

Synopsis of the Governor's 2010-2011 Biennial Budget

Overview

The Biennial Budget was introduced by the Governor on February 4, 2009 at a joint meeting of the Connecticut General Assembly. To facilitate the discussion with the Secretary of the Office of Policy and Management on February 5th at the Appropriations Committee, the Office of Fiscal Analysis has prepared the following brief summary of major budget policy changes.

The Governor's 2010-2011 Biennial Budget recommends an \$18,846.6 million for FY 10 and \$19,532.7 million for FY 11 for all appropriated funds. The Governor's expenditure plan, based on her recommended all funds appropriations, places the budget **under** the spending cap by \$648.8 million in FY 10 and **under** the cap by \$186.4 million in FY 11.

For the General Fund, the Governor is requesting an appropriation of \$17,508.9 million for FY 10 and \$18,127.3 million for FY 11. The Governor's General Fund revenue projections to support the appropriation are \$17,509.2 million for FY 10 and \$18,127.5 million for FY 11. The Governor is projecting a General Fund growth rate of -0.1 percent and 3.5 percent respectively over each previous fiscal year.

Two new significant revenue sources used by the Governor are monies from the Budget Reserve Fund and anticipated federal funds from the "American Recovery and Reinvestment Act of 2009" that is currently before the U.S. Congress. These funds amount to \$642.5 million for FY 09, \$1,493.2 million for FY 10 and \$1,265.6 million for FY 11 for a total of **\$3,390.5 million**.

This synopsis is divided into four parts: **significant budgeted lapse savings; significant program changes; agency consolidations; and significant state revenue changes.**

Significant Budgeted Lapse Savings

State Personnel Savings

- The Governor assumes State employee savings of \$275 million in the General Fund and \$20 million in the Transportation Fund in both FY 10 and FY 11. In FY 10, the \$275 million is composed of \$160.9 million in a Personal Services lapse budget reduction and a further reduction in the Reserve for Salary Adjustments (RSA) account of \$114.1 million. In FY 11, the \$275 million is composed of \$159.7 million in a lapse budget reduction in Personal Services and a Reserve for Salary Adjustments (RSA) reduction of \$115.3 million;

- The \$275 million savings may be achieved through: a wage freeze, additional cost sharing for pension and health benefits and a retirement incentive program; and
- The Governor recommends adding state employee wages and salaries to the list of items that must be negotiated on a coalition basis. The Governor also proposes that from July 1, 2009 until July 1, 2011 the normal binding arbitration process for state employees be suspended and, under certain conditions, no arbitration award are granted during that time period.

Reduce Consultant Services

- Reduce agency-wide consultant services by \$95 million in each fiscal year through a lapse budget reduction.

Significant Program Expenditures Changes

LEGISLATIVE

Eliminate Legislative Commissions

- The Governor proposes eliminating all 6 legislative commissions (African-American Affairs, Aging, Asian Pacific American Affairs, Children, Latino and Puerto Rican Affairs, and Women). This would eliminate a total of 34 positions and \$3.8 million in FY 10 and \$4 million in FY 11. The Governor's budget achieves the elimination of the 6 legislative commissions through a lapse budget reduction.

GENERAL GOVERNMENT

Office of Policy and Management

- Eliminate \$1 million in FY 10 and FY 11 for Regional Performance Incentive Grants – *refer to capital budgeting section for additional information about new regional initiatives;*
- Eliminate \$850,000 in FY 10 and FY 11 for the Leadership, Education and Athletics Partnership (LEAP), and instead will be supported by federal funds as part of the anticipated federal stimulus program;
- Reduce \$1.5 million in both years of the biennium for the Capital City Economic Development Authority (CCEDA). This reduction will eliminate three positions and associated expenses of \$300,000 from the authority and reduce the grant to the Greater Harford Convention and Visitors Bureau by \$1.2 million; and
- Funding for the Payment-in- Lieu of Taxes for Manufacturing Machinery and Equipment (PILOT MME) is reduced by \$31.8 million in FY 10 and \$42.7 million in FY 11, as the grant is pro-rated to the FY 09 spending levels.

Office of Accountability

- This newly created office is within the Office of Policy and Management (OPM) for administrative purposes only and will be staffed by two currently vacant OPM positions and an unspecified amount of associated funding.

Office of Property Rights Ombudsman

- Funding of \$214,667 in both years of the biennium and two associated positions are eliminated. The office is within the Office of Policy and Management for administrative purposes only. Functions previously performed by the Property Rights Ombudsman will be assimilated into the Office of Responsible Growth, which was created by Executive Order 15 and is also within the Office of Policy and Management.

State Elections Enforcement Commission, Office of State Ethics, and the Freedom of Information Commission

- The Governor recommends transferring \$12 million in both FY 11 and FY 12 from the resources of the Citizens' Elections Fund (CEF) to the General Fund;
- The Governor consolidates the funding for the SEEC into the CEF. This allows the State Elections Enforcement Commission (SEEC) to fund all of its activities, including fringe benefits, through one funding source, eliminating the need for a General Fund appropriation. The Governor increases the allocation for administering the CEF from \$2.3 million to \$6 million in FY 10 and to \$7 million in FY 11. The Governor's budget achieves the General Fund savings through a lapse budget reduction; and
- The Governor is proposing to repeal the applicable statutes for the Office of State Ethics, the Freedom of Information Commission, and the SEEC, which restricts changes to the agencies' requested budgets, allowing them to be reviewed and modified in a manner similar to other executive branch agencies.

State Insurance and Risk Management Board

- Eliminate the State Insurance and Risk Management Board (SIRMB) and transfer its functions to the Department of Administrative Services (DAS). This results in a savings of \$75,270 in FY 10 and FY 11 in the General Fund through the elimination of one Fiscal Administrative Officer. The amount of \$14,170,932 is provided to DAS in FY 10 from the General Fund as is \$15,160,638 in FY 11 for purpose of assuming the responsibilities of SIRMB. Also provided is \$2,536,000 in FY 10 in the Special Transportation Fund for DAS and \$2,717,500 in FY 11.

REGULATION AND PROTECTION

Department of Labor

- Funding for Connecticut's Youth Employment program is eliminated (\$4.75 million) due to anticipated federal stimulus funding for similar programs; and

- Funding for Jobs First Employment Services is reduced by approximately \$2.5 million in FY 10 and FY 11, and TANF Job Reorganization is reduced by \$975,000 in both years. A total savings of approximately \$3.5 in both FY 10 and FY 11 is anticipated due to the rebidding of contracted services.

Department of Public Safety

- Reduce funding for weigh station operations by \$1.6 million in both FY 10 and FY 11, and transfer that responsibility to the Department of Motor Vehicles (DMV). In addition, 11 non-sworn positions are transferred to DMV to assist in operations, while 21 troopers would be redeployed from weigh stations to other patrol duties;
- Defer a Trooper training class from FY 10 to FY 11, resulting in a reduction of \$1.5 million in FY 10. A minimum of 1,248 sworn troopers is required by CGS 29-4. As of November 2008, DPS employed 1,168 full-duty troopers, with 64 trainees scheduled to become Troopers in March 2009, and 58 inactive troopers;
- Reduce funding to non-patrol functions by \$1.5 million in FY 10 and FY 11, resulting in the transfer of troopers away from the following duties: 18 school resource officers, 21 weigh station operators, and 13 various other non-patrol duties; and
- Redeploy 18 non-reimbursed Bradley Airport troopers to other patrol duties throughout the state for a reduction of \$891,000 in FY 10 and FY 11. There are currently 37 troopers deployed to Bradley Airport, with the costs of 19 reimbursed by the airport.

Board of Firearms Permit Examiners

- Eliminate agency and transfer responsibility to the Department of Public Safety (DPS), resulting in a reduction of \$100,346 in FY 10 and \$101,492 in FY 11 as well as the elimination of one full-time position.

Office of the Healthcare Advocate

- Eliminate the Office of the Healthcare Advocate (OHA) through the reduction of \$1,052,253 in funding from the Insurance Fund in FY 10 and \$1,069,734 in funding from the Insurance Fund in FY 11. Seven positions under OHA are eliminated.

Commission on Fire Prevention and Control

- Suspend reimbursement of one-half the cost of Firefighter I and Recruit Firefighter training for municipalities, resulting in a reduction of \$555,250 in FY 10 and 11.

Office of the Consumer Counsel

- Eliminate the Office of the Consumer Counsel. This will result in a savings of \$3,118,979 in FY 10 and \$3,224,134 in FY 11 to the Consumer Counsel and Public Utility Control Fund.

Commission on Human Rights and Opportunities

- Reorganize the Commission on Human Rights and Opportunities by closing the Norwich and Waterbury Office. This will result in a savings of \$1,675,355 in FY 10 and \$1,660,203 in FY 11 through the elimination of 11 positions.

CONSERVATION AND DEVELOPMENT

Department of Environmental Protection

- Transfer \$52.3 million in FY 10 and \$52.5 million in FY 11 with 361 positions from the Department of Environmental Protection's (DEP) special funds and accounts to the General Fund. The transfer includes positions, funding, revenues, and account balances for the Emergency Spill Response Account, Environmental Quality Fees Fund, Solid Waste Management Account, Underground Storage Tank Cleanup Account, Clean Air Account, Environmental Conservation Fees Fund, and Boating Account. Details of the transfer from these funds and accounts to the General Fund are as follows:

FY 10	Amount (\$)	Positions
Personal Services	24,615,127	361
Other Expenses	27,682,041	--
Total	52,297,168	361

FY 11	Amount (\$)	Positions
Personal Services	24,791,629	361
Other Expenses	27,682,041	--
Total	52,473,670	361

- Provide \$2.5 million in FY 10 and \$5.0 million in FY 11, in anticipation of funding from the second federal economic stimulus package, to establish a Connecticut Conservation Corps. The mission of the Corps would be to provide employment opportunities to individuals to earn wages while working on projects beneficial to the public, municipalities, and the state. Projects may include park and beach clean ups, trail maintenance, and brownfield site clean up. Establishment of the Corps is planned by 7/1/09.

HEALTH AND HOSPITALS

Department of Mental Health and Addiction Services

- Merge Cedarcrest Hospital and Connecticut Valley Hospital (CVH) for a net savings of \$163,182 in FY 10 and \$3,139,888 in FY 11. This will eliminate 98 full time positions and 6 part time positions. Services for these patients will be provided by CVH and other inpatient and community settings through the transfer of \$1,500,000 in both FY 10 and FY 11 to the Managed Service System account;

- Reduction of assertive community treatment (ACT) teams for a savings of \$1,680,000 million in both FY 10 and FY 11. Savings will be achieved due to the development of more enhanced community supports services in place of the assertive community treatment teams;
- Elimination of research subsidy at the Connecticut Mental Health Center, for a savings of \$1,204,123 in both FY 10 and FY 11;
- Funding for the Community Mental Health Strategy Board is eliminated in the amount of \$10,313,225 in FY 10 and FY 11. These dollars will be reallocated to other accounts within the agency;
- Eliminate General Fund support of Regional Action Councils, for a savings of \$325,000 in FY 10 and FY 11. An additional \$325,000 will be allocated from the Pre-trial Alcohol and Drug Education account;
- Administrative merger of Connecticut Valley Hospital and River Valley Services, for a net savings of \$227,364 in FY 10 and FY 11. This will eliminate 3 positions;
- Deferment of criminal justice initiatives related to the Persistent Violent Felony Offenders Act, for a savings of \$510,000 in FY 10 and FY 11;
- Convert mental health case management services to community support programs, for a savings of \$1,000,000 in FY 10 and an additional \$1,500,000 in FY 11. This will be achieved through the standardization of case management service definitions, rates, service and productivity measures across the agency;
- Bundle mobile crisis, crisis respite and acute psychiatric inpatient services for a savings of \$700,000 in both FY 10 and FY 11. This savings is due to reduced admissions to acute psychiatric inpatient beds and shorter hospital emergency room wait times by redirecting individuals to a less restrictive level of care;
- Funding is increased for Youth Adult Services by \$7,586,394 in FY 10 and \$10,696,477 in FY 11 to support 185 anticipated new referrals from the Department of Children and Families in FY 10 and an additional 185 new referrals and annualization costs in FY 11; and
- Funding of \$1,171,885 in FY 10 and an additional \$2,910,742 in FY 11 is provided for the Home and Community Based Waiver. This fills 62 waiver slots in FY 10 and an additional 96 slots in FY 11.

Department of Public Health

- Reduce AIDS Services funding to pre-FY 08 levels in FY 10 through a reduction of \$2,699,237 in this account. These funds were added in the 2008 legislative session in anticipation of a reduction in federal funding that did not occur;
- Reduce funding for Local & District Departments of Health by \$2,571,063 in FY 10 and by an additional \$218,643 in FY 11, a cumulative reduction of \$2,789,706, by restructuring payment methodology to promote regionalization. The per capita subsidy for full-time and part-time municipal health departments is eliminated. For district health departments (renamed regional departments) that serve more than 5,000 people, the per capita subsidy is reduced from \$2.43 to \$1.25. For towns within these regions with 5,000 people or less, the per capita subsidy is reduced from \$2.43 to \$1.25;
- Reduce funding for Community Health Services by \$2.5 million in FY 10 and FY 11 (this includes a new reduction of \$2,035,762 and the rollout of the FY 09 recision in this account of \$464,238);

- Reduce funding for School Based Health Centers by \$1,470,000 in FY 10 and FY 11.
- Eliminate Funding for Emergency Medical Services Regional Councils, a reduction of \$643,603 in FY 10 and FY 11;
- Reduce Personal Services by \$865,122 in FY 10 and FY 11 through the elimination of 18 vacant positions;
- Reduce funding in various programs by \$477,225, to be added to the rollout of FY 09 recisions in both FY 10 and FY 11 of \$1,196,279 in Other Current Expenses, to achieve a 10% funding decrease in these programs:
 - Needle & Syringe Exchange,
 - Community Services Support for Persons with AIDS,
 - Children’s Health Initiative,
 - Services for Children Affected by AIDS,
 - Children with Special Health Care Needs,
 - X-Ray Screening & Tuberculosis Care,
 - Genetic Diseases Programs, and
 - Venereal Disease Program.
- Eliminate funding for the Fetal and Infant Mortality Review Program, a reduction of \$285,000 in FY 10 and FY 11.

Department of Developmental Services

- An additional \$1 million is provided to allow for the continuation of dental services for DDS adult clients. The coverage of non-emergency dental services for adults under Medicaid has been eliminated;
- Funding of \$6.6 million (278 individuals) in FY 10 and an additional \$5.9 million (254 individuals) in FY 11 is recommended to support day programs for the high school graduates;
- Funding of \$2.4 million (73 individuals) in FY 10 and an additional \$2.3 million (70 individuals) in FY 11 is recommended to provide day services to individuals that will be aging out of DCF or educational placements; and
- Funding of \$5.6 million (72 individuals) in FY 10 and an additional \$4.5 million (67 individuals) in FY 11 is recommended to provide residential services to individuals that will be aging out of DCF or educational placements (an additional \$4.3 million in FY 11 is also recommended for annualized costs).

HUMAN SERVICES

Department of Social Services

Health Care

- Eliminate state funded non-emergency care to non-citizens, for a savings of \$23.6 million in FY10 and \$24.5 million in FY11;
- Limit adult dental benefits to emergency care, for a savings of \$22.7 million in FY10 and \$28 million in FY11;
- Impose cost sharing for Medicaid clients, for a savings of \$8.5 million in FY10 and \$10.5 million in FY11;

- Establish premiums for HUSKY A adults, for a savings of \$8.8 million in FY10 and \$9.3 million in FY11;
- Eliminate medical interpreters, for a savings of \$5.5 million in FY10 and \$6.0 million in FY11;
- Change Medical Necessity and Appropriateness Definition under Medicaid, for a savings of \$4.5 million in FY10 and \$9 million in FY11;
- Eliminate self-declaration, for a savings of \$2 million in FY10;
- Suspend payments for unreimbursable clients, for a savings of \$2 million in FY10 annually;
- Establish non-payment policy for certain hospital acquired conditions, for a savings of \$1.7 million in FY10 and \$1.8 million in FY11;
- Delay implementation of AIDS/HIV waiver, for a savings of \$1.6 million in FY10 and \$4.1 million in FY11;
- Increase HUSKY B premiums, for a savings of \$1.5 million in FY10 and \$1.6 million in FY11;
- Eliminate Lifestar subsidy, for an annual savings of \$1.4 million; and
- Eliminate SAGA vision and non-emergency transportation benefits, for a savings of \$1.1 million in FY10 and \$1.2 million in FY11.

Long Term Care

- Remove rate increases for nursing homes, for a savings of \$115.3 million in FY10 and \$166.4 million in FY11;
- Delay one-half of June nursing home payment, which saves \$53.1 million in FY10;
- Cap caseload of Connecticut Home Care program, for a savings of \$4.8 million in FY10 and \$14.5 million in FY11;
- Remove rate increase for Boarding Homes, for a savings of \$4.5 million in FY10 and \$9.3 million in FY11;
- Limit inappropriate nursing home placements, for a savings of \$3.8 million in FY10 and \$8.3 million in FY11;
- Remove rate increase for ICF/MR's, for a savings of \$2.9 million in FY10 and \$6.2 million in FY11;
- Require certification for medication administration in residential care homes and boarding homes, for a savings of \$1.5 million in FY10 and \$2.9 million in FY11;
- Cap the number of beds in the small house nursing home project, for a savings of \$1.5 million in FY11; and
- Allow special needs trusts for boarding home residents, for a savings of \$900,000 in FY10 and \$1.2 million in FY11.

Pharmacy

- Discontinue payment of non-formulary drugs under Medicare Part D Supplement, for a savings of \$26.2 million in FY10 and \$28.7 million in FY11;
- Impose asset test for the ConnPACE program, for a savings of \$23.9 million in FY10 and \$24.9 million in FY11;
- Eliminate Medicaid coverage of over-the-counter drugs, for a savings of \$7 million in FY10 and \$24.9 million in FY11;
- Increase Average Wholesale Price (AWP) discount to -15% for certain drugs, for a savings of \$6.5 million in FY10 and \$7.1 million in FY11;

- Reduce dispensing fee to \$2.15, for a savings of \$4.1 million in FY10 and \$4.5 million in FY11;
- Cap Medicare part D Co-payment coverage for Dually Eligible clients, for a savings of \$3.7 million in FY10 and \$4.0 million in FY11;
- Limit Maximum Allowable Cost (MAC) reimbursement for certain drugs, for a savings of \$2.0 million in FY10 and \$2.2 million in FY11;
- Include mental health drugs under the preferred drug list, for a savings of \$1.9 million in FY10 and \$2.1 million in FY11;
- Require prior authorization for certain high cost drugs, for a savings of \$1.4 million in FY10 and \$1.5 million in FY11;
- Eliminate Automatic 30 day fill policy, for a savings of \$1.2 million in FY10 and \$1.3 million in FY11;
- Require Medicare Part D recipients to enroll in benchmark plans, for a savings of \$0.9 million in FY10 and \$1.8 million in FY11;
- Increase annual enrollment fee for ConnPACE to \$45, for a savings of \$260,000 in FY10 and \$250,000 in FY11;
- Establish an open enrollment period for ConnPACE, for a savings of \$240,000 in FY10 and \$600,000 in FY11; and
- Suspend COLA adjustment for ConnPACE eligibility, for a savings of \$130,000 in FY10 and \$880,000 in FY11.

Other Services

- Defer COLA for Public Assistance clients, for a savings of \$9.1 million in FY10 and \$14.9 million in FY11;
- Defer Wallingford centralized center, for a savings of \$6.4 million in FY10 and \$2.5 million in FY11;
- Defer state supplement COLA for boarding home residents, for a savings of \$830,000 annually;
- Reduce non-entitlements and merge into new block grant, for a savings of \$2.5 million annually;
- Establish online eligibility information verification system, for a savings of \$1.5 million in FY10 and \$3 million in FY11;
- Reduce child care quality initiatives, for a savings of \$1.3 million annually; and
- Reduce Transportation for Employment Independence, for an annual savings of \$830,000.

Board of Education and Services to the Blind

- Reduce the FY 11 grant for the Educational Aids for Blind and Visually Handicapped Children by \$2 million.

Department of Children and Families

- All employees (106) and operating expenses of High Meadows are eliminated. This state-operated facility (a 42-bed residential treatment facility for severely emotionally disturbed adolescents located in Hamden) would be closed by February 2010. A net savings of \$1.4 million in FY 10 (\$6.0 million in FY 11) is proposed. Operating savings

(\$6.6 million in FY 10; \$12.6 million in FY 11) will be mitigated by the cost of relocating affected children to privately operated residential facilities. Certain children may also be served at CT Children's Place, another DCF-operated facility;

- Implementation of the change in juvenile jurisdiction is recommended to be delayed from 1/1/10 until 1/1/12;
- The Children's Trust Fund Council's grant funding (\$13.5 million) is transferred to DCF, reflecting the consolidation of prevention efforts;
- Cost-based rate adjustments for in-state private residential treatment centers are recommended to be suspended for the biennium, resulting in savings of \$3.9 million in FY 10 and \$8.1 million in FY 11;
- \$5 million is provided in each of FY 10 and FY 11 to increase Treatment Foster Care rates;
- Funding for young adults aging out of DCF into the Department of Mental Health and Addiction Services' service system is reduced by \$3.7 million in each of FY 10 and FY 11 to reflect additional funding for services to this population recommended under DMHAS's budget;
- A reduction of \$3 million in non-categorical payments for emergency needs and other individualized family support services (e.g. flexible funding) is recommended in each of FY 10 and FY 11;
- DCF currently provides a limited number of services to young adults who are age 21 or older. Savings of \$2.1 million in FY 10 (\$2.6 million in FY 11) are recommended to reflect limiting non-educational services for this age group;
- Budgeted funding for wrap-around supports for non-committed children is reduced by \$2.3 million in each of FY 10 and FY 11. The department has utilized other moneys, including flexible and discretionary funds, to provide supplemental services to enable children to remain in their communities following discharge from a more restrictive level of care;
- Funding for the Supportive Housing for Families program is reduced by \$2 million in each of FY 10 and FY 11, to reflect the achievement of unspecified economies;
- Savings of \$1.2 million in each of FY 10 and FY 11 are achieved by reallocating funding from a closed group home to support the cost of one juvenile justice group home, and eliminating funding for another juvenile justice (JJ) group homes that has yet to be developed;
- Savings of \$750,000 result from the elimination of funding for a Safe Harbor Respite Home, which would have served girls between the ages of 13 and 17 referred by local police, yet not under the supervision of DCF or within the jurisdiction of the superior court. To date this program has not been implemented;
- A \$0.7 million reduction is achieved by eliminating funding for one Supported Work, Education and Transition (SWET) program. The last of a planned four SWET programs has not yet opened. Youth in this program acquire independent living skills, and participate in educational, vocational, pre-employment and job placement opportunities; and
- Funding for legislative priorities is eliminated, including: \$261,010 for neighborhood center activities in New Haven; \$150,000 for diapers for needy families; \$100,000 to evaluate the Connecticut Behavioral Health Partnership; and \$50,000 for a Safe Havens Act media campaign.

Soldiers, Sailors, and Marines' Fund

- Reduce funding in the amount of \$593,619 in FY 10 and \$612,683 in FY 11, as well as eliminate 8 out of 12 full-time positions. Since FY 03, the expenditures of the agency have exceeded Fund interest, resulting in a cumulative negative balance of roughly \$3.8 million. The Governor proposes limiting administrative costs to 25% of the agency's total appropriation, thereby ameliorating the negative balance over time.

Private Providers

The Governor has provided no increase in private provider COLAs for FY 10 and FY 11.

EDUCATION

Department of Education

- A reduction of \$57.6 million in FY 10 and a reduction of \$78.7 million in FY 11 in limiting discretionary increases and holding the following grants at FY 09 levels: Transportation of School Children, Adult Education, Health Services for Pupils in Private Schools, RESC Leases and Excess Cost-Student Based;
- The Education Equalization Grant has been flat funded for both FY 10 and FY 11 (\$1.9 billion);
- A reduction of \$6.1 million in both years of the biennium related to eliminating various grants and other current expenses. The following grant programs have been eliminated: Connecticut Public Television Support, After School Enhancements, Youth Service Bureau Enhancement, Young Adult Learners, Connecticut Pre-Engineering Program, Reach Out and Read Support, Best Practices, Connecticut Writing Project, Paraprofessional Development, Institute for Educators, Primary Mental Health, School Readiness Staff Bonuses, Readers as Leaders and Teachers' Standards Implementation Program;
- A reduction of \$3.1 million in FY 10 and a reduction of \$3.0 million in FY 11 associated with the reconfiguration of the Early Childhood Advisory Cabinet and Preschool Quality Rating System. The Early Childhood Education Cabinet is being recast in an advisory role with reduced roles and responsibilities, resulting in savings;
- A reduction of \$14.3 million in FY 10 and \$25.1 million in FY 11 associated with limiting enrollment growth and rate increases at Magnet and Charter Schools. Rate increases at both Magnet and Charter Schools with remain at FY 09 levels (\$6,730 for Host Magnets and \$7,620 for Regional Magnets and \$9,300 for Charters);
- A reduction of \$7.4 million in both years of biennium related to funding School Readiness at FY 09 slot levels. The current School Readiness slot level is 9,750 students, funded at a maximum reimbursement rate of \$8,346. It was anticipated that funded slot levels would increase by 1,000 slots in FY 10, but this increase is eliminated;
- A reduction of \$9.8 million in both years of the biennium related to reduced funding in various other current expenses and grant accounts. The following programs have been reduced: Omnibus Education Grants, Longitudinal Data Systems, Health Start-Early Childhood Link, Repair of Instructional Equipment, Sheff Settlement, Vocational

Technical School Textbooks, Resource Equity Assessment, After School Program and Development of Mastery Exams;

- The Department of Higher Education is reconfigured into the State Department of Education. Funds totaling \$68.3 million in both years of biennium are transferred. Included in the transfer of funds is \$23.9 million for the Connecticut Independent College Student Grant and \$30.2 million for the Connecticut Aid for Public Colleges Student Grant, which are both funded at FY 09 levels; and
- Transfer Funding of \$140.1 million in FY 10 and \$145.8 million in FY 11 associated with the Connecticut Technical High School System to the new Middle College System.

Teachers' Retirement Board

- Funding of \$559.2 million in FY 10 and \$581.6 in FY 11 is recommended to fully fund the state's actuarially required contribution to the Teachers' Retirement System.

JUSTICE

Judicial Department

- Close the Bristol Geographical Area and Meriden Geographical Area / Judicial District courts; as a consequence, 29 filled positions are eliminated and agency savings of approximately \$2.1 million realized annually;
- In FY 11, reduce by one-half the General Fund subsidy that is passed through the Judicial Department to the probate court system in order to support regional children's probate courts; as a consequence, savings of \$1,250,000 is realized in that fiscal year;
- Defer implementation of the change in juvenile jurisdiction effective January 1, 2010, in accordance with PA 07-4; approximately \$54 million in additional funding (above current level spending) is needed over the biennium for this agency to implement the Public Act;
- Eliminate or defer new leases, yielding savings of \$3.5 million annually;
- Reduce funding to implement provisions of PA 08-1 of the January Special Session, including: (1) a reduction of \$250,000 to develop an automated victim notification system (\$500,000 remains under the governor's recommendation); (2) eliminate diversionary bed funding with agency savings of approximately \$3.2 million (equivalent to approximately 116 diversionary beds) in each year of the biennium; and (3) reduce by \$500,000 the amount of funding provided to support establishment of residential sex offender treatment facilities;
- Reduce funding to implement provisions of PA 08-51, including: (1) eliminating funding during the biennium to increase the rate of compensation for temporary assistant clerks (annualized savings of \$859,840); (2) eliminate funding for the juvenile justice urban cities pilot program with savings of \$764,000 in each year of the biennium; and (3) reduce funding by \$173,000 to the truancy prevention program (approximately \$400,000 remains under the governor's recommendation);
- In accordance with PA 08-176, which sunsets the foreclosure mediation program on June 30, 2010, FY 11 funding from the Banking Fund is eliminated (saving approximately \$2.4 million). These funds currently support 28 filled positions;

- Eliminate 150 vacant positions (including 65 unfunded vacancies remaining from the 2003 Early Retirement Incentive Program). At present, there are 135 vacancies in the Judicial Department but approximately 15 additional positions are vacated every month through normal attrition;
- Remove 5 judge vacancies with savings of \$795,000 annually; and
- Eliminate grant funding for the Justice Education Center which yields savings of \$308,111 annually. The Justice Education Center conducts grant writing, program evaluation and research for the Judicial Department.

Department of Correction

- Savings of \$5.7 million is included to restore reentry furloughs; and
- A reduction of \$5.0 million in Inmate Medical Services is also included.

Public Defender Services Commission

- Close the Bristol Geographical Area and Meriden Geographical Area / Judicial District courts; as a consequence, 5 filled positions are eliminated and agency savings of approximately \$437,922 realized annually; and
- Defer implementation of the change in juvenile jurisdiction effective January 1, 2010, in accordance with PA 07-4; approximately \$2.2 million in additional funding (above current level spending) is needed over the biennium for this agency to implement the Public Act.

TRANSPORTATION

Department of Transportation

- Reduce Other Expenses (cell phone, travel, consulting) saving \$1,589,404 annually;
- Eliminate vacancies and funding saving \$1.2 million annually;
- Eliminate Rail Preservation Improvement Program saving \$500,000 annually;
- Eliminate non-bondable bus capital projects saving \$237,500 annually;
- Eliminate Hospital Transit for Dialysis saving \$95,000 annually;
- Reduce funding for Joint Highway Research Council saving \$50,000 annually; and
- Rollout FY 09 rescissions saving \$35,000 annually.

Department of Motor Vehicles

- Postpone Visions Screening Program implementation until 7/1/11 saving \$1.5 million annually;
- Rollout FY 09 rescissions saving \$1,704,352 annually;
- Eliminate vacancies and funding saving \$771,824 annually;
- Defer new leases for Norwich Branch until 7/1/11 saving \$140,000 annually;
- Consolidate weigh stations and transfer funding and full responsibility to DMV. No state impact as staff and funding resources are transferred from Dept. of Public Safety;
- Close Stamford Branch saving \$64,345 annually; and

- Implement Driver Surcharge Program at a cost of \$250,000 annually.

Revenue Changes

- Increase various Motor Vehicle Receipt fees: \$36.2 million annually;
- Increase various License, Permits, Fees: \$10.4 million annually;
- Other fee or permit increases:
 - Overweight/Oversized Vehicles: \$4.1 million annually;
 - Outdoor Advertising Permit Fee: \$500,000 annually;
 - Aircraft Fuel Flowage Fees: \$700,000 annually;
 - Aircraft Parking (Tie-downs) Fees: \$300,000 annually; and
 - Aircraft Landing Fees: \$100,000 annually;
- New
 - Driver Surcharge Program for bad drivers: \$5.6 million annually; and
 - Speed Cameras Program: \$13.0 million in FY 10, \$20 million FY 11
- Other
 - Increase the transfer from the General Fund beginning FY 11 in the amount of \$20 million; and
 - Eliminate the transfer to the Conservation Fund for a saving of \$3 million annually.

Agency Consolidations

Department of Higher Education

- An amount of \$68.3 million in both years of the biennium is transferred from the Department of Higher Education to the State Department of Education to reconfigure education leadership. Additionally, a reduction of \$1.1 million in both years of the biennium is anticipated from the consolidation and merging of the two departments.

Department of Economic and Community Development

- The Office of Workforce Competitiveness and the Commission on Culture and Tourism are recommended for consolidation into the new Job Enhancement Opportunity Program within DECD;
- The Office of Workforce Competitiveness transfers approximately \$2.4 million to the Department of Economic and Community Development (DECD) in FY 10 and FY 11; and
- The Commission on Culture and Tourism transfers 24 positions and approximately \$18.1 million in FY 10 and \$19.5 million FY 11 to DECD.

Connecticut Middle College System

- A Connecticut Middle College System (CMCS) is created by merging the state's Technical High Schools (18), The Community-Technical Colleges (12) and various programs from the Department of Labor and the Office of Workforce Competitiveness. The CMCS would have 3,493 employees in FY 10 and 3,466 in FY 11. Approximately 44.5% of these employees would be from the transfer of technical high school personnel, 54.9% from the Community-Technical Colleges with the remaining 0.5% coming from the Department of Labor (DOL) and the Office of Workforce Competitiveness (OWC). The total budget for the CMCS would be \$304.7 million in FY 10 and \$309.6 million in FY 11. The Community-Technical College portion of the budget would remain a block grant within the overall CMCS budget. The block grant would total \$158.9 million in FY 10 and \$158.0 million in FY 11. The FY 09 funding level for the block grant is approximately \$161.1 million;
- Office of Workforce Competitiveness transfers 4 positions and approximately \$2.4 million in funding in both FY 10 and FY 11 to CMCS; and
- Department of Labor transfers 10 positions and approximately \$2.9 million in funding in both FY 10 and FY 11 to CMCS.

Department of Administrative Services

- The Governor proposes consolidating the State Insurance and Risk Management Board, the Office of the Claims Commissioner, the State Properties Review Board and the State Marshal Commission within the Department of Administrative Services (DAS) to achieve savings.

Children's Trust Fund Council

- All employees (17) and operating expenses of the Children's Trust Fund Council (CTF) are eliminated, resulting in savings of \$1.46 million in FY 10 (\$1.5 million in FY 11);
- CTF's grant funding (\$13.5 million - the amount remaining after various program eliminations noted below) is transferred to the Department of Children and Families, to reflect the consolidation of prevention efforts;
- Support for the Parent Trust Fund (\$250,000) is discontinued. The Parent Trust Fund underwrites classes for parents to help improve the health, safety and education of children by training them in leadership skills and by supporting parental involvement in community affairs;
- Funding for support services for a Safe Harbor Respite Home is eliminated (\$200,000). Operating costs for this home have been eliminated under the budget of the Department of Children and Families. This program has yet to be implemented;
- A grant to Children's Law Center of Connecticut, Inc., is terminated, resulting in savings of \$150,000. This organization provides lawyers to indigent children in order to give them a voice and represent their best interest in family court; and
- Funding for literacy programs (\$100,000) is eliminated.

Council on Environmental Quality

- Eliminate the Council on Environmental Quality (CEQ) as a separate state agency and eliminate two staff positions to streamline state government. This is a reduction of \$177,060 in FY 10 and \$177,955 in FY 11. The Department of Environmental Protection (DEP) will provide support to the Council.

Child Advocate

- Transfer the position of the Child Advocate to the Office of the Attorney General. The position of the Child Advocate and funding of \$141,000 in FY 10 and FY 11 will be transferred to the Office of the Attorney General. The elimination of the Office of the Child Advocate will result in a savings of \$815,788 in FY 10 and \$816,286 in FY 11.

Board of Accountancy

- Consolidate the Board of Accountancy to the Office of Consumer Protection which will result in transfer of 3 positions and the associate funding of \$322,069 in FY 10 and \$326,170 in FY 11. This will also result in the elimination of 2 positions currently in the Board of Accountancy.

Significant Revenue Changes

Revenue Proposals

The Governor's FY 10 – FY 11 biennium budget proposes \$1.831 billion in net revenue increases in FY 10 and \$1.852 billion in FY 11. The Governor's proposals for FY 10 include \$851.2 million in Federal Grants, transferring \$514.5 million from the Budget Reserve Fund, \$220.1 million in transfers from other funds, \$137.2 million in increases in fees, \$52.5 million in modifications to various taxes and \$55.5 million in miscellaneous revenue changes. The Governor's proposals for FY 11 include \$536.2 million in Federal Grants, transferring \$585.5 million from the Budget Reserve Fund, \$177.9 million in transfers from other funds, \$109.2 million in increases in fees, \$56.2 million in modifications to various taxes, \$37.5 million in miscellaneous revenue changes, and \$350.0 million from the issuance of Special Obligation Rate Reduction Bonds (see below).

The Governor proposes the issuance of Special Obligation Rate Reduction Bonds by securitizing¹ the Energy Conservation and Load Management (ECLM) Fund, and the Clean Energy (CE) Fund. Since such bonds are not state debt or a contingent liability of the state, they

¹ Securitization is a financial mechanism that converts the value of a revenue stream into marketable securities. This mechanism has been widely used in connection with assets such as mortgages, consumer installment loans, and student loans. Typically, the assets are transferred to a third party such as a trust, which issues securities that are bought by institutional investors.

will not count towards the state's debt limit. This is anticipated to provide a one-time General Fund revenue increase of \$350.0 million in FY 11.

The revenue stream for the ECLM Fund is a 0.3 cents per kilowatt-hour (kwh) surcharge on power used by customers of Connecticut Light & Power and United Illuminating that is used to fund conservation programs. The revenue stream for the CE Fund is a 0.1 cents per kwh surcharge that is used to fund renewable energy programs. Revenues from these surcharges, minus the amount needed for debt service on the rate reduction bonds, will continue to go to the ECLM and CE Funds to pay for the conservation and renewable energy programs.

The most significant proposals are listed below:

Governor's Significant Revenue Proposals			
<u>Revenue Source</u>	<u>Proposal</u>	<u>FY 10</u> <u>(\$ mil.)</u>	<u>FY 11</u> <u>(\$ mil.)</u>
Personal Income Tax	Delay increase in Single Filers exemption for 2 years	13.3	16.8
Sales Tax	Suspend tax free week for 2 years	4.2	4.4
Corporation Tax	Cap Film Industry Tax Credit at \$30 million per year	25.0	25.0
	Suspend Historic Home & Historic Structure Tax Credit for 2 years	10.0	10.0
Special Revenue	Reduce lottery retailer commission from 5% to 4%	10.0	10.0
Rents, Fines, Escheats	Expand bottle deposits to noncarbonated beverages	13.0	13.0
Fund Transfers	Budget Reserve Fund	514.5	585.5
	Energy Conservation and Load Management Fund	40.0	40.0
	DEP - One-time fund sweeps	37.1	0.0
	Tobacco and Health Trust Fund	16.0	16.0
	Citizens' Election Fund	12.0	12.0
	Farmland, Affordable Housing, Historic Preservation	12.0	12.0
	Renewable Energy Investment Fund	10.0	10.0
	Biomedical Research Trust Fund	9.0	9.0