

DRAFT – Not Yet Adopted by the Membership

**MINUTES OF THE
MANAGEMENT ADVISORY COUNCIL
November 18, 2009**

Visit the MAC website at ct.gov/MAC

Peter Bucknall, MAC Chair, called the meeting to order at 9:10 a.m. Peter thanked those in attendance for their participation. He welcomed and introduced Undersecretary Jeffrey Beckham from the Office of Policy and Management (OPM). Secretary Genuario was called to a meeting with the Governor, and Undersecretary Beckham graciously agreed to make today's presentation in his stead.

Guest Presentation

Mr. Beckham indicated that, later this morning, the Office of Policy and Management and the Legislature's bipartisan Office of Fiscal Analysis would each be making an annual report to the Appropriations Committee and the Finance, Revenue, and Bonding Committee of the State Legislature. These reports, focusing on the state's financial position and the fiscal accountability of state government, are required by law. Copies of the report were distributed, and the report was reviewed via a PowerPoint presentation. The PowerPoint presentation is attached to these minutes.

For the current year, OPM is projecting a deficit. Revenues are lower, and agency costs are higher, than those projected in the budget adopted by the Legislature. The updated estimates peg the General Fund deficit at \$337M in FY 2010 and \$107M in FY 2011. The Governor has the statutory authority to order rescissions, up to 5% of a line item and up to 3% of any fund. The next round of rescissions is being issued, which follows upon five rounds issued in FY 2009. Because the Governor's rescission powers cannot achieve sufficient savings to balance the budget, a draft deficit mitigation plan is also being prepared.

Looking further ahead, larger "structural holes" are expected, with deficit estimates of \$3B for FY 2012, \$2.63B for FY 2013, and \$2.58B for FY 2014. The "Rainy Day" funds are being depleted by FY 2011, and are no longer available in subsequent years. Job losses are expected to continue into next fiscal year, and unemployment is higher than had been projected last year. Although Connecticut's employment rate is slightly better than the nation as a whole, we are expected to emerge from the slump very slowly, with not much recovery until FY 2013. Personal income growth has slowed dramatically, and is actually negative in the current fiscal year. There is a big falloff in personal income tax revenues this year, which are down almost \$1B. There is also a big dropoff in sales tax revenues. Tax revenues on both fronts will get better, but recovery will be slow and difficult. Connecticut is the third in the nation in the overall tax burden so, even without tax increases, we are already in a very uncompetitive position. One piece of good news is that we are past the hump on the resetting of mortgage loans.

The legislature's adopted budget included \$473M in unspecified "below the line" cuts. OPM manages such statewide lapses as holdbacks to the allotments to state agencies. In a typical year, holdbacks would average around \$100M. OPM is faced with the dilemma of managing the same size government, with the same services, and with significantly less funding. There may be a deficiency as a result of the budgeted Medicaid savings. Judicial, Corrections, and Developmental Services are also underfunded. After the Fiscal Accountability report is delivered, there will be a deficiency hearing addressing these problems.

Other structural holes looking forward to FY 2012 include the loss of one-time revenues such as the federal stimulus funding. There was \$1.3B realized through securitization, which has to be paid back through a dedicated revenue stream. There will be new expenditures for debt service on the funds

borrowed to balance the FY 2009 budget. Although the Governor put \$1B in cuts on the table, the Legislature chose to borrow instead. We are now one of the highest states in long-term indebtedness. Historically, Connecticut's bond rating has been pretty good. Although we have not been downgraded, our outlook has changed to "negative". Should we be downgraded in the future, we will pay a higher rate on our borrowing. Retirement benefits are an increasingly large share of the state budget. This is the first year of the Rell administration that the State Employee Retirement System is not fully funded.

Substantial savings to the General Fund are being realized through the recent changes to the SEBAC Agreement. Had layoffs proven necessary, 5000 layoffs would have been required to equate to the savings under the changes to SEBAC. That magnitude of workforce reduction would have caused a tremendous disruption in state government.

In general, the growth in state expenditures is outstripping personal income growth. Growth in pension and health care costs is far outstripping personal income growth. State aid to municipalities is largely unchanged.

On the bonding front, about 75% of state bonding is for education, with only about 12% for state agency projects. All university bond projects have been delayed this year.

All of these factors, in combination with stagnant economic conditions and low growth in revenue, combine to create unprecedented fiscal challenges facing the state over the coming several years.

A brief question and answer session further elaborated on various aspects of OPM's report.

After a brief recess, Peter Bucknall called the business meeting to order at 10:02 a.m.

Approval of Minutes

The minutes of the October 21, 2009 meeting were approved unanimously, as submitted.

Treasurer's Report

Dave Lynn, Treasurer, reported that the remaining checks issued for Managers Day 2009 have cleared. A dividend of \$4.30 was paid. The new balance as of October 31, 2009 is \$2,581.53. The Treasurer's report was accepted unanimously, as submitted.

Committee Reports

Credentials. Ellen Carter, MAC Credential Chair, has had no changes in membership reported to her.

Old Business

Speakers and Logistics. Claudia Helfgott is awaiting confirmation on the scheduling of a follow-up presentation on the banking industry. We hope to confirm that for the January 2010 meeting. Mark Polzella is trying to schedule an economist for the March 2010 meeting.

Web Site. Chris Beloff has updated the web site with Managers Day 2009 content, including photographs of the events and the transcript of Dr. Cibes' keynote address. Chris did send an e-alert about the updated content, but members reported that they did not receive it. Chris will look into this further.

Communications Committee. Tom Crafa had nothing new to report.

Orientation Committee. Dave Lynn reported that the next activity will be participation in the next iteration of the New Managers Orientation Program, which will begin on Thursday, January 28. Peter and Dave have been invited to present their segment introducing MAC.

Other Old Business. There was no other Old Business.

New Business

Managers Day 2010. A planning committee will be convened after the first of the new year. Peter invites participation and would particularly welcome new members and fresh views. Those who are interested should contact Peter.

Meeting with Secretary Genuario. The officers met with Secretary Genuario on November 2, 2009. The meeting was positive in tenor. The officers thanked the Secretary for extending "credit" to those employees who took a furlough day voluntarily on the Governor's request, and also expressed appreciation for OPM's continued support with managerial release time for Managers Day. There was discussion of managers whose positions are impacted by closure of facilities. The process seems to be working well to place managers who are in layoff notice periods into other positions. The officers gave an overview of the concerns managers are raising, especially as it relates to equity relative to collective bargaining employees. The Secretary reiterated the Administration's intent that managers not be treated significantly more adversely than the unionized employees. That said, decisions on matters such as PARS and COLA will be exercised by the Governor, and the Secretary can offer no guarantees. Considerations such as compression have to be balanced against what the state can afford in the current economic climate. Secretary Genuario's plan for the November 18 meeting is to present an overview of the state's economic situation, which would help to put in perspective the continuing fiscal challenges over the next 4 to 5 years.

Discussion ensued among the membership. Dave Lynn commented that the refill of critical RIP positions is providing opportunities to place personnel who might otherwise face a layoff. Dave echoed the Secretary's comment that the process seems to be working well. A concern was raised that managerial tuition reimbursement, which has been funded at \$50,000 annually in recent years, is not currently funded. Funding continues for collective bargaining employees, pursuant to contract terms. There was discussion about documentation that could be assembled, either comparisons with the managerial ranks in other states or comparisons of trends in managerial and collective bargaining salary increases. Elise Kremer shared her impression that there appears to be a good understanding of the compression issues, and it is unclear what further documentation would add to that discussion. The Secretary has repeatedly acknowledged the compression issue as a concern, but has been clear that decisions regarding managers will depend on the budget. There was a question as to whether there was a volunteer to put together documentation. Hearing none, Peter invited the members to send him any information they were able to provide.

Other New Business. There was no other New Business.

Adjournment of Business Meeting

The business meeting was adjourned at 10:48 a.m.

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The list of those in attendance at the November 18, 2009 meeting and the PowerPoint presentation are attached and are hereby made a part of these minutes.

The next meeting is scheduled for Wednesday, December 16, 2009 in Conference Room B at the Department of Transportation.

Respectfully submitted,

Elise Kremer
MAC Secretary
MAC Representative for the
Department of Public Health

MAC ATTENDANCE ROSTER
November 18, 2009

<u>Agency</u>	<u>Name</u>	<u>Rep/Alt/Guest</u>
Administrative Services	Dave Lynn, Treasurer	R
Administrative Services	Joann Bellamo	G
Administrative Services	Scott Nattinger	G
Administrative Services	Mary Yabrosky	G
Agricultural Experiment Station	Michael Last	R
Banking	Claudia Helfgott	R
Children and Families	Margaret Glinn	G
Children and Families	Debi Thompson	G
Comptroller	Brenda Halpin	R
Comptroller	Sandra Hurrie	A
Comptroller	John Harnick	G
Comptroller	Nancy McMahon	G
Comptroller	Elaine Pelletier	G
Comptroller	Doris Vieira	G
Consumer Protection	Elisa Nahas	A
Consumer Protection	John Souchy	G
Correction	Donald Currey	R
Developmental Services	Jadwiga Gocłowski	R
Developmental Services	Aaron Glassman	G
Economic and Community Development	Sheila Hummel	R
Fire Academy	Adam Piskura	G
Firearms Permit Examiners	Susan Mazzocchi	G
Human Rights and Opportunities	Epifanio Carrasquillo	R
Insurance	Barbara Spear	R
Mental Health and Addiction Services	Carl Shields	A
Mental Health and Addiction Services	Tom Tokarz	G
Motor Vehicles	Nancy Dumais	R
Motor Vehicles	David Ostafin	A
Motor Vehicles	Peter Leibovitz	G
Motor Vehicles	Angela Levix	G
Pardons and Parole	Rasa Pakalnis	R
Policy and Management	Ellen Carter	R
Public Health	Elise Kremer, Secretary	R
Public Health	Donna Brewer	G
Public Health	Mary Fuller	G
Public Safety	Marybeth Bonsignore	G
Public Utility Control	Peter O'Neil	R
Public Works	Robert Cody	R
Revenue Services	Tom Crafa	R
Social Services	Peter Bucknall, Chair	R
Social Services	John Souchuns	G
Special Revenue	Michael Janusko	G
State University System	Ellen Mantell	G
Transportation	Wanda Seldon	R
Transportation	Robert Card	G
Transportation	Charlene Casamento	G
Transportation	Lisa Fazzino	G
Transportation	Daniel Foley	G
Transportation	Dennis Jolly	G
Transportation	Steve Korta	G

Transportation	Barry Pallanck	G
Transportation	Philip Scarrozzo	G
Veterans' Affairs	Chris Beloff	A
Veterans' Affairs	Dr. Felice Guberman	G
Workers' Compensation Commission	Sandra Cunningham	G