL TONG: Thank you.

SENATOR Osten (19TH): Up next we have the Department of Administrative Services. You may start whenever you're ready.

COMMISSIONER GEBALLE: Great. Thank you and good afternoon, Senator Osten, Representative Walker, Ranking Senator Formica and Representative Lavielle.

My name is Josh Geballe and I'm the commissioner of the Department of Administrative Services and I'd like to start by giving a brief overview of DAS and then welcome any questions you may have.

DAS consists of several distinct programs including information technology, procurement, human resources, real estate and facilities management, State's support for school construction, fleet operations and more.

In my view DAS has a threefold overarching mission that mix these functions together. First, to support Connecticut's growth by serving our citizens, businesses, employees, other agencies and branches of State and local government by providing the highest quality services at the lowest possible cost. Second, to drive continuous innovation in order to increase the efficiency and effectiveness of State Government using best practices from the public and private sectors. And third, to provide
rewarding careers by attracting and retaining a workforce of talented, dedicated public servants committed to leading our great State forward.

Currently DAS has 663 authorized fulltime general fund positions of which 477.5 are filled, Senator Osten, I'm hoping I'm going to be answering your question here as we go. We also have 82 filled other funded positions as well.

The Governor's proposed budget increases our general fund position count by five positions in 2020 and one additional position in 2021. The estimated DAS 2019 general fund appropriation was $113,506,000.00 the Governor's proposed budget would increase that appropriation to $121,409,000.00 in fiscal '20, $127,406,000.00 in fiscal '21.

The increase in headcount and some of the increase in the general fund appropriation can be attributed to Governor Lamont's directive to us at DAS to develop a digital front door, an initiative designed to modernize and digitize state functions so that residents and businesses can more easily and efficiently access and utilize State applications, programs and benefits.

The Governor's proposed budget also includes funds to enable DAS to pay for contractually required wage increases for unionized state employees as well as certain state contractors and to pay for various IT related costs.

The State Insurance and Risk Management Board has independent decision-making authority, but is within DAS for administrative purposes thus the Insurance and Risk Management and the Surety Bond line items are included in DAS general fund budget. Insurance
and Risk Management account pays for premiums associated with policies purchased by the State to ensure against losses for claims and judgements issued against the State for losses that occur within our self-insured deductible amounts and for payment of our insurance broker and third-party administrator, which is responsible for managing the State's liability claims and other administrative costs.

The Governor's proposed budget increases the insurance and risk management line item by approximately $1.3 million over actual fiscal '19 appropriations, this is a recognition of the fact that this account has been underfunded this year.

Separate from the DAS general fund account we also have the DAS workers compensation claims account, the funds in this account are used to pay the workers compensation claims for all state employees except for those employed by DSS, DCF, DEMAS, DDS, DOC, DESBE, UCONN, UCONN Health Center and the judicial branch, each of which has its own separately appropriated funds for workers comp claims.

The proposed budget increases slightly that account to $7,982,000.00 fiscal '20 and $8,260,000.00 fiscal '21. DAS receives money from the special transportation fund for both workers comp claims and the State Insurance and Risk Management Board. The Governor's proposed budget includes the flatlines for the workers compensation STF account by keeping it at $6,723,000.00 for both fiscal '20 and '21, the proposed budget slightly increases the state insurance management board STF account by approximately $425,000.00.
DAS will continue to identify opportunities to create efficiencies and reduce or avoid costs going forward and I'd be happy to answer any questions that you have.

SENATOR OSTEN (19TH): Thank you very much. I appreciate you answering a couple of my questions, but not all. So, you have 663 and you go up to 668 under the Governor's position and how many of those are unfilled?

COMMISSIONER GEBALLE: So, 185 are currently unfilled and when added to the 477 gets to the 663.

SENATOR OSTEN (19TH): And those are unfilled because they're unfunded? Or are they unfilled and just haven't been looked at for the appropriate people?

COMMISSIONER GEBALLE: They're unfunded.

SENATOR OSTEN (19TH): Okay. So, even going up those five positions what is the real number you're actually going to fund because we can add in five positions, but if we're not funding them why are we adding them in? Just a question.

COMMISSIONER GEBALLE: Well, the appropriations are proposed to support the additional five, and of course the mix matters in terms of the relative salaries of the people as we, you know, have retirements and replace people, but essentially we'll be, you know, we're at 477 now, the budget calls for an additional five, and you know that's roughly the level of head count that we'll be at.

SENATOR OSTEN (19TH): So, if you add five why can't I just take out the 185 that are not funded? Why am I keeping it there?
COMMISSIONER GEBALLE: So, I've been here for a month, I asked that question as well, I'm not exactly sure why they're all there, but I think your question is valid and that we will not be filling those 185 roles.

SENATOR OSTEN (19TH): And I think it gives a false impression to our constituents if they're looking at the budgets as we are looking at them now, all this information is public and it looks like we have all these people, we don’t have all these people. And we're not going to hire them, we're just not. So, I'm just trying to get into that a little bit. You said you have 82 positions that were in other accounts? Funded by other accounts?

COMMISSIONER GEBALLE: That's correct.

SENATOR OSTEN (19TH): And, where are they? Where do they show up?

COMMISSIONER GEBALLE: Sure. So, they are in a variety of other revolving funds. So, for example, we have a public works capital project revolving fund, so these are project managers who work on State construction projects and are covered via bond funding for those projects. We have 32 of those people on board. We have 11.5 head count associated with building permit application fees, which is essentially self-funded. Another large category is in our fleet operations we have 33.5 people, that's a separately self-sufficient revolving fund as well.

Those are the major categories and a just a couple of other smaller ones.

SENATOR OSTEN (19TH): So, can you, I know you've only been here for a few days, we have a lot of
meetings and there will be working groups that happen after this and you or some of your staff probably, I don’t know that necessarily you'll come, but you're not required to come by the way just so you know, we're hoping that you're going to be busy doing other things, but if you want to come and even if you don’t, can you send your people with the information that shows which these accounts are for and what's in those accounts, what are the dollar amounts that are coming in, so if it's a building permit guy, are we bringing in enough to cover that and the fringe or are we not bringing that, I'm assuming these are all state employees?

COMMISSIONER GEBALLE:  Correct.

SENATOR OSTEN (19TH):  All right. So, if I could get that information that would be great. So, I'd like to sort of see a sheet that says this is the revenue for this account. This is the expenses and these expenses include X number of employees so that I can sort of see where we're going with this.

On the Employees Review Board, that's a small dollar amount, how often does the Employees Review Board meet, do you know? It's on the front page, it's a little tiny group of people.

COMMISSIONER GEBALLE:  This is Jerry Lynn our financial officer.

JERRY LYNN:  Good afternoon. The Board meets, it's occasionally, it hasn't met since December, that account is currently underfunded and we do end up having to utilize some of our other expenses account to offset the overages on that.
SENATOR OSTEN (19TH): And what is the overage on the Employees Review Board?

JERRY LYNN: We're in the $25,000 to $27,000-dollar range as a total cost on that, so about $10,000 to $12,000 dollars short.

SENATOR OSTEN (19TH): And is that normal to be ten or twelve thousand?

JERRY LYNN: Yes. The past three or four years that's been consistent.

SENATOR OSTEN (19TH): Are you seeing less employee review board applications or grievances filed based on the number of people that are accreting into organized bargaining units?

JERRY LYNN: Senator, I wouldn't know that off of the top of my head. I could follow-up on that with you, because we do have the Board Chair and I could get some statistics and some official results for that for you.

SENATOR OSTEN (19TH): I've spoken in front of them once or twice, so I remember that a long time ago, about 20 years ago. All right. That would be great. And the fire fighter fund, is that the $400,000.00 dollars that we approved for cancer payments? How is that, is anybody accessing that? My understanding is there's a problem with the fund and how we're putting it out, could you --

JERRY LYNN: That is true, Senator. We do have a, we're kind of in a pass due on that, but I guess there's some kind of glitch on whether or not we're even able to access it to disperse it if a claim was to arise and I believe that's with public safety, is
we're kind of in the middle of that. I can follow-up with more detail on that for you as well.

SENATOR OSTEN (19TH): That would be great. Because I'd like to understand that a little bit more and I'm on public safety and we've been talking about it a little bit back and forth and I'd like to sort of understand what from your perspective, what is the problem there? Why are we not being able to access, why are you not being able to access the funds and is this the appropriate place for this to be funded?

JERRY LYNN: I'd be glad to do that, yes.

SENATOR OSTEN (19TH): The workers compensation fund that you have, we have done a number of policy changes on hospital fee structures. Have you noticed a decrease in the workers compensation costs as a result of that? I know that NCCI has decreased our liability by about 50%, are we seeing a return on having policy like that? You're shaking your head. That's why you bring all these people with you, just so you know.

COMMISSIONER GEBALLE: We have a very diverse set of missions in our agencies.

SENATOR OSTEN (19TH): Yes, you do.

COMMISSIONER GEBALLE: All experts here.

ROBERT GINDITTA: Good afternoon, Senator and Representatives. My name is Robert Ginditta, I'm a statewide workers compensation director. In reference to your question pertaining to reduction based upon the fee schedule, you're right. I realize that yes, NCCI has identified reductions and we have seen reductions in our expenditures.
Overall over the past few years. Since the fee schedule was implemented back in April of '15.

SENATOR OSTEN (19TH): Right. And I think we did a little, we made it a little bit more aggressive in two years after that. Thank you, I like having a policy that actually works for the employers so that it can help us drop costs down. Do you have in any detail on the new cell phone plan? And are we seeing savings in other State agencies as a result of that?

COMMISSIONER GEBALLE: Yes. In fact, in addition to talking about what we're doing now, I would like to give a tip of the hat to our Chief Information Officer Mark Raymond who is sitting behind me somewhere who has been working on this issue over the past years and has driven over $4 million dollars out of our aggregate cell phone spending over the last several years.

So, progress has already been made, but there is more to come. We have new pricing available from one vendor, which is very attractive and Mark and his team have an initiatives underway to work with the agencies to make sure we're using the lowest cost options as well as looking to optimize cases where we may have people both with hotspots and mobile phones where we can get rid of the hotspot potential and use the phone as the hotspot and you know, obviously available technology today, but there are some unique use cases that may require both, so we're looking to optimize that as well. But we're aware many of the agencies are counting on savings out of their cell phone consumption and we'll be partnering with them to achieve those savings.
SENATOR OSTEN (19TH): And at the workgroup can someone bring us a copy of the terms, who the providers are and what the data plan is?

COMMISSIONER GEBALLE: Certainly.

SENATOR OSTEN (19TH): Your new digital front door replacement, how is that, how is that going to work? You know, how are we figuring that piece out?

COMMISSIONER GEBALLE: Sure. That's a great question. So, I think you've all heard the Governor talking extensively about his vision and strategy to really modernize how the State provides services to businesses and citizens, we all have very high expectations in our private lives today about how easy it is to go online and buy things or search for information and we have a lot of work to do catch up with the citizen and business expectations in that regard. So, this funding is essentially, I think you can think of it as the seed funding for what will be a long journey that we're going to be on, the Governor has mentioned a 10-year journey to achieve that vision, but we're going to be looking to do with this initial seed funding is a couple of things.

First of all, to establish an enterprise architecture, so as I think you all are very well aware our Executive Branch is highly federated today, we have agencies who have a lot of autonomy to design their own technology and implement their own technology, it's important to achieve this vision over a longer period of time to have a blueprint for how we're going to procure and implement technology as a State that gives us the opportunity to drive efficiencies, to better share
data, to have a very similar looking feel to our customer facing, web presence, so that architecture is certainly going to be an early piece of work here, so that we can start to drive that consistency and then we'll be taking on some projects focused on specific use cases that will start to introduce, you know, a more modern and more customer friendly, more intuitive digital experience and we're doing some work now to prioritize what those initial projects will be.

We're going to obviously looking at factors like high transaction volumes that are a good proxy for, you know, people actually using that service for that transaction so that we can have impact, you know, for the people that use it most, a degree of difficulty is an important consideration. The current state of that process if there's a significant amount of pain being experienced by the agency in delivering that process or high amount of inefficiency today. So, we're going to be looking to prioritize and then within the biennium start to execute some projects to begin the journey along the Governor's strategy.

SENATOR OSTEN (19TH): And do you have a listing of all the properties the State owns? Is everything that the State owns tracked through the Department of Administrative Services? Or does each agency hold some responsibility on that?

COMMISSIONER GEBALLE: So, there are, do you want to take this one? So, OPM has the state, a complete state inventory. You know, we don't manage the facilities, the real estate for some entities like UCONN, like the legislative branch, the judicial
branch, but we do support them in other areas as well.

SENATOR OSTEN (19TH): Do you support, you have a section on there on leases and rents, so are those properties that would fall under your responsibility?

COMMISSIONER GEBALLE: Correct.

SENATOR OSTEN (19TH): One of the things that in one of the committees that I'm on, people are looking are at is to make all state buildings that are being leased out ADA, bring them up to ADA standards and I was wondering how many of the buildings that you're leasing out are not up to ADA standards? Do you have a listing of that so that I could sort of figure that piece out? Somebody is coming up.

COMMISSIONER GEBALLE: Yeah, I think we could pull that together and get that back to you. You know, there are some. Actually, earlier today I had a meeting going through capitol requests and there are some ADA compliance remediation items that are in there, so we have some work to do in some facilities. But we'll get you that list.

SENATOR OSTEN (19TH): That would be great. And if they have an idea is it just a simple fix? Like is it just, I say simple, you know, an increase of a door size or is it putting an elevator in? What is it? What is the, is it worth fixing? Are we making the leasee the responsible party to putting in the ADA compliance? Just a couple of questions, so if you have an idea on that so that I can figure out what the actual cost of bringing our State Buildings that we're leasing out to ADA compliance and whether it's the State's responsibility the person who is
renting the property responsibility, who is the one that would responsible for doing that?

COMMISSIONER GEBALLE: Sure, you know, for the State owned properties that we manage, you know the responsibility would be ours and those are the ones that I was looking at from a Capitol perspective and one, an illustrative example would be, you know, one of our facilities to be ADA compliant we have some work to do in some of the bathrooms to bring them to code.

You know for facilities where we are leasing from a third-party landlord obviously that would be their responsibility.

SENATOR OSTEN (19TH): And I was more along the lines of, so in Norwich there's many buildings that are being used by nonprofit agencies, some of them are in the second or third floor, but there are no elevators going up to the second or third floor, so who has the responsibility to put in that elevator? Is that the State's responsibility on a state-owned building but being leased out? He's going to give me the answer afterwards, I know he is.

COMMISSIONER GEBALLE: We'll get you the details.

SENATOR OSTEN (19TH): Okay. All right, great. Representative Zawistowski.

REP. ZAWISTOWSKI (61ST): Thank you Madam Chair. Thank you for coming tonight. I have a couple of questions, but while we're on properties, I have a couple of property related questions. 25 Sigourney Street, the budget amount is $500,000.00 dollars a year to essentially mothballing the building. I know that you're fairly new, but I imagine you
probably have somebody that's been working with it. I know at one point there was a plan to demolish the building, I'm wondering if it might be worth, I know it costs money to demolish, but it may be worth demolishing the building and selling the land. I don’t know if anybody has made that analysis. But I'd be interested in finding out if mothballing the building and spending a half of a million dollars a year is worthwhile if we have not gotten any offers on the building.

COMMISSIONER GEBALLE: Yeah, no. That's a great question. You know we are seeing some commercial interest in the building, which is good news. And I'm hopeful that we can progress a transaction in the not too distant future here, but in the meantime, we're also pursuing options to reduce the cost associated with maintaining the building while it is vacant and on the market.

There are some things that we think we may be able to do although you know a lot of that cost is associated with keeping the water on, so that fire prevention is available and then in the winter keeping the heat up slightly so that the pipes don’t freeze and all that sort of stuff. We're hopeful that there are some things we might be able to do a little creatively to reduce those costs in the meantime as well.

REP. ZAWISTOWSKI (61ST): Thank you. Yes, not doing those will cost more in the long run.

COMMISSIONER GEBALLE: Yeah, exactly. Exactly.

REP. ZAWISTOWSKI (61ST): And did the State actually purchase the property, close the deal on the
Griswold property that's supposed to be used for the State Police?

COMMISSIONER GEBALLE: No.

REP. ZAWISTOWSKI (61ST): No. It was not actually executed, okay. I wasn't sure, we had heard conflicting stories. On another topic, I know that Senator Osten had asked you a few questions about the digital front door, which I think it's a generally good idea on paper. But I just wanted to find out, how long would this take for full implementation? Because we're talking about $2 million dollars this year and $4.5 million the following year and you mentioned that that was just seed money.

COMMISSIONER GEBALLE: Yea, that's complimented of course by funding from the IT Capitol Bonding Fund as well for project based work and so you know the Governor has mentioned he expects this journey to be 10 years, I think the way we should be thinking about it is that that's probably a good estimate at this point, but it's really going to be an ongoing journey right as new technologies emerge that can constantly give us opportunity to be more efficient and provide better services. None of us can sit here today and predict what will be possible 10 years from now from a technology perspective, but I'm sure there will be lots of exciting things that we can use that we haven't even thought of.

So, you know, the State generally I think has historically been quite underfunded in the amount of its budget spent on technology and that shows and we're thrilled to have a Governor who is committed
to addressing that and focusing on modernizing our operation.

REP. ZAWISTOWSKI (61ST): Is this work going to be done in house, programming work? Or are you talking to different companies?

COMMISSIONER GEBALLE: Yeah, it will likely be a mix. You know, obviously there's a five head count included in the budget and then from a bonding perspective largely leveraging third-party experts in the various areas that we'll need some help.

REP. ZAWISTOWSKI (61ST): Okay. And how are you going to be selecting these companies? Any particular way?

COMMISSIONER GEBALLE: Yeah, you know, we're doing some early meetings with a wide variety of suppliers many of which I've worked with at prior points in my career and as we design the plans for the projects that we're going to take on as I eluded to earlier, you know that will help and form significantly the types of third-parties we work with and of course we will be looking to ensure that we're preparing our services in a competitive fashion, getting the best possible pricing.

I have a lot of experience sitting on the other side of the table and so I'm looking forward to being on this side of the table now and will ensure that every dollar that we spend in this effort is spent with extreme caution and getting the best possible deal we can. And also doing this in a way that is very module so that we're not committing to massive large-scale projects that then can often drift in challenging directions, but rather taking these on piece at a time so that we can adjust course as we
learn more and as new opportunities present themselves.

REP. ZAWISTOWSKI (61ST): Thank you. And I know you haven't been here that long, but the history has not been that great with some of our other state agencies in computer systems and just wanted to make sure that we're heading down the right path. So, thank you very much.

COMMISSIONER GEBALLE: Thank you.

REP. ZAWISTOWSKI (61ST): And thank you, Madam Chair.

SENATOR OSTEN (19TH): So, I have one follow-up question from Representative Zawistowski's question on the landing Griswold. My understanding is they're still working on an EIE? Is that accurate? There's more to this story than what you've said, right?

COMMISSIONER GEBALLE: Yes.

SENATOR OSTEN (19TH): All right. So, if you can't say it right now then you can say that we're pending litigation on it or pending a result of some sort of investigation on it, but we're not completely free of the end result of that property, would that be fair to say?

COMMISSIONER GEBALLE: That is fair to say.

SENATOR OSTEN (19TH): Senator Formica.

SENATOR FORMICA (20TH): Good evening, sir, good to see you again.

COMMISSIONER GEBALLE: Good to see you, Senator.

SENATOR FORMICA (20TH): So, one of the things I was most excited about your appointment was this new
digital front door. This redirection or this reinvigoration of what's happening with technology. Because we have so many conversations about people who call in and they're on hold for a department and it just doesn't seem in this day and age we need to move the plug from one hole to another to get people into that conversation. So, I expect you'll address that as part of this.

The other day we had a conversation like we're having with you with labor and they talked about the potential of the paid family and medical leave being under their department, they talked about 35 people going up to maybe 120 people. They talked about a new software program. They talked about all of that. My question to them was would it be more appropriate to go into your department for that kind of thing? I'm not sure what is or what isn't, I'm not sure if we'll even get to having that policy change.

My question I guess or my hope is that all of those new initiatives will be redirected through your office because it would be a shame for, I think another department to try to take on an initiative in developing new software and bringing in new IT and doing all of that without coordinating with you.

Do you see that as your role and has the Governor kind of charged you with the role, I mean, I know you got a big apple. Is that the direction that we're going so that I don't have to worry or other people don’t have to concern themselves with little pockets of developments all over the Government?

COMMISSIONER GEBALLE: That's great question, Senator. You know we have not had a specific
conversations with regards to the systems that will be required to support family medical leave, I would say that our CIO Mark Raymond is sitting behind me and his team do often get involved in helping out other agencies on large scale enterprise systems where we're not in the lead, but we can help lend our expertise and assistance where appropriate. I think generally speaking the Governor has been very clear that he wants to see agencies work together more collaboratively and I think he has been very deliberate in the process of the commissioners he's been choosing to pick people who have that kind of collaborative vent to them and I've been getting to know my fellow commissioners and I've heard a lot of interest from them about collaborating and working together on large systems implementations.

It just makes sense, I mean I think as you look at how the IT expertise and a lot of our agencies has declined, you know we've had a lot of headcount reductions over the last decade and you get to a point where you don't have the critical mass necessary to run some of these large big complex projects and also you know under any circumstance these large projects are very complex, very risky even for people who do this stuff for a living as opposed to people who are kind of deputized to take on a project like this at an agency that is not really their wheelhouse.

I'm hopeful that we can work together with our agencies to help build up some critical mass around project management, IT project management and in so doing increase the deficiency and reduce the risk of how we deliver these large projects and that's something we're going to be working on across the
group of commissioners with the support of Mark and his team.

SENATOR FORMICA (20TH): Okay. I think that was almost the answer I was hoping for, but I appreciate the direction.

COMMISSIONER GEBALLE: And I appreciate the question. That's a great one.

SENATOR FORMICA (20TH): Thanks. Well, I'm hopeful, I mean we all know we have to get there. And the other question I have and you can ask people to bring it these operational expenses of 25 Sigourney, that's a building that I think we had a million dollars at one point a few years ago to demolish and run and I don't know what the ongoing expenses are for that and it says maintain the building until it is sold. Is there a sale pending?

COMMISSIONER GEBALLE: Not pending, but there is some commercial interest in the property. And we are in parallel looking at some options to reduce the operating costs in the meantime. The costs are to answer your question we have to keep the water on for fire suppression and then in the winter we have to keep the heat on so the pipes don't freeze and, in the summer, we have to keep the air conditioning going so mold doesn't grow and but we're looking at some ways we can trim those operational costs. We have a new deputy commissioner responsible for real estate and construction that comes out of the industry and has been pushing the envelope a little bit with the team on some things we can do to get those costs down in the meantime, but our hope is that we can sell the property and then in the not too distant future you know to a private developer.
who can redevelop the site and get it back on Hartford's tax rolls, etcetera.

SENATOR FORMICA (20TH): And then recoup some of the costs going backwards just a little bit. Is your agency going to be the agency to oversee or manage sale of assets that the Governor may deem expendable?

COMMISSIONER GEBALLE: Yes.

SENATOR FORMICA (20TH): I have a few that I'd like to send your way.

COMMISSIONER GEBALLE: Send them over.

SENATOR FORMICA (20TH): I'd be happy to do it, okay. One is a nice waterfront piece of property. Thank you very much for your service. I look forward to working with you.

SENATOR OSTEN (19TH): I think you should sell some of that beautiful prison land that's all over the State that we're not using right now. Representative Gilchrest.

REP. GILCHREST (18TH): Thank you, Madam Chair. Hello Commissioner. I have a question also about the digital front door, which I think is a great plan, but in the State of Connecticut we do currently have 211, which is a one stop shop for services and I'm just wondering are there plans to partner, discuss with them, just how are you working with them?

COMMISSIONER GEBALLE: Yeah, that's a great question. We haven't specifically discussed that. Mark, I don't know you have any thoughts on that? It's provided by United Way and it's a human
services kind of help line, yeah. I mean there should be tie-ins there I would imagine. But when you think across all the incredibly broad and diverse service area of reasons that citizens come to the State to transact, you know, human service concerns are certainly a set of that, but it's much broader in terms of the scope of what we're thinking about.

But I would think, that's a great question, it's something we will think more about.

REP. GILCHREST (18TH): Thank you. Yeah, I would just hate for us to eventually get to a point then when we still have two different entry points. So, that would be great, thank you.

COMMISSIONER GEBALLE: Yeah, and I think if I understand it correctly, 211 is staffed by people who answer phones and will help answer questions and so forth and a lot of what we're going to be doing here is with online and really using software and more automated approach rather than relying on that kind of human interface, but in certain circumstances obviously that's very valuable, so it could be a good compliment.

REP. GILCHREST (18TH): And I do believe they have a website as well.

COMMISSIONER GEBALLE: Okay. Good, thank you for the suggestion.

REP. GILCHREST (18TH): Thank you. You're welcome.

SENATOR OSTEN (19TH): Representative Lavielle.

REP. LAVIELLE (143RD): Thank you, Madam Chair. Good afternoon.
COMMISSIONER GEBALLE: Good afternoon.

REP. LAVIELLE (143RD): Just one question, we've been in the presentations we've seen up until now during the week. I had some questions of various agencies that when they were small to find out if they were making use of the DAS program called Smart, they're smart agencies they're using you for some back-office services.

And I wondered if for our work groups for our subcommittees if you'd be able to provide us a list of the agencies that you're helping in that way? And whether you have any information on what that's enabling them to generate in savings or if not that then what it actually costs them to use your services so that we can look at what perhaps expanding might do or whether you've reached the threshold or whatever.

So, do you feel that there's more that could be done if you know yet?

COMMISSIONER GEBALLE: Oh, absolutely. We're very actively working right now on areas where we think there could be more efficiencies in that regards. The Governor has spoken repeatedly as well about efficiencies that he envisions from certain business functions that are currently quite federated across the different executive branch agencies and the opportunities that present themselves if we can bring them together in a more centralized fashion.

You know, we are looking at particularly the smart team as you mentioned is a focus on human resources management for small agencies, I think we support 11 small agencies currently and we're doing a piece of work with the other agencies, all other executive
branch agencies now to look if we can run a bigger play there with much greater impact, so we'd be happy to share more information in workgroup for sure.

REP. LAVIELLE (143RD): When you say bigger play, might you be able to work with agencies of a larger size do you think?

COMMISSIONER GEBALLE: Yeah.

REP. LAVIELLE (143RD): Okay, great. So, I'd be happy to see any of that you might have for us.

COMMISSIONER GEBALLE: Wonderful, okay.

REP. LAVIELLE (143RD): Thank you.

COMMISSIONER GEBALLE: Okay.

SENATOR OSTEN (19TH): Representative Case.

REPRESENTATIVE CASE (63RD): Thank you, Madam Chair. Good evening. Quick question in regards to the e-sourcing and is it replacement of the Biznet system or last year under the previous Governor we did a two-week long lien process with all the agencies, the human services agencies who used Biznet. And they're finding it's not utilized the proper way. I know this is for contracting and for bids and for stuff like that, but I just want to put you aware that there is a full report that was done, all the agencies brought people into one room for two weeks at a time and found out that they were duplicating services, but everything could be dumped into Biznet to where the non-profits they can see their information, if DAS let's say if DDS goes out to a home and DSS was already there and there was an
issue it would show up in Biznet and they could look at the issue instead of sending out two agencies.

I don’t know if you can get your hands on the report, I can probably try to, but it was a pretty sophisticated process that Bill Welts ran out of the Governor's office, basically concentrated on Biznet and I saw that in here in a replacement of it.

COMMISSIONER GEBALLE: No, I haven't seen that report, as you said I think it's a health and human services agencies.

REPRESENTATIVE CASE (63RD): It is health and human services, I just saw it in here, I don’t know if that's, if it's utilized the same, the contract, but everyone wants to get in on it and try to streamline so we can save some dollars.

COMMISSIONER GEBALLE: Absolutely.

REPRESENTATIVE CASE (63RD): And I'll try to get my hands on it, if you guys can, I don’t know where that report is sitting, but we spent so much time on it on that project.

COMMISSIONER GEBALLE: Great.

SENATOR OSTEN (19TH): Any further comments or questions?

COMMISSIONER GEBALLE: Yeah, I think, there's Carol Wilson behind me is our Chief Procurement Officer in DAS and most of what we handle from procurement perspective is goods and services and technology and construction related stuff as well, but from health and human services perspective I mean we do believe there is a lot of opportunity similar fashion to the Representative's prior
question where if we worked together in a more centralized fashion we can achieve some advantages to that, also in terms of the systems that we use to support the process, you know, we're working hard on that as well as some processing engineering that we think can make the procurement process generally in doing business with the State easier as well that we'll be talking with the legislature more about in the coming weeks.

REPRESENTATIVE CASE (63RD): Correct. But my main concern was it was a replacement of Biznet and if the health and human services agencies are still going to be using it, does it make sense to try to get the onboard with the new system that you're looking to bring in so that we're all using one.

We can come back to it on the working group, it just stuck out at me when I saw it.

COMMISSIONER GEBALLE: Okay. We'll look at that.

REPRESENTATIVE CASE (63RD): Thank you.

COMMISSIONER GEBALLE: Thank you, Representative.

REPRESENTATIVE CASE (63RD): Good luck.

COMMISSIONER GEBALLE: Thank you.

SENATOR OSTEN (19TH): Any other further comments or questions? Seeing none. Thank you very much. Appreciate it, see you at the working group. Maybe not you, but some of the people behind you. Next up, Department of Revenue Services. You can start when you're ready.

COMMISSIONER JACKSON: Thank you. Good afternoon, Senator Osten, Representative Walker, and members of the Appropriations Committee. My name is Scott D.
Jackson, Commissioner of the Department of Revenue Services. Thank you for the opportunity to speak to DRS funding for the next biennium.

DRS is an extraordinary agency with the finest tax experts in the State. DRS collects the funds. More than $19.5 billion dollars in fiscal '18 that float to all of our communities in the form of new schools, roads, bridges and other state funded programs.

Recent agency accomplishments include successful and ongoing implementation of marketplace facilitator and seller legislation. Connecticut has made substantial progress in addressing a long-standing driver of the states sales tax collection gap and is considered a national leader in this realm.

While more work remains, there have been encouraging signs as hundreds of online retailers have come forward to register, collect and remit Connecticut sales tax on these remote purchases.

DRS is also closed out work on Connecticut Fresh Start. A voluntary tax compliance incentive program for those who with previously unreported or underreported state taxes. The program has had a collection goal of $85 million dollars by November 30th, 2018, final results saw more than $99 million dollars returned to the general fund.

Looking ahead I thank Governor Lamont for the confidence shown in his DRS budget proposal and for keeping the agency whole.

Recommended increases in fiscal '20 and fiscal '21 will allow DRS to maintain current staffing levels
and focus on customer service, the customer service that taxpayers expect and our work demands.

I would also highlight the proposed funding reallocation to implement a more efficient and cost-effective hiring model for temporary tax season workers, which will result in an additional savings to the State by not having to pay fringe benefits.

With many staff eligible to retire in the next three years, DRS is working now to plan for the future and we're modernizing our processes. In fact, DRS is prepared to contribute immediately to Governor Lamont's vision of digitizing state government services to improve the taxpayer experience.

DRS is scheduled to launch the first phase of CTAX this spring. A multiyear IT modernization initiative that will help stage a tax administration environment defined by streamline service, knowledge transition, innovation and flexible adaptation to tax changes.

With these and other factors in mind, DRS is looking forward to contributing to budget deliberations this session and will be happy to furnish additional information to the committee and subcommittees as it is required.

Thank you very much.

SENATOR OSTEN (19TH): Thank you. And thank you for being so patient with us today. Under the agency request you have 660 fulltime equivalent and I'm wondering how many of those are funded in your personnel service line item?

COMMISSIONER JACKSON: Well, so the request was 660, that is optimal. What we have right now today
and that number will actually change tomorrow is 554 bodies. We are 107 short of optimal.

SENATOR OSTEN (19TH): So, short of optimal, but how many did you budget for?

COMMISSIONER JACKSON: That budget will support depending on obviously the staffing levels, that budget will support 570 to 580 individuals.

SENATOR OSTEN (19TH): So, whenever you come to the working group, if you could break out those numbers, so I'll know what the dollar amounts that are in there will support.

COMMISSIONER JACKSON: Certainly.

SENATOR OSTEN (19TH): So, I noticed that the Governor's recommended budget is slightly less than your of $1 million dollars in year one and about $500,000 in year two, is that accurate?

COMMISSIONER JACKSON: Right. There are certain movement of funds between PS and OE, I referenced the change in the way that we hire our temporary workers, we had been historically bringing them on staff, and therefore, carrying the fringe benefits we moved two years ago to hiring them through a hiring agency, so there's a cost reduction.

We have gone, last year we went to FAC to move that money and so in this biennial budget that transition has been made. So, as the PS is lower, the OE is higher.

SENATOR OSTEN (19TH): Okay. So, you talked about temporary staff, is it more cost effective to hire temporary staff than permanent staff?
COMMISSIONER JACKSON: It is, given the unique nature of tax season, it is. And because of the way job descriptions work it's harder to transition folks around the agency as necessary. But our customer service principals demand that we be fully staffed for that tax season January through April, so this is the most cost-effective way to do it. It also provides us an opportunity to expose ourselves to employees who may want to come through the door as permanent hires at a later date.

So, we see them coming through and we do do permanent hiring's, we do see them interested and coming in with a higher degree of knowledge than what would have happened had we not engaged in the temporary hiring program.

SENATOR OSTEN (19TH): And I'm going to go, I'm sorry I didn't ask this when we were talking about positions. You have 554 right now, you say optimal is the 660, so we probably won't get to that number.

COMMISSIONER JACKSON: I anticipate that.

SENATOR OSTEN (19TH): Just so you know. Okay. But you are 30 positions shy that you have funded in there, but are not filled, are you actively looking for employees?

COMMISSIONER JACKSON: We are. We have recruitments underway right now. We have some folks starting as early as tomorrow, we are also right sizing, we need to do some additional work specifically around our support environment with the new tax system coming through the door, we need to have a different set of skills in our information systems delivery, our IEC department. Moving from some folks who are still operating COBOL environment
to folks who are more competent in a dot net environment.

So, that's a big push for us. Also, when it comes right down to it, it takes people to collect money. So, we need to add auditors and we need to add collections and enforcement agents. And in order to support our goal of voluntary compliance, sometimes we have to do these things publicly and sometimes we have to engage in litigation with bad actors to remind folks that this is an obligation and they should take this obligation to their neighborhoods, to their communities very seriously.

SENATOR OSTEN (19TH): I actually think it's a duty, not just an obligation. We have to support the things that we need. So, we had made sure, much akin to what the Attorney General talked about, you are talking about. So, the Attorney General is positing that if he has more attorney's he's able to better function and bring in more dollars. So, you're saying the exact same thing, if you have the people that you need, better auditors, better enforcement agents of some sort or another, you're able to bring in the dollars on a more consistent basis?

COMMISSIONER JACKSON: That is correct.

SENATOR OSTEN (19TH): Can you provide us with that when you come to the working group of your top ten taxpayers in the State... is that allowed?

COMMISSIONER JACKSON: I don’t believe we can do that. I can provide some aggregate information.

SENATOR OSTEN (19TH): I don’t need to know how they make their money, I just want to know who the top
ten commercial businesses are that pay taxes in the state and what that dollar amount is in the per business. So, if I'm applying for a bond on a municipal level, I have to provide them with my top ten taxpayers. I want to know who your top ten taxpayers are. I want to have an idea of what we're talking about.

COMMISSIONER JACKSON: There is one slight difference, Federal tax --

SENATOR OSTEN (19TH): I'm sure there is more than a slight difference.

COMMISSIONER JACKSON: -- information, yeah, well federal tax information under IRS regulations is private. Whereas municipal tax records are public. So, I will, I understand where you're going and I'll go back and work with my team to try to figure out a way to get as close as we can to giving you the information you're looking for without stepping over the line and getting into breaches with IRS.

SENATOR OSTEN (19TH): I'm not actually looking for how they make their money, or what they deduct to the total dollar, from the total dollar amount. I imagine that at some point there must be a way to figure out who those top --

COMMISSIONER JACKSON: We know, it's an issue of just disclosure of federal tax information. So, we'll work on that.

SENATOR OSTEN (19TH): There is a lot I can't disclose even at the municipal level with assessors, but I can certainly figure out who those top ten taxpayers are. There must be something, when we do
bonding, they don’t require any information from the State?

COMMISSIONER JACKSON: There's aggregate information to be sure, but you know, for example, I have access to the top 100.

SENATOR OSTEN (19TH): Right.

COMMISSIONER JACKSON: And so, sort of that's the biggest of the smallest aggregate chunk that I utilize. But I'll go back and do a little bit more research on that.

SENATOR OSTEN (19TH): That would be wonderful. Thank you very much. Senator Lesser.

SENATOR LESSER (100TH): Thank you, Madam Chair. And thank you Commissioner, it's good to see you. I'm just following up I guess a little bit on a line question that Senator Osten had. I asked one of your predecessors one year, there had been a proposal to cut the funding for the DRS and I asked that commissioner at the time how would this affect the operations of DRS and the answer I got back was it won't affect us at all, there is no clear relationship between staffing levels and funding and revenue to the State. I don’t believe that that's the case and I think you just said that that wasn't the case.

So, is there a way for us to sort of model how when we provide resources to your agency that that helps you to fulfill your mission and helps bring -- is there a way to model that in a way that's predictable in any way?

COMMISSIONER JACKSON: If you try to do it you reach infinity pretty soon. An infinite amount of
auditors can't do an infinite amount of assessment because you can, you get to the end of it. We can take a look at some reasonable estimates but you know, you also have to recognize that, you know, when you have sort of actors in the field you also have support staff back at home. And they can't, an auditor can't be successful if his computer doesn't work.

And so, we need that person in ISD to be able to keep those systems up and running. So, it kind of depends on the person and it's not fair to the broader agency to say okay, you auditors are more important or valuable than you know, you support staff.

But I'll take a look at it and see if there's any good information in there.

SENATOR LESSER (100TH): And you have a sense of where the low hanging food is on potential compliance violations, if that's on the corporate side or if it's on the individual side? Or where should we be focusing our attention if we really want to make sure that we have a fairer system where we have higher compliance?

COMMISSIONER JACKSON: Sales and use tax in certain industries. Cash businesses.

SENATOR LESSER (100TH): Although I imagine that may be an overall aggregate value might be quite high, but the actual difficult, you know, the actual, each of those businesses might be relatively small, is that or --

COMMISSIONER JACKSON: It may be, but that's one of those cases where in sometimes doing things in
the more public fashion you yield results because people will say it's not worth it.

SENATOR LESSER (100TH): I think in September of last year the department put forward a letter interpreting, this is a question I asked of the Treasurer's Office, but there were some changes to the federal tax laws that changed the way that CHET accounts are administered and other 529 savings accounts and allowed the use of those accounts for K-12 education purposes and your department put forward a letter I think in September saying that it is a permitted use for that in Connecticut, is that something that you've modeled any kind of revenue changes for?

COMMISSIONER JACKSON: We have not modeled any, but I can go and take a look. We're starting to, you know, the numbers are coming through the door now, so I can take a look to see if anything is becoming apparent in that regard.

SENATOR LESSER (100TH): Okay, thank you. I look forward to working with you on some other issues as well, and I appreciate your service.

COMMISSIONER JACKSON: Thank you.

SENATOR OSTEN (19TH): Representative Baker.

REP. BAKER (124TH): Thank you, Madam Chair. Good evening, Commissioner, thank you for coming out here and sharing your testimony. I don't know if I might have missed this question or if it just wasn't given.

You talked about temporaries, is that in this 600 number, the temporary workers?
COMMISSIONER JACKSON: No.

REP. BAKER (124TH): Can you give us, our workgroup a number of your temporaries and what is that dollar amount?

COMMISSIONER JACKSON: Certainly. The dollar amount I can tell you that the dollar amount projected for next year is about $600,000 dollars.

REP. BAKER (124TH): Okay.

COMMISSIONER JACKSON: For the tax season, but I can break it out in a little bit more detail for the workgroup.

REP. BAKER (124TH): And roughly how many temp workers do you usually use in a yearly basis?

COMMISSIONER JACKSON: It's a few dozen. But there's also some fall off, you know, sometimes people decide not to come back to work.

REP. BAKER (124TH): Okay.

COMMISSIONER JACKSON: So, there's a little bit of a role in that.

REP. BAKER (124TH): So, do you annually project that you want to, there's a number that you zero in that you want to have come around tax time or throughout the whole year?

COMMISSIONER JACKSON: Yeah, so in the fall we'll start to project that number, we're going to do sort of an official postmortem, this is the second year we're doing it, so we're going to do a postmortem at the end of this tax season to see what went well, what didn't go well, what can we improve and were
the numbers sufficient to provide the customer experience that our taxpayers deserve.

REP. BAKER (124TH): Okay. So, if you could just kind of with the working group, if you could just bring a number for us.

COMMISSIONER JACKSON: Okay, will do.

REP. BAKER (124TH): Okay, thank you.

SENATOR OSTEN (19TH): Senator Formica.

SENATOR FORMICA (20TH): Thank you very much. Good afternoon, Commissioner, good afternoon everybody. Welcome, thank you for your good service over the years in your many positions. I appreciate your good work that you do.

COMMISSIONER JACKSON: Thank you.

SENATOR FORMICA (20TH): Just a follow-up on the Fresh Start Program. Is that a continuing program that we can anticipate savings for or is that --

COMMISSIONER JACKSON: It is not. It was a unique program for those who had not filed or had seriously underreported. And so, we gave them a break on penalty and interest if they came forward voluntarily. But the State has run a number of amnesty style programs over the years and frankly, in too close quarter. If you run too many amnesties, people expect it and so your voluntary compliance starts to go down and that's, we bring in the lion share of our dollars through voluntary compliance, so we have to maintain that level. So, it would be my recommendation to avoid that for a few years.
SENATOR FORMICA (20TH): Let them catch up again and then see what happens.

COMMISSIONER JACKSON: Exactly.

SENATOR FORMICA (20TH): Okay, great. Thank you very much. I appreciate that.

SENATOR OSTEN (19TH): Are there any other comments or questions? Seeing none. You are free to go.

COMMISSIONER JACKSON: Thank you.

SENATOR OSTEN (19TH): My understanding is that we may not have anybody show up at 6:00. We do have people that are signed up at 6:00 for, there was one agency that was coming in, but I think they just called and said they're not going to make it. The Board of Firearms. So, we'll see if they come at 6:00, if you want to come back in at 6:00, come back in at 6:00 and then at 6:30 we have three or four, maybe five people from the public. So, hopefully, maybe we can start a little bit early, we can't start too early. But if they're here maybe about a quarter after six we'll start with the public presentation.