

CONNECTICUT

FY 2016 - FY 2017 BIENNIUM GOVERNOR'S BUDGET



DANNEL P. MALLOY, GOVERNOR

February 18, 2015

Introduction

The Governor's budget proposal for the biennium is balanced, responsible, under the spending cap, and provides tax relief.

It builds on the priorities of the last four years.

- Jobs and the economy
- Education
- Continued support for municipalities
- Smart investments in the state's infrastructure
- Transparency and accountability through Generally Accepted Accounting Principles (GAAP)



Budget Overview



Governor Malloy's Recommended Budget

Appropriated Funds Of The State

(in millions)

	Recommended	
	<u>FY 2016</u>	<u>FY 2017</u>
General Fund	\$ 18,001.8	\$ 18,551.2
Special Transportation Fund	1,438.2	1,504.5
Banking Fund	29.9	30.1
Insurance Fund	79.9	81.3
Consumer Counsel and Public Utility Control Fund	26.6	26.6
Workers' Compensation Fund	27.3	27.0
Mashantucket Pequot & Mohegan Fund	61.8	61.8
Regional Market Operation Fund	1.1	1.1
Criminal Injuries Compensation Fund	2.9	2.9
Grand Total	\$ 19,669.3	\$ 20,286.5

Totals may not add due to rounding

Summary of Expenditure Growth

(in millions)

	FY 2016			% Growth
	Estimated	Net	Recommended	Over
	Expenditures	Adjustments	Appropriation	
	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2016</u>	<u>FY 2015</u>
General Fund	\$ 17,480.5	\$ 521.3	\$ 18,001.8	3.0%
Special Transportation Fund	1,341.8	96.4	1,438.2	7.2%
Mashantucket Pequot & Mohegan Fund	61.8	-	61.8	0.0%
All Other Funds	<u>152.6</u>	<u>14.9</u>	<u>167.5</u>	<u>9.8%</u>
Total	\$ 19,036.7	\$ 632.6	\$ 19,669.3	3.3%

	FY 2017			% Growth
	Recommended	Net	Recommended	Over
	Appropriation	Adjustments	Appropriation	
	<u>FY 2016</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2016</u>
General Fund	\$ 18,001.8	\$ 549.4	\$ 18,551.2	3.1%
Special Transportation Fund	1,438.2	66.3	1,504.5	4.6%
Mashantucket Pequot & Mohegan Fund	61.8	-	61.8	0.0%
All Other Funds	<u>167.5</u>	<u>1.5</u>	<u>169.0</u>	<u>0.9%</u>
Total	\$ 19,669.3	\$ 617.2	\$ 20,286.5	3.1%

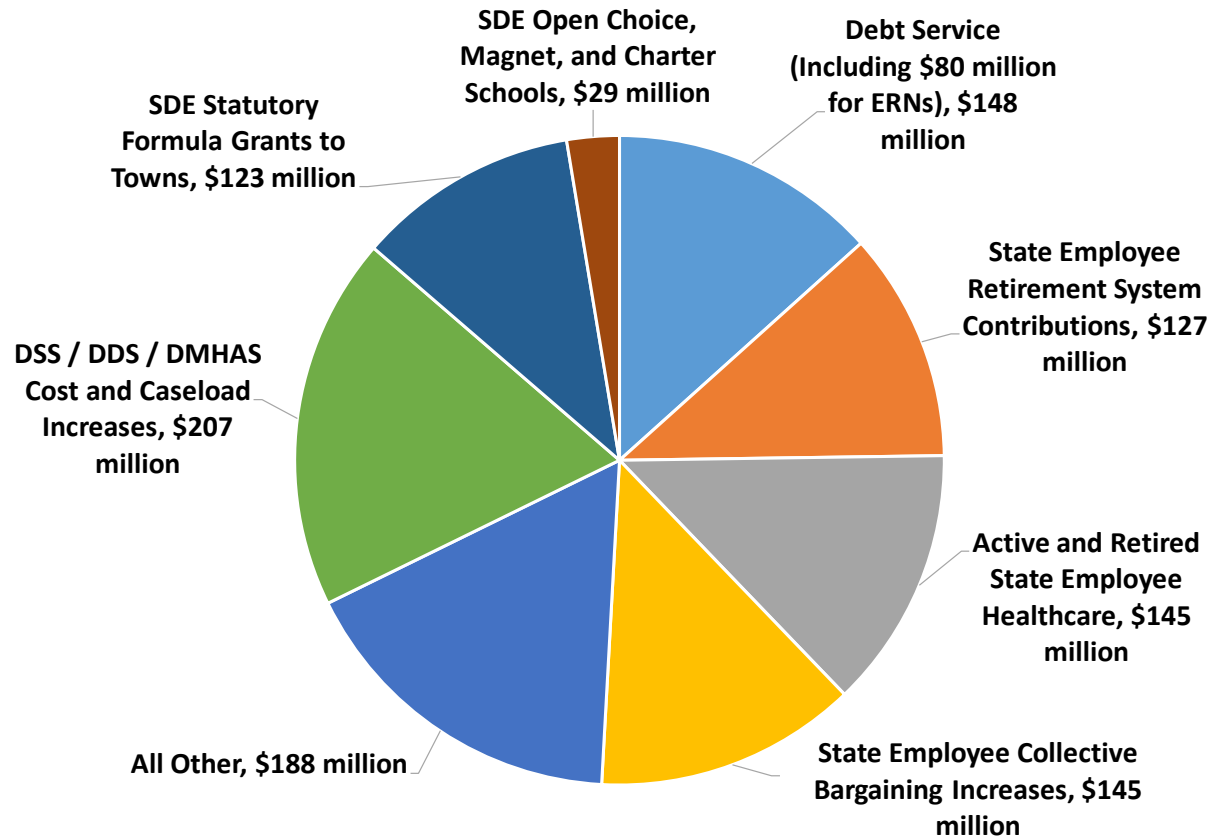
Closing the Current Services Budget Gap

Even though recommended General Fund spending in FY 2016 is 3.0% higher than FY 2015 estimated levels, it represents a \$590 million reduction over FY 2016 current services projections

(in millions)

<u>General Fund</u>	FY 2016			FY 2017		
	<u>Current Services</u>	<u>Policy Changes</u>	<u>Proposed Budget</u>	<u>Current Services</u>	<u>Policy Changes</u>	<u>Proposed Budget</u>
Revenues	\$17,447.4	\$ 557.6	\$ 18,005.0	\$ 18,199.4	\$ 356.8	\$ 18,556.2
Expenditures	<u>18,592.1</u>	<u>(590.3)</u>	<u>18,001.8</u>	<u>19,304.6</u>	<u>(753.4)</u>	<u>18,551.2</u>
Surplus/(Deficit)	\$ (1,144.7)	\$ 1,147.9	\$ 3.3	\$ (1,105.2)	\$ 1,110.2	\$ 5.0

General Fund Current Services Cost Drivers – FY 2016

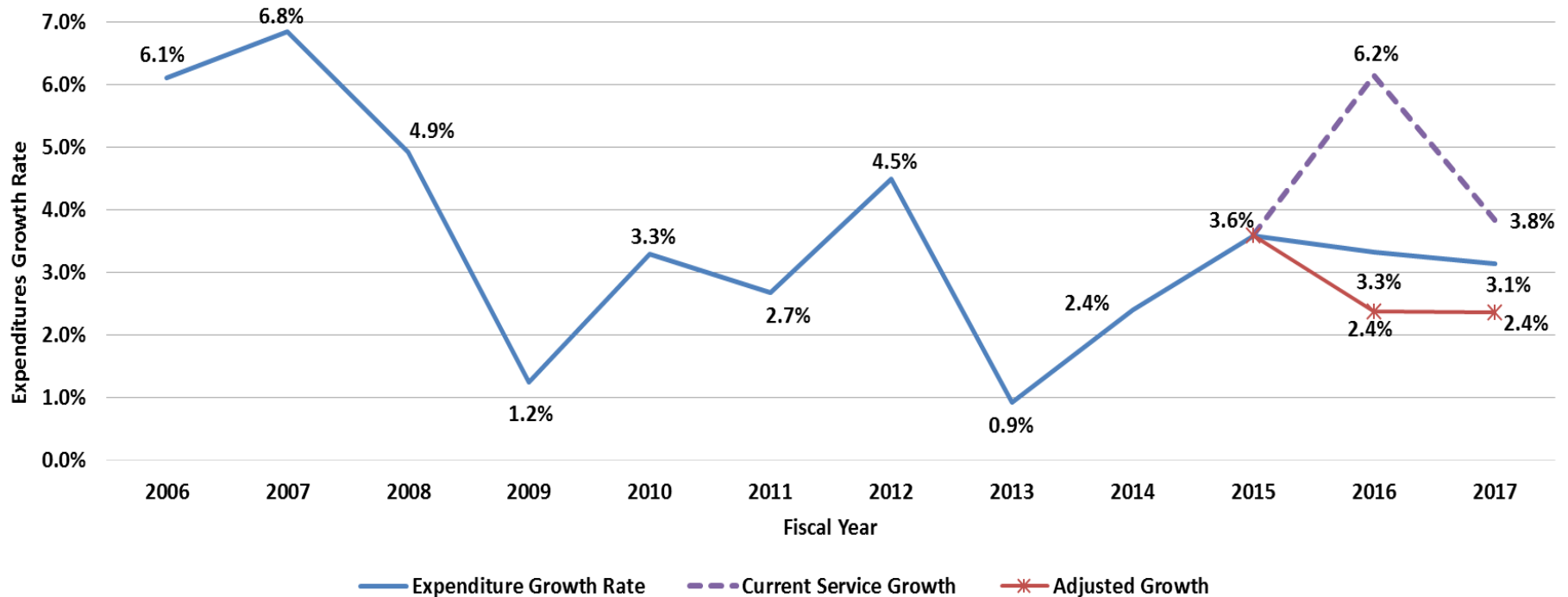


Total Current Services Growth = \$1,112 million

Budget Growth Rate

Budget Growth Rate - All Funds

<u>Fiscal Years</u>	<u>Total All Funds</u>
FY '96 - FY '05	4.7%
FY '06 - FY '11	4.2%
FY '12 - FY '17 (rec.)	3.0%



The adjusted growth rate line excludes debt service and payments toward pensions

FY 2016 Recommendations vs. Estimated FY 2015 Expenditures

Selected Agencies and Categories

<u>Agency</u>	<u>\$ millions</u>	<u>% change</u>
Department of Transportation	62.5	10.3%
Fringe Benefits, including employee and retiree healthcare and pensions	262.4	9.8%
Debt Service, including Repayment of ERNs	173.5	7.7%
Department of Mental Health & Addiction Services	24.8	4.0%
Department of Social Services	33.1	1.1%
Municipal Aid	21.3	0.7%
Department of Developmental Services	5.6	0.5%
Department of Correction	(2.3)	-0.3%
Higher Education, including BOR, UConn, and UHC	(8.4)	-1.2%
Department of Economic & Community Dev.	(7.8)	-17.6%
Connecticut State Library	(3.7)	-29.4%

* Change amounts and percentages exclude reallocation proposals

Impact on State Workforce

The Governor's Recommended Budget includes

- No across-the-board layoffs
- No early retirement proposal
- No furlough days
- Increased Statewide Hiring Lapse savings by \$25 million (from \$10 million to \$35 million)
 - Assumes increased attrition to attain savings
 - Equivalent to holding an additional 300-400 positions vacant for an entire year

Addressing the FY 2015 Deficit

(in millions)

Projected Ending Balance as of January 20, 2015		\$ (120.9)
	Net Impact on Balance	
<u>Proposed Adjustments</u>		
Governor's Jan. 23, 2015 Allotment Reductions	\$ 28.4	
Anticipated Revenue from Settlement	\$ 36.0	
Expenditure Reductions / Fund Transfers	\$ 56.5	
Total Proposed Adjustments		\$ 120.9
Revised Surplus/(Deficit)		-
Transfer to Budget Reserve Fund		-
Balance June 30, 2015		<u>\$ -</u>

Revenue



Revenue Proposals

(in millions)

<u>Tax Cuts</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
Sales Tax - Reduce Rate to 6.2% on 11/1/2015	\$ (70.1)	\$ -	\$ -
Sales Tax - Reduce Rate to 5.95% on 4/1/2017	-	(154.9)	(299.5)
Corp. Tax - Eliminate Business Entity Tax	-	(40.0)	-
Subtotal - Tax Cuts	\$ (70.1)	\$ (194.9)	\$ (299.5)
 <u>Extensions/Modifications</u>			
Income Tax - Delay Increase in Singles Exemption	\$ 12.7	\$ 8.5	\$ 4.3
Earned Income Tax Credit - Delay Increase in Credit	11.0	11.0	-
Sales Tax - Eliminate Clothing Exemption	138.0	142.1	146.4
Sales Tax - Reduce Sales Tax Free Week to <\$100	1.0	1.1	1.2
Corp. Tax - Maintain Current 20% Surcharge	44.4	75.0	75.0
Insurance - Maintain 3 Tier Credit Cap	18.7	18.7	-
Insurance - Continue Film Moratorium	4.0	4.0	-
Subtotal - Extensions/Modifications	\$ 229.8	\$ 260.4	\$ 226.9
 <u>Closing Loopholes</u>			
Corp. Tax - Limit Use of Net Operating Losses @50%	\$ 156.3	\$ 90.1	\$ 90.1
Corp. Tax - Limit Use of Credits @ 35%/45%/60%	72.5	29.3	26.2
Hospital Tax - Limit Use of Credits @ 35%/45%/60%	5.0	3.8	3.1
Subtotal - Closing Loopholes	\$ 233.8	\$ 123.2	\$ 119.4

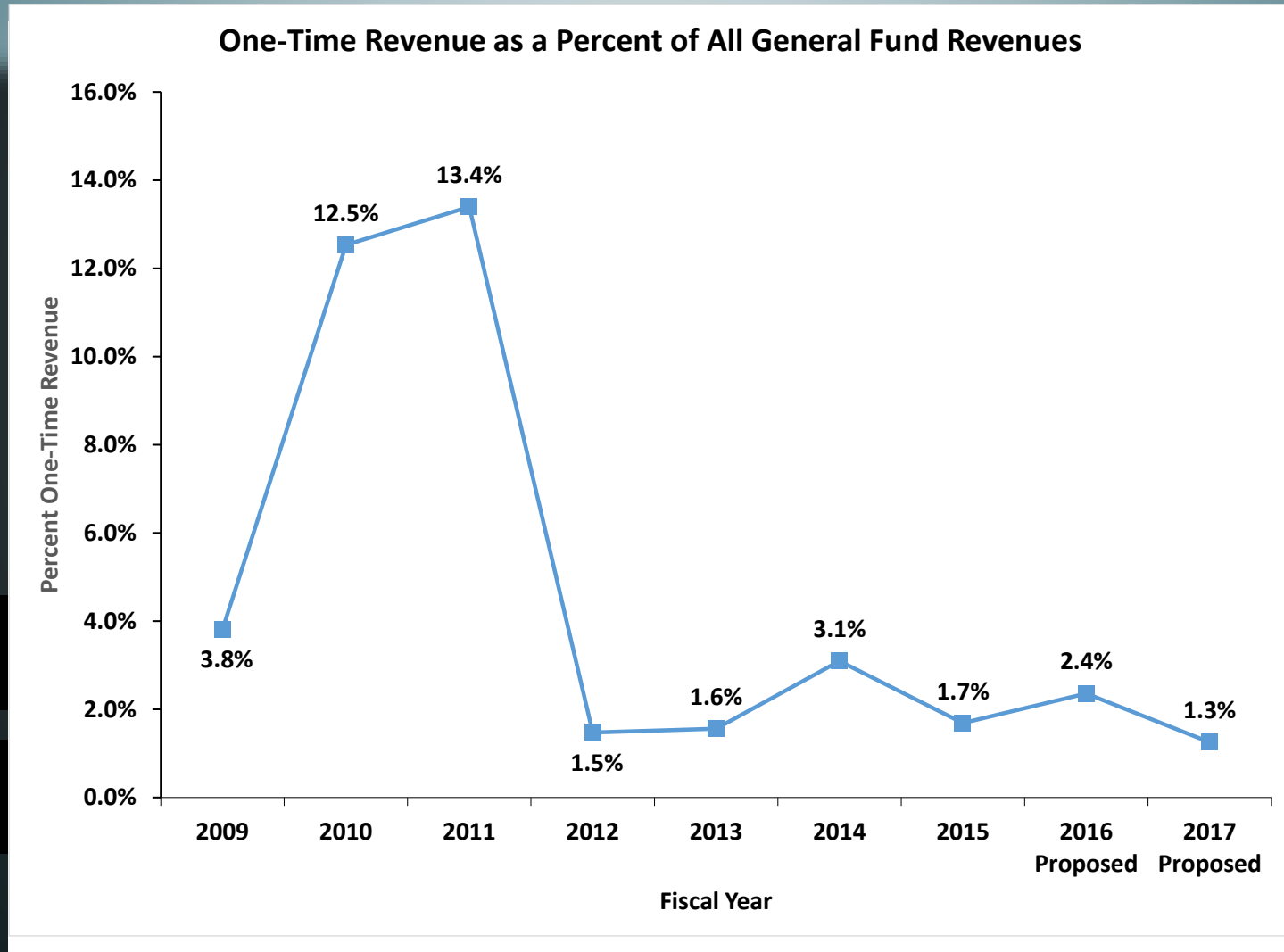
General Fund Revenue Proposals

(in millions)

<u>Fees</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
DEEP - Increase Solid Waste Disposal Fees	\$ 5.3	\$ 5.3	\$ 5.3
Secretary of State - Increase Pass Through Entity Fees	<u>10.0</u>	<u>12.8</u>	<u>12.8</u>
Subtotal - Fees	\$ 15.3	\$ 18.1	\$ 18.1
<u>Federal Revenue - Medicaid</u>			
Expenditure Changes	\$ (25.7)	\$ (30.6)	\$ (30.6)
Hospital Tax - Update Provider Tax	<u>165.2</u>	<u>165.2</u>	<u>165.2</u>
Subtotal - Federal Revenue	\$ 139.5	\$ 134.6	\$ 134.6
<u>Other Revenue Measures</u>			
Alcohol - Extend Sale Hours	\$ 0.5	\$ 0.5	\$ 0.5
Alcohol - Revise Minimum Pricing	2.8	2.8	2.8
Misc. Rev. - Charge 100% for Resident State Troopers	<u>4.6</u>	<u>4.6</u>	<u>4.6</u>
Subtotal - Other Revenue Measures	\$ 7.9	\$ 7.9	\$ 7.9
<u>Transfers</u>			
GF Transfer to the STF - Let's Go CT!	\$ -	\$ -	\$ (112.0)
Various Fund Transfers	49.0	55.1	14.3
Pay Down GAAP Deficit	<u>(47.6)</u>	<u>(47.6)</u>	<u>(47.6)</u>
Subtotal - Fund Transfers	\$ 1.4	\$ 7.5	\$ (145.3)
Grand Total - Revenue Changes	<u>\$ 557.6</u>	<u>\$ 356.8</u>	<u>\$ 62.1</u>

Use of One-Time Revenues

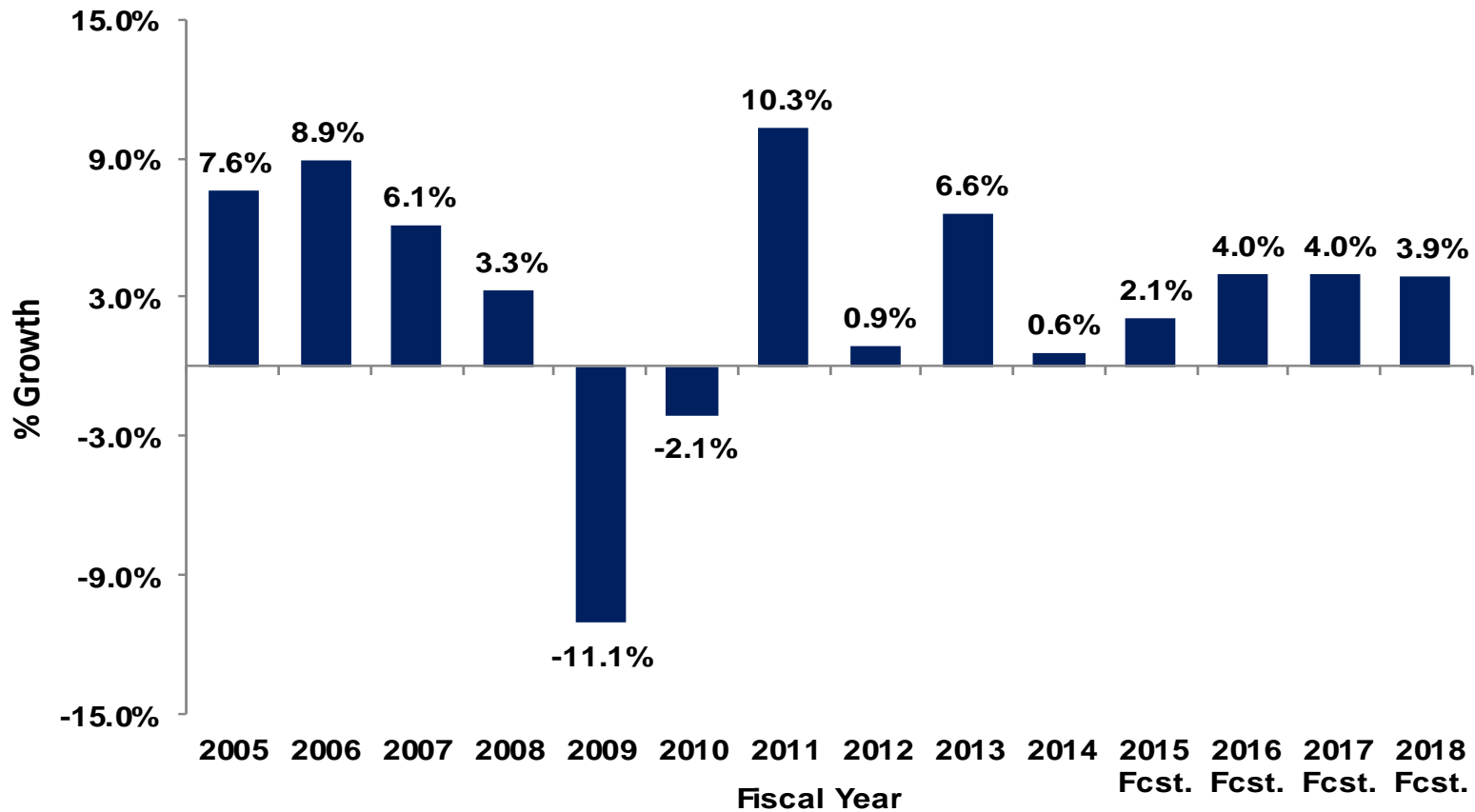
One-time revenues comprise a small fraction of the proposed budget at 2.4% of General Fund revenues in FY 2016 and 1.3% of General Fund revenues in FY 2017



General Fund Revenue

Economic Growth Rates

(underlying growth prior to tax changes/transfers)



FY 2015 – FY 2018 forecast based on January 2015 consensus revenue estimate

Second Chance Society



Second Chance Society

Breaking the cycle of crime and poverty to make ex-offenders productive members of society

in millions

	<u>FY 2016</u>	<u>FY 2017</u>
▪ DOC – Savings based on declining population	(\$24.3)	(\$24.6)
▪ DOC – Add members to Pardons & Paroles Board	\$0.3	\$0.3
▪ DOC – House arrest/pretrial monitoring	\$1.2	\$1.2
▪ DOC – Parole staff	\$1.8	\$1.8
▪ SDE – School Based Diversion Initiative	\$1.0	\$1.0
▪ DOL – I-BEST Hartford Demonstration	\$1.5	\$1.5
▪ DOH/DMHAS – CT Collaborative on Re-Entry	\$2.0	\$4.0

Second Chance Society

Court Support Services

- Certain functions of the Judicial Department's Court Support Services Division are transferred to the Departments of Children and Families and Correction
- Functions to be transferred to DCF – 755 positions
 - Juvenile Probation Services
 - Juvenile Residential Services
 - Family Services
- Functions to be transferred to DOC – 753 positions
 - Adult Probation
 - Alternative Incarceration Program
- Functions remaining at the Judicial Department – 339 positions
 - Bail Commissioners
 - Pre-trial Intake, Assessment and Referral (Intake)
 - Support Enforcement
 - Victim Services

Second Chance Society Initiative

Juvenile Justice and Family Services

CSSD

Bail/Intake

Juvenile Community
Services

Victim Services

Juvenile Probation

Adult Probation

Juvenile Residential-
Detention, Private

Alternative Incarceration

Family Services

DCF

JJ Community Services

JJ Out-of-Home Services

JJ Social Workers

CJTS, Pueblo Unit

Second Chance Society

Juvenile Justice and Family Services – After Transfer of Functions from CSSD to DCF

CSSD

Bail/Intake

Victim Services

Adult Probation

Alternative Incarceration

DCF

JJ Community Services

Juvenile Community
Services

JJ Out-of-Home Services

Juvenile Probation

JJ Social Workers

Juvenile Residential-
Detention, Private

CJTS, Pueblo Unit

Family Services

Second Chance Society Initiative

Adult Services

CSSD

Bail/Intake

Victim Services

Adult Probation

Alternative Incarceration

DOC

Inmate Programs &
Services

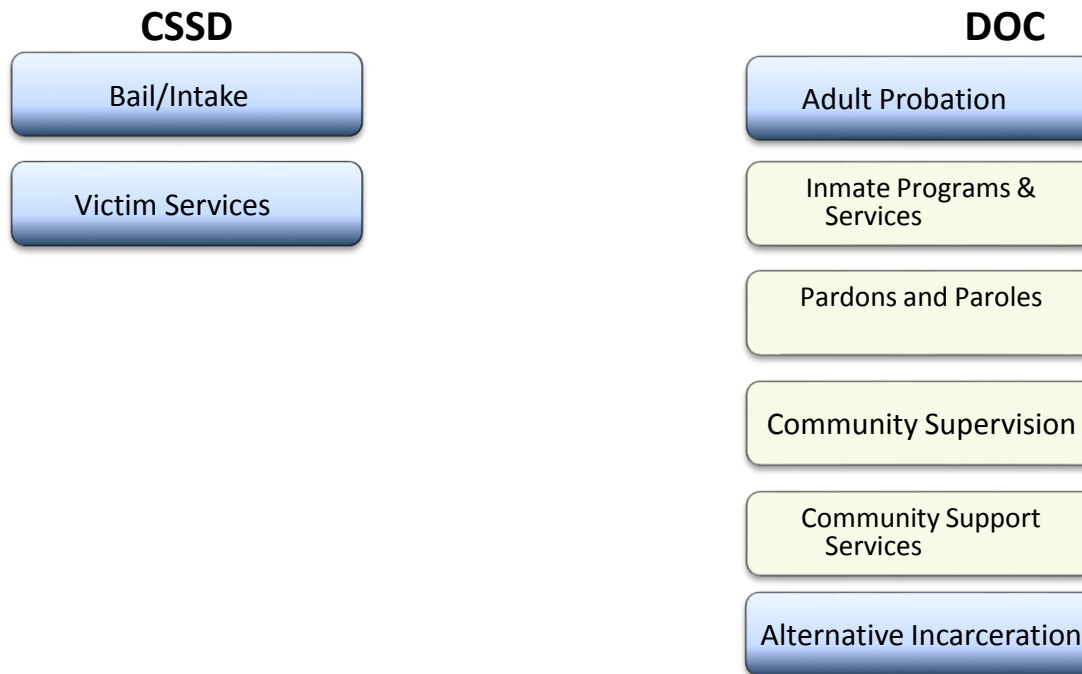
Pardons and Parole

Community Supervision

Community Support
Services

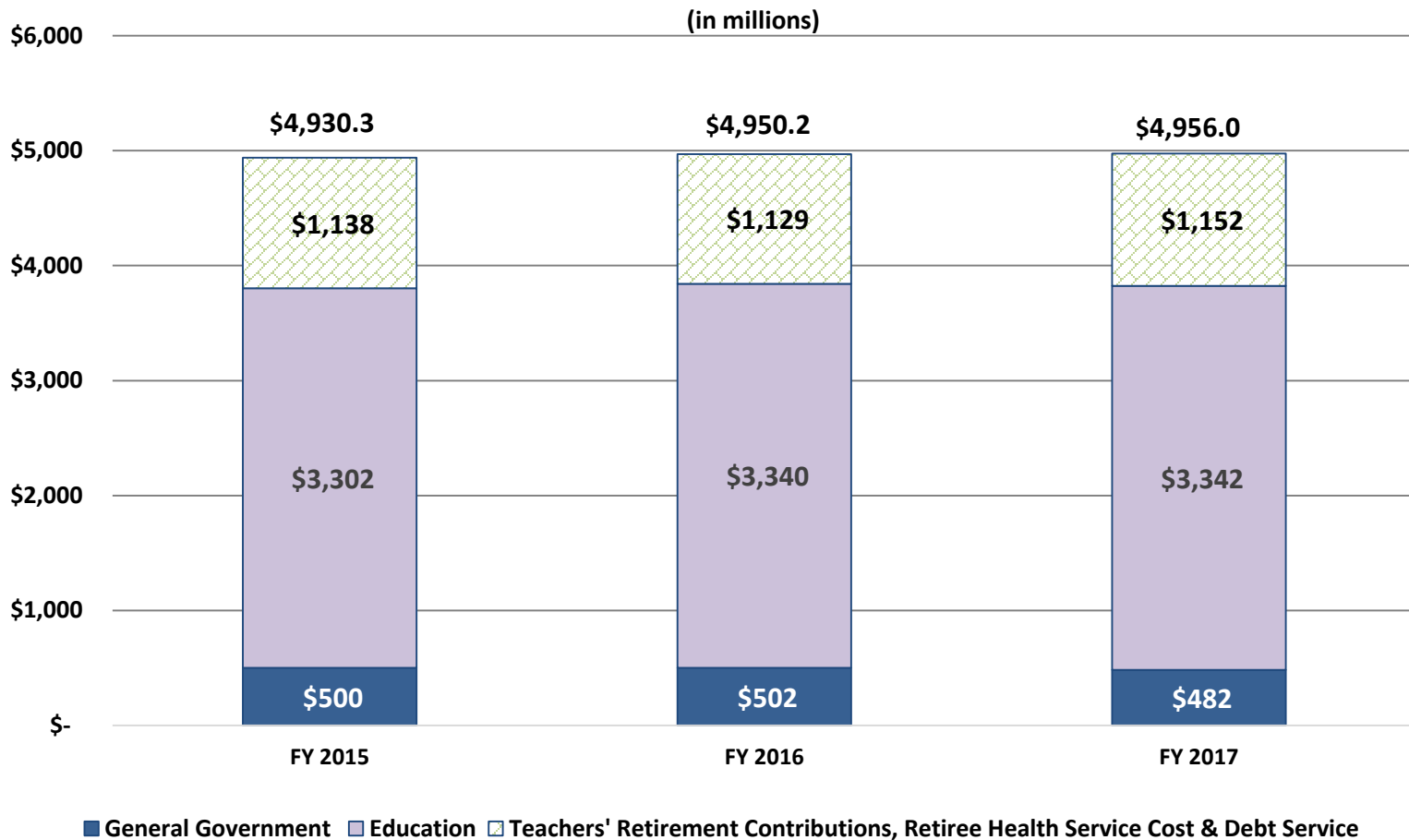
Second Chance Society

Adult Services – After Transfer of Functions from CSSD to DOC





State Aid to or on Behalf of Local Governments



Includes General Fund lapse savings related to Municipal Opportunities and Regional Efficiencies of \$10 million in FY 2015, and \$20 million in FY 16 and FY 17

Aid for Higher Education Block Grants & Major Initiatives

(in millions)

System	FY 2015 Approp.	FY 2016 Gov.	FY 2016 Rec. % Change from FY 2015	FY 2017 Gov. Rec.	FY 2017 Rec. % Change from FY 2015
UConn Block Grant & Next Generation	\$228.3	\$219.4	-3.9%	\$219.4	-3.9%
UHC Block Grant & Bioscience CT	\$134.9	\$137.3	1.8%	\$138.0	2.3%
BOR Block Grant & Transform CSU 2020	\$337.4	\$336.8	-0.2%	\$336.8	-0.2%

Department of Social Services

- Governor’s FY 2016 recommended is \$19.5 million below FY 2015 estimated levels while FY 2017 recommended is \$64.7 million above FY 2016 levels – *excludes reallocation and revenue proposals*

	In millions	
	<u>FY 2016</u>	<u>FY 2017</u>
• Additional funding:		
▪ Medicaid caseload growth including annualization of FY 2015 caseload growth	\$169.2	\$299.6
▪ Coverage of medically necessary services for children under 21 with autism spectrum disorder	\$14.1	\$38.2
• Reductions:		
▪ Total reductions to programs and services of \$166.3 million in FY 2016 and \$238.4 million in FY 2017		
▪ Reduce reimbursement to Medicaid providers	(\$68.9)	(\$74.3)
– General rate reduction		
– Medication administration		
– Pharmacy		
– Low-cost hospital pool		
– Ambulance		

note: all figures reflect state share

Department of Social Services (cont'd)

	in millions	
	<u>FY 2016</u>	<u>FY 2017</u>
▪ Transition HUSKY A adults with income over 138% of the federal poverty level to the Health Insurance Exchange	(\$44.6)	(\$82.1)
▪ Scale back or eliminate grant-based programs	(\$14.1)	(\$14.5)
▪ Remove funding for the federal demonstration to integrate care for dually eligible individuals	(\$10.5)	(\$15.0)
▪ Close intake to Category 1 and increase the cost share from 7% to 15% under the state-funded home care program	(\$4.6)	(\$8.6)
▪ Reduce SAGA burial benefit from \$1,800 to \$1,000	(\$1.7)	(\$1.7)
▪ Close the Torrington regional office	(\$1.4)	(\$1.6)
▪ Reduce the personal needs allowance from \$60 to \$50	(\$1.0)	(\$1.1)

note: all figures reflect state share

Department of Developmental Services

- \$5.6 million increase in FY 2016 over FY 2015 and \$23.2 million in FY 2017 over FY 2016
- \$59.2 million in caseload growth over the biennium
- FY 2015 Waiting List Initiative - \$4 million to annualize services for 100 individuals with aging caregivers
- Autism funding preserved
 - Lifetime waiver for adults
 - Feasibility study recommendations and Governor's initiatives to address overcrowding in Emergency Departments
- \$19.9 million reduction to Voluntary Services program
- \$10.5 million in annualized rescissions
- Birth to Three Program (\$39.2 million) transferred to Office of Early Childhood as lead agency
 - Most funding to OEC; Medicaid portion to DSS

Department of Mental Health and Addiction Services

- Annualization of prior year costs and new caseload growth - \$15.6 million in FY 2016 and \$28.6 million in FY 2017
 - 4% growth in General Assistance Managed Care each year
 - 25 net new clients in Young Adult Services each year
 - 50 placements for individuals leaving DMHAS inpatient settings over the biennium
 - \$3.1 million in FY 2016 and \$4.2 million in FY 2017 respectively to support new Mental Health Waiver slots and Money Follows the Person placements
- Wrap-Around Services for Supportive Housing
 - \$1 million in new funding each year to support wrap-around services for chronically homeless individuals as part of the Zero:2016 initiative
 - \$1 million in 2016 and \$2 million in 2017 for 200 units over the biennium for Second Chance Society
- \$3 million to annualize the Governor's FY 2015 Mental Health initiative, including residential and transitional services for high risk populations
- Reductions to Regional Mental Health Boards, Regional Action Councils and the Governor's Prevention Partnership

Investing in Transportation – Let's Go CT!



Let's Go CT!

Governor's Transportation Initiative

Long-term strategy to update and improve Connecticut's transportation system

- Creating a more comprehensive intermodal system
- Reducing congestion on roadways
- Enhancing quality of life with more livable, walkable, bikeable communities
- Partnering with communities to advance mixed use Transit-Oriented Development (TOD)
- Fostering economic growth by enabling people and products to move more freely throughout the state

Let's Go CT!

Operating Funding

- \$34.5 million in FY 2016 and an additional \$21.4 million in FY 2017
 - 53 positions in FY 2016, and 38 more positions in FY 2017 to strengthen and streamline the capital project delivery program
 - 39 positions in FY 2016 and 35 more positions in FY 2017 to target bridge maintenance and rehabilitation, and to fully staff maintenance trucks
 - \$10 million for additional plow trucks to replace an aging fleet which is the backbone of the maintenance effort

Let's Go CT!

Capital Funding

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>Totals</u>
Base Program* (STO Bonds)	\$ 671.4	\$ 693.3	\$ 700.0	\$ 700.0	\$ 700.0	\$3,464.7
TAR and Ports* (GO Bonds)	70.0	70.0	70.0	70.0	70.0	350.0
Let's Go CT! (STO Bonds)	<u>274.9</u>	<u>520.2</u>	<u>547.2</u>	<u>749.8</u>	<u>691.0</u>	<u>2,783.1</u>
Totals	\$1,016.3	\$1,283.5	\$1,317.2	\$1,519.8	\$1,461.0	\$6,597.8

* Estimated for FY 2018 through FY 2020

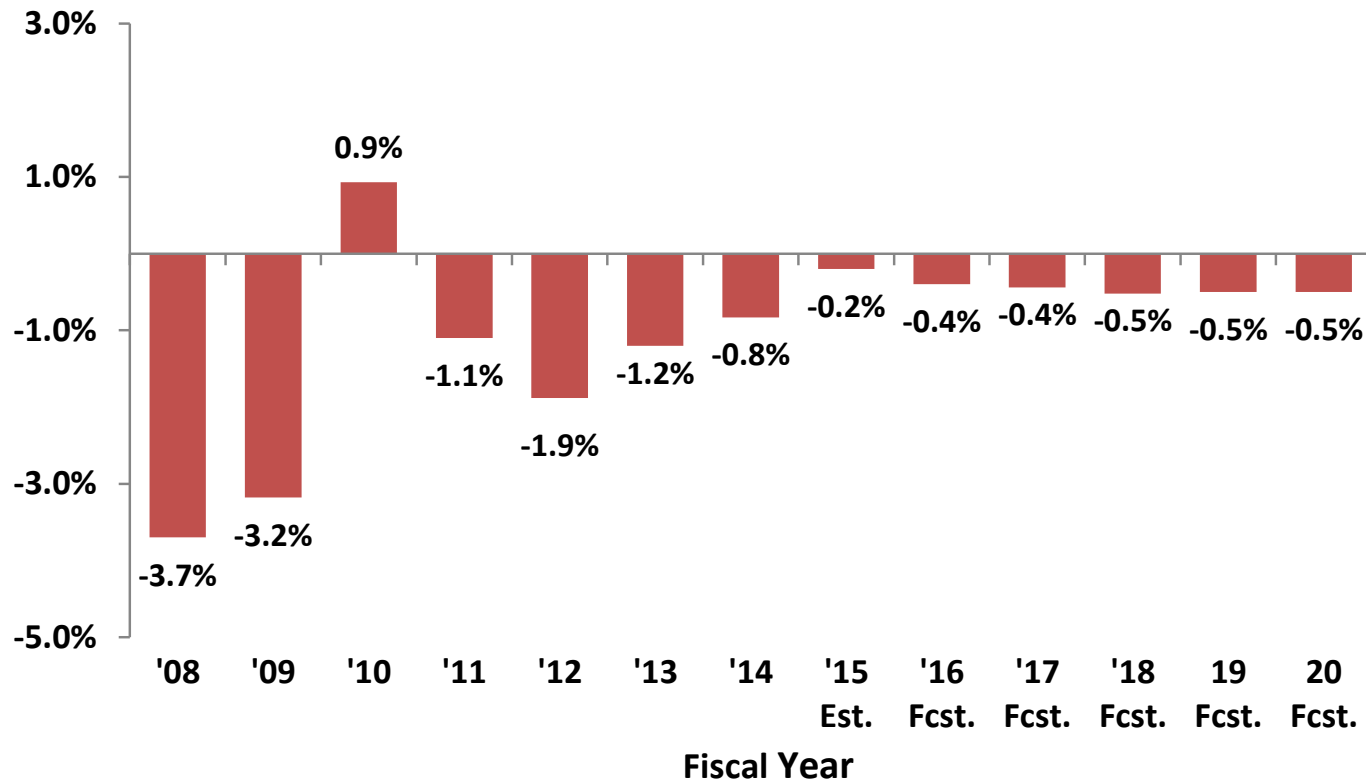
Let's Go CT!

Major Projects

- Highway design and engineering
 - I-84 Viaduct
 - I-95 Stamford to Bridgeport expansion
 - Waterbury Mixmaster
 - I-91 Ramp to the Charter Oak Bridge
- Rail
 - New Haven/Hartford/Springfield completion
 - New train cars
 - Repairs and re-construction of bridges – New Haven Line
 - Station expansion
 - Parking facilities construction
- Bus Service re-configuration and expansion

Special Transportation Fund

Motor Fuels Tax Economic Growth Rate



FY 2015 – FY 2018 forecast based on January 2015 consensus revenue estimate

Special Transportation Fund Current Program

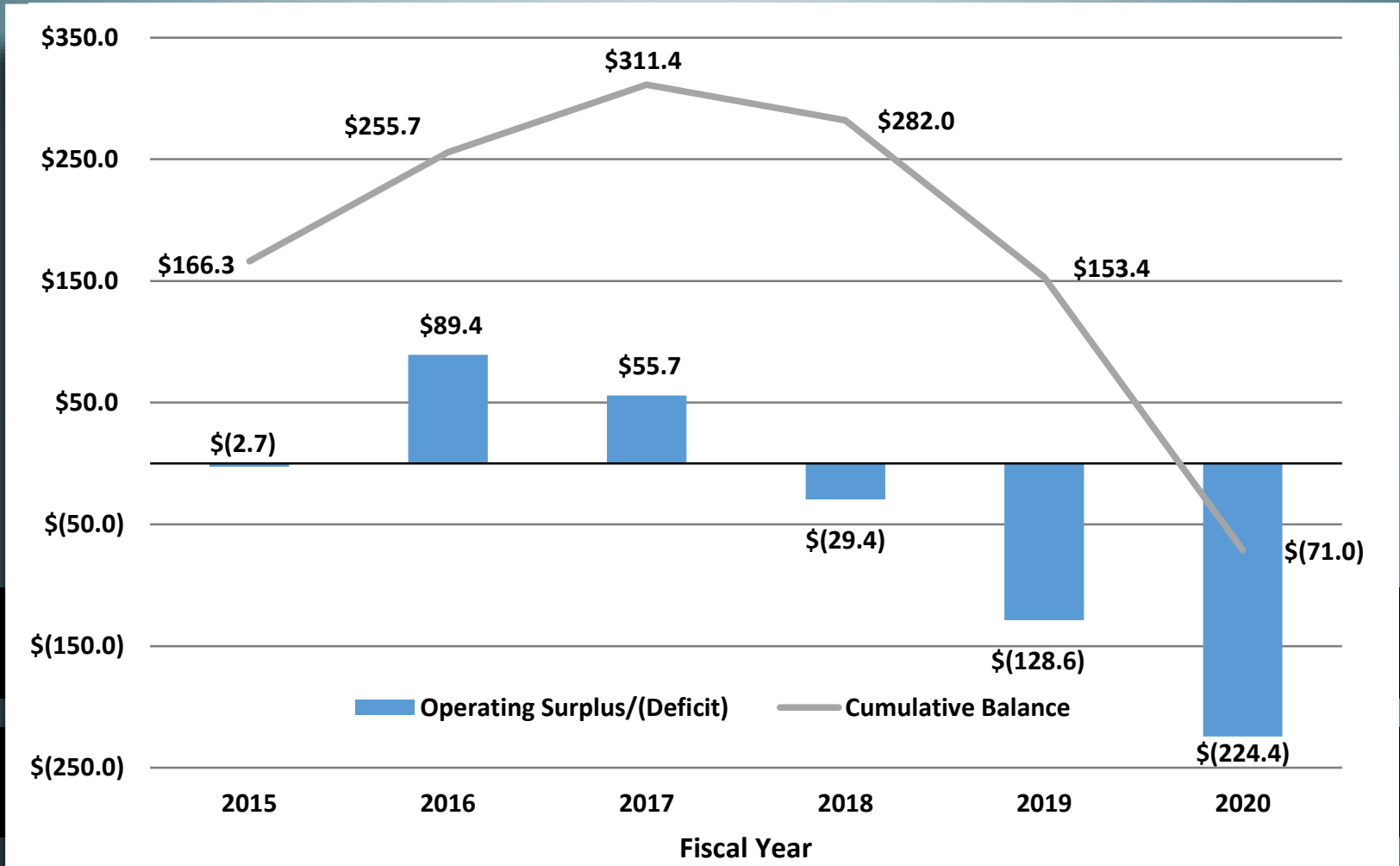
Maintaining Current Transportation Funding (in millions)

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
Revenues	\$1,339.1	\$1,503.6	\$1,514.4	\$1,514.8	\$1,514.8	\$1,514.9
Expenditures						
Operating	876.9	899.1	918.9	962.3	1,026.0	1,083.3
Debt Service*	464.9	495.9	536.8	578.9	614.4	653.0
Policy Changes	<u>-</u>	<u>19.2</u>	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>
Total	\$1,341.8	\$1,414.2	\$1,458.7	\$1,544.2	\$1,643.4	\$1,739.3
Balance	(2.7)	89.4	55.7	(29.4)	(128.6)	(224.4)
Cumulative Balance	166.3	255.67	311.4	282.0	153.4	(71.0)

* Assumes current levels of borrowing are maintained

Special Transportation Fund Current Program

(in millions)



Let's Go CT!

Governor's Proposal

Transportation Ramp-Up Projections (in millions)

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
Revenues						
Baseline	\$ 1,339.1	\$ 1,503.6	\$ 1,514.4	\$ 1,514.8	\$ 1,514.8	\$ 1,514.9
Revenue Changes	<u>-</u>	<u>-</u>	<u>-</u>	<u>112.0</u>	<u>255.0</u>	<u>400.0</u>
Total	\$ 1,339.1	\$ 1,503.6	\$ 1,514.4	\$ 1,626.8	\$ 1,769.8	\$ 1,914.9
Expenditures						
Operating	876.9	899.1	918.9	962.3	1,026.0	1,083.3
Debt Service*	464.9	502.0	563.0	640.4	719.3	802.0
Let's Go CT Expansions	<u>-</u>	<u>37.1</u>	<u>22.6</u>	<u>22.9</u>	<u>23.2</u>	<u>23.5</u>
Total	\$ 1,341.8	\$ 1,438.2	\$ 1,504.5	\$ 1,625.5	\$ 1,768.5	\$ 1,908.8
Balance	(2.7)	65.4	9.9	1.3	1.3	6.0
Cumulative Balance	166.3	231.73	241.7	242.9	244.2	250.2

* Includes additional debt service needs to meet cash flow requirements for all projects

Capital Budget



Capital Investments

Governor Malloy's capital budget focuses on funding projects and programs that address critical infrastructure needs

New general obligation bond authorizations

- \$1.759 billion in FY 2016
- \$1.800 billion in FY 2017

New transportation bond authorizations
(including Let's Go CT!)

- \$946.3 million in FY 2016
- \$1.214 billion in FY 2017

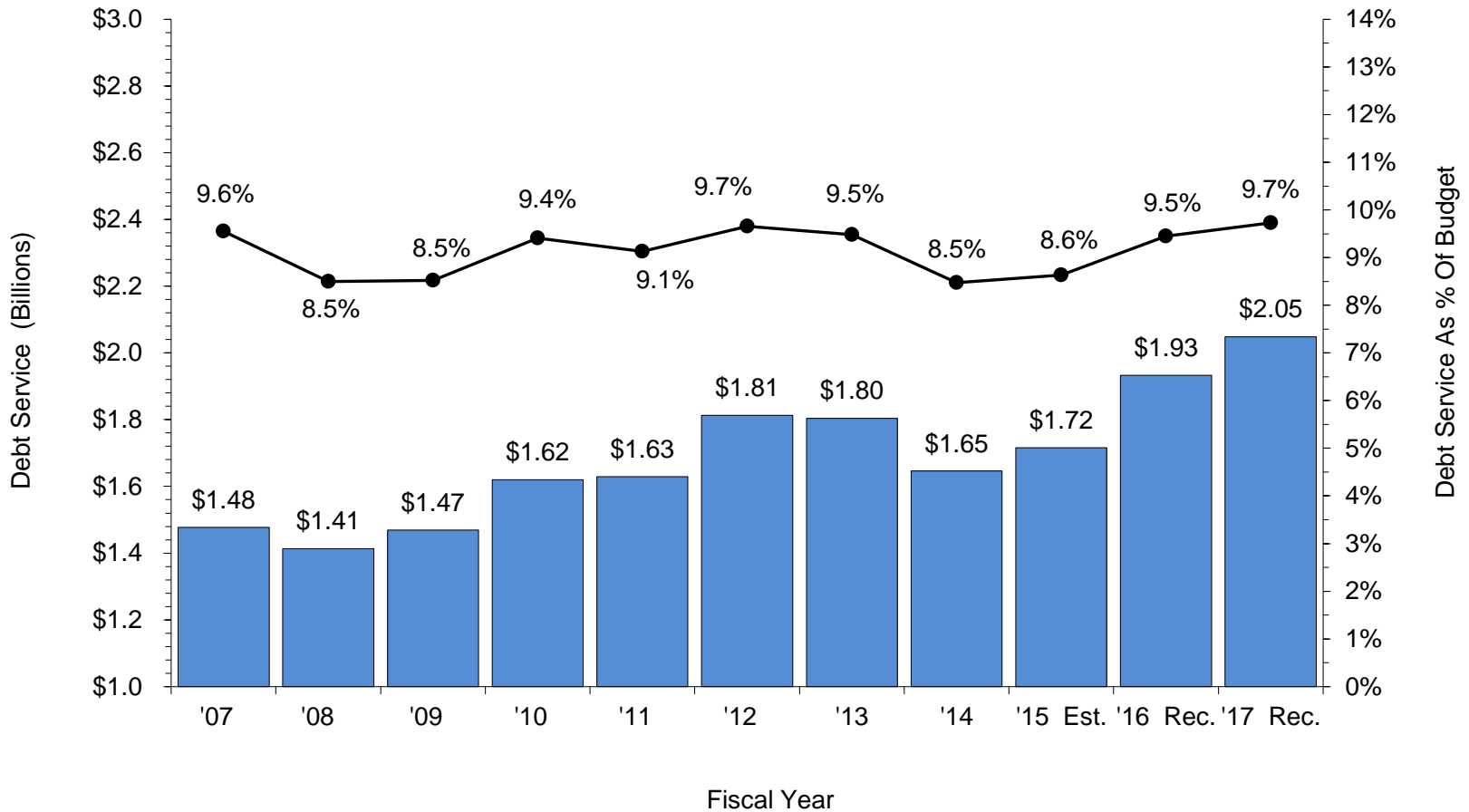
Capital Investments

Significant capital investments over the biennium include

- \$1.1 billion for the school construction program
- \$378 million for Clean Water Fund grants and subsidized low interest loans
- \$377 million for economic development programs
- \$405 million for housing projects and programs, including the Zero:2016 Initiative
- \$186.4 million for Board of Regents projects
- \$180 million for Local Capital Improvement Program and Municipal Projects
- \$100 million for Alliance District school improvements
- \$140 million for Urban Act and Small Town Economic Assistance Programs
- \$140 million for Town Aid Road and Local Bridge Programs
- \$148 million for Local Transportation Capital Program

Debt Service Expenditures

General Fund



Note: FY 2014-17 adjusted for net budgeting of Medicaid for comparison to prior years

Conclusion



Conclusion

Governor Malloy's proposed budget for FY 2016 and FY 2017

- Balanced, responsible and GAAP compliant
- Under the cap
- Provides tax relief

