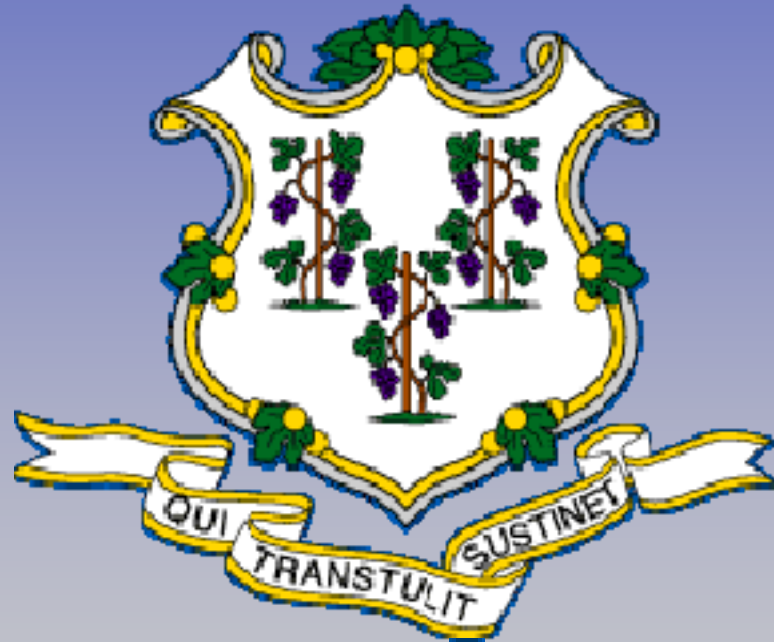


FY 2010 – FY 2011 GOVERNOR'S BUDGET



**M. JODI RELL, GOVERNOR
CONNECTICUT
February 4, 2009**



These are extraordinary times. Our nation is dealing with the aftermath of tumultuous economic events such as:

- The collapse of Fannie Mae and Freddie Mac;
- The failure of some of our oldest and most respected financial institutions;
- Major industries, including the automobile giants, in need of federal bailouts; and
- The Dow Jones industrial average has lost 29% of its value in the last 5 months alone and is down just over 40% since its October 2007 peak.

These events have multiple consequences for Connecticut's citizens and businesses on a day to day basis.



- Loss of jobs and reduced incomes puts a strain on our families that is unprecedented in recent decades.
- Those who have saved for their retirement have seen their savings diminished through no fault of their own.



In the midst of these difficulties come opportunities to:

- Reform government;
- Rethink our priorities; and
- Make government more accountable and more responsive to the needs of the day and the citizens it serves.

This is our opportunity to change things for the better.



Connecticut's Fiscal Challenge

It is not a crisis we face alone.

- Connecticut is better positioned because of our substantial budget reserve fund; and
- Connecticut will experience more dramatic downturns in its tax revenue streams than many states because of the large percentage of financial sector jobs located here.

Notable State Budget Deficits



		% of FY09		% of FY10
	<u>FY2009</u>	<u>General Fund</u>	<u>FY2010</u>	<u>General Fund</u>
California	\$35.9 billion	35.5%	\$25.9 billion	25.6%
Massachusetts*	\$3.3 billion	11.5%	\$3.5 billion	12.4%
New Jersey	\$4.6 billion	14.2%	\$4.0 billion	12.3%
New York	\$6.4 billion	11.7%	\$13.7 billion	24.3%
Rhode Island	\$802 million	24.5%	\$450 million	13.7%

Source: Center on Budget and Policy Priorities, January 14, 2009

Connecticut	\$922 million	5.4%	\$2.9 billion	17.1%
-------------	---------------	------	---------------	-------

* Per Governor Patrick's FY
2010 Budget Recommendation



Projected Deficit

Based upon the January 15, 2009 tax filings:

- Tax projections have plummeted by about \$900 million:
 - \$665 million loss in the income tax;
 - \$100 million loss in corporate taxes;
 - \$50 million loss in the sales tax; and
 - Other revenue streams, such as casino proceeds and the conveyance tax, show similar negative trends.



Projected Deficit

The FY09 deficit exists despite the fact that Governor Rell has:

- Issued three rounds of rescissions in six months; and
- Implemented other cost saving initiatives.

Governor Rell has also proposed and the legislature has passed two deficit mitigation packages.



Projected Deficit

- Based on the latest data, projected current services General Fund deficit for:
 - FY10 is \$2.9 billion
 - FY11 is \$3.1 billion



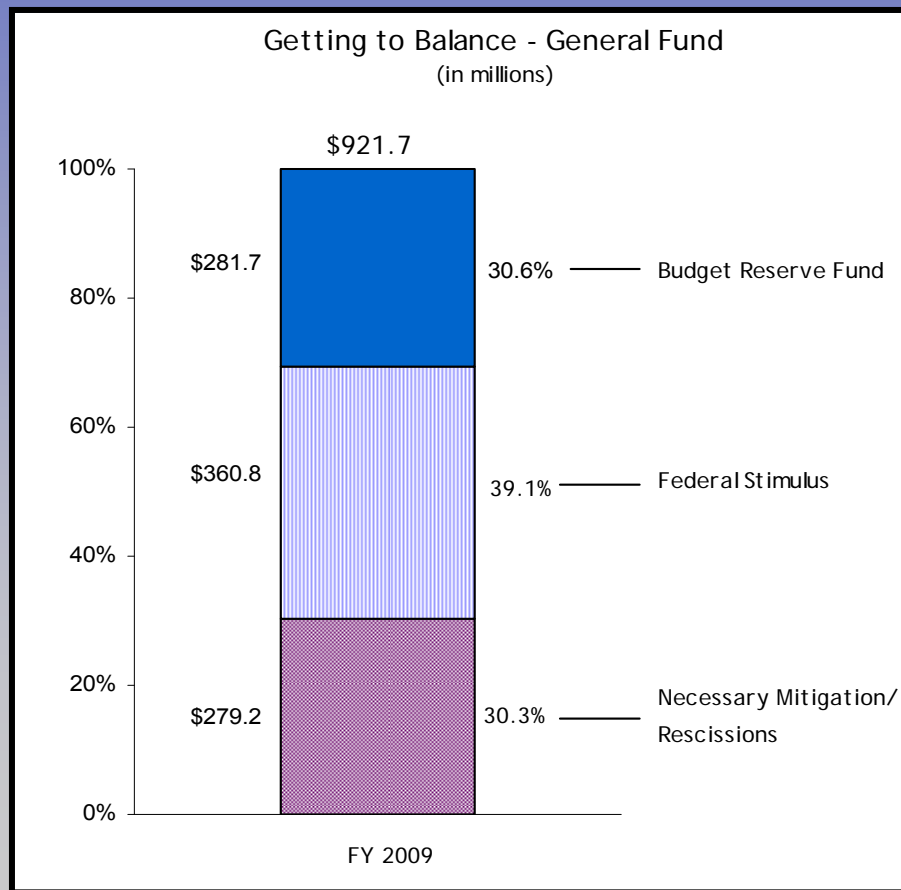
Current Services versus Proposed Budget (in millions)



Fiscal 2009-2010			
<u>General Fund</u>	<u>Current Services</u>	<u>Changes</u>	<u>Proposed Budget</u>
Revenues	\$15,678.2	\$ 1,831.0	\$ 17,509.2
Expenditures	<u>18,584.3</u>	<u>(1,075.4)</u>	<u>17,508.9</u>
Surplus/(Deficit)	\$(2,906.1)	\$ 2,906.4	\$ 0.3
Fiscal 2010-2011			
<u>General Fund</u>	<u>Current Services</u>	<u>Changes</u>	<u>Proposed Budget</u>
Revenues	\$ 16,275.0	\$ 1,852.5	\$ 18,127.5
Expenditures	<u>19,383.4</u>	<u>(1,256.1)</u>	<u>18,127.3</u>
Surplus/(Deficit)	\$(3,108.4)	\$ 3,108.6	\$ 0.2



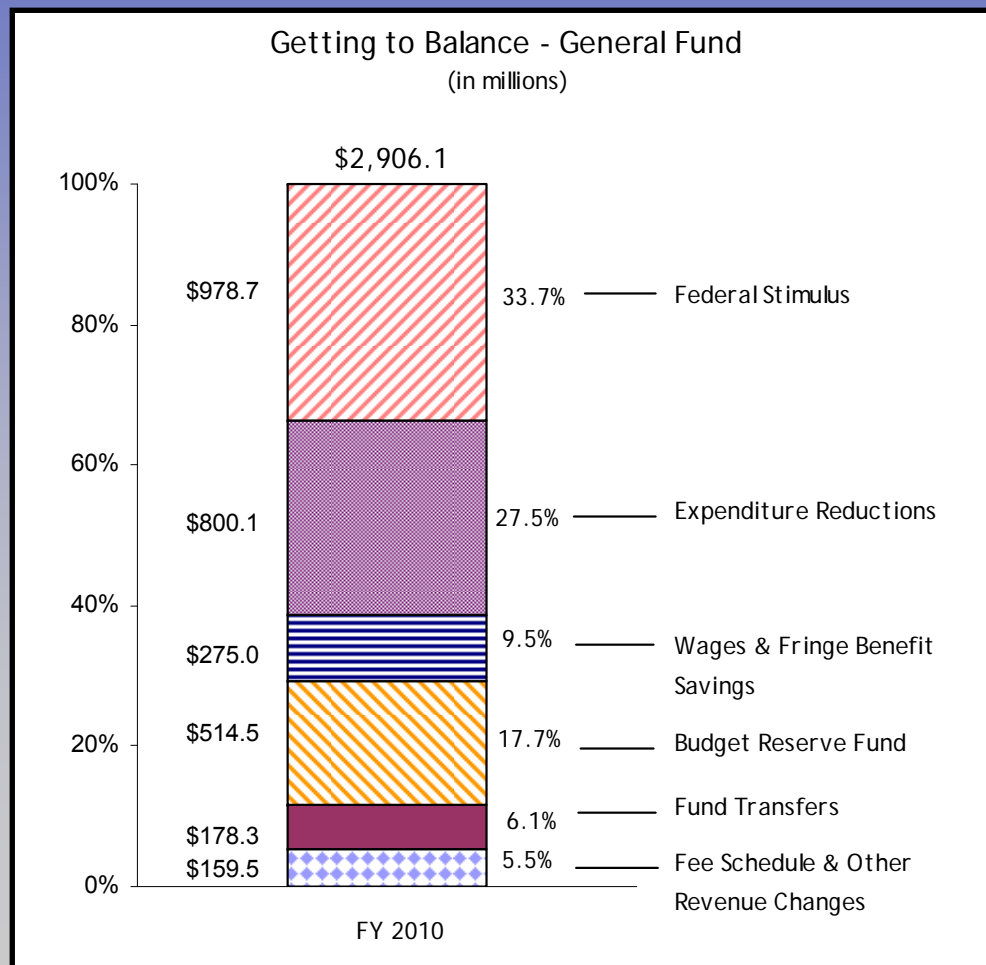
Closing the FY09 Budget Deficit



- Even with the implementation of 3 rounds of allotment rescissions and the enactment of 2 Deficit Mitigation Plans, the state is facing a \$921.7 million budget deficit in the current fiscal year.
- Federal Stimulus monies, as well as a portion of the Rainy Day Fund, will be used to help close the FY09 gap.



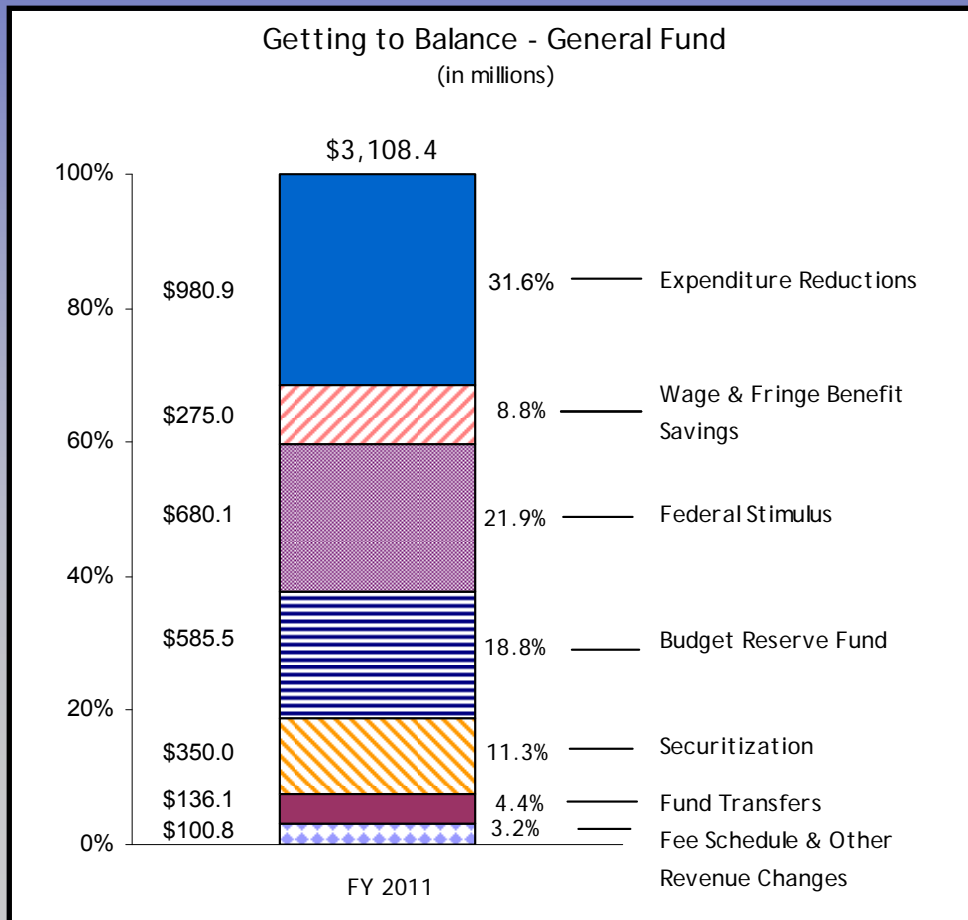
Closing the FY10 Current Services Budget Gap



- **Governor Rell had a \$2.9 billion current services budget gap in FY10 to close.**
- **1/3 of the gap was closed by additional federal stimulus monies.**
- **Slightly more than 1/3 of the gap was closed by policy changes that resulted in budget cuts.**
- **Just under 1/3 of the gap was closed by various revenue actions including fund sweeps, fee changes, and the use of the Rainy Day Fund.**



Closing the FY11 Current Services Budget Gap



- **Governor Rell had a \$3.1 billion current services budget gap in FY11 to close.**
- **In FY11, the federal stimulus monies phase out, which necessitated the securitization of two Energy Funds and the depletion of the Rainy Day Fund.**



Governor Rell's Proposals

- Includes sweeping reforms in state government;
- Seizes the opportunity to streamline government and its functions;
- Eliminates government agencies, boards and commissions that are not needed to accomplish government's core missions; and
- Consolidates agencies with similar missions so as to avoid duplicative bureaucratic structures.

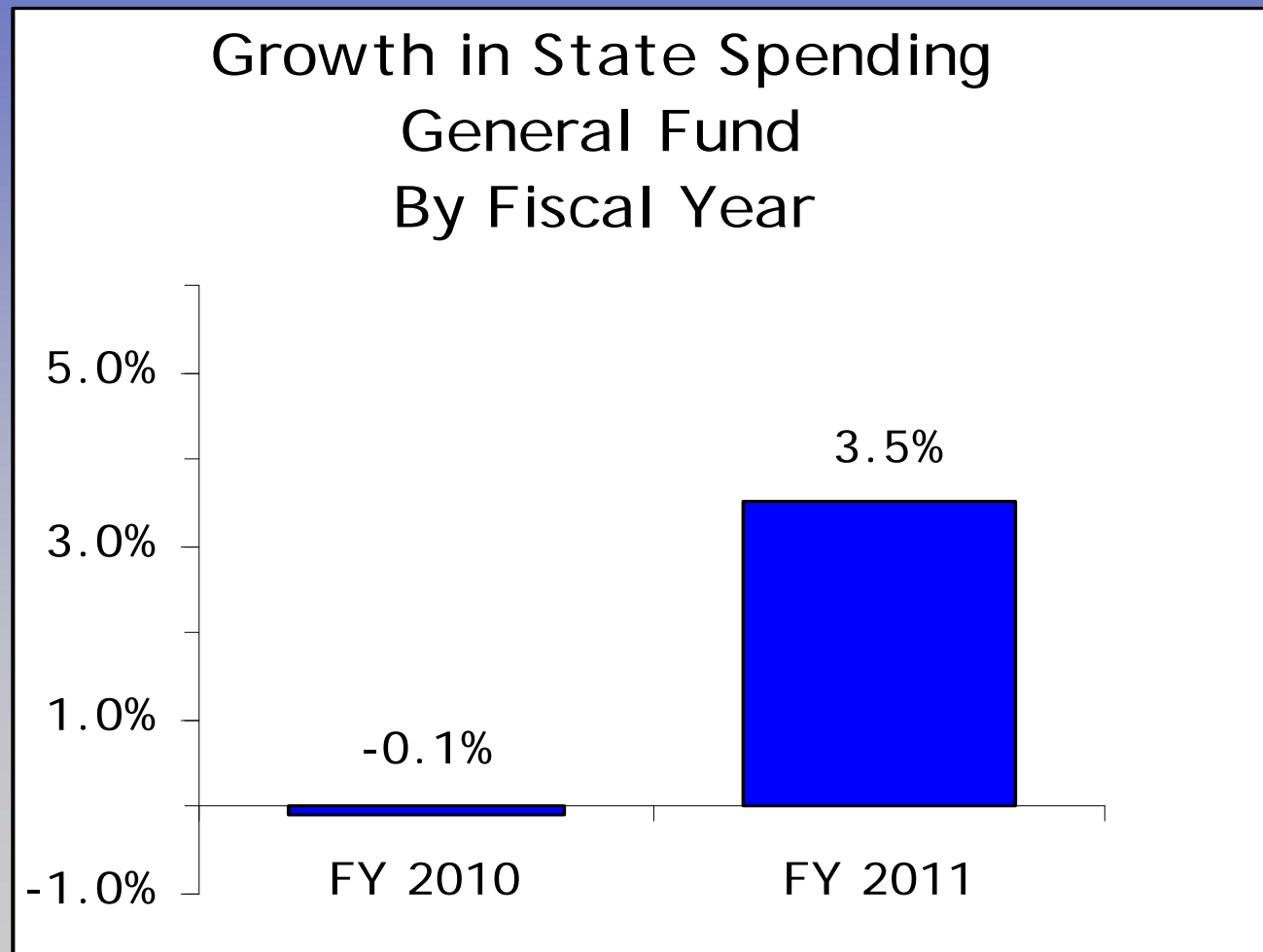


Spending Restraint

- **Where administrative structures could be eliminated or consolidated, do so;**
- **Where business functions of government could be streamlined, do so (cell phones, travel, consulting);**
- **If expansions or new programs are planned but not yet implemented, suspend implementation;**
- **Maintain but do not increase major core government functions e.g.; municipal grants, non profits, nursing homes; and**
- **Where benefits needed to be reduced consider cost sharing, prioritizing the most needy first, and comparing our benefit package to that of other states.**

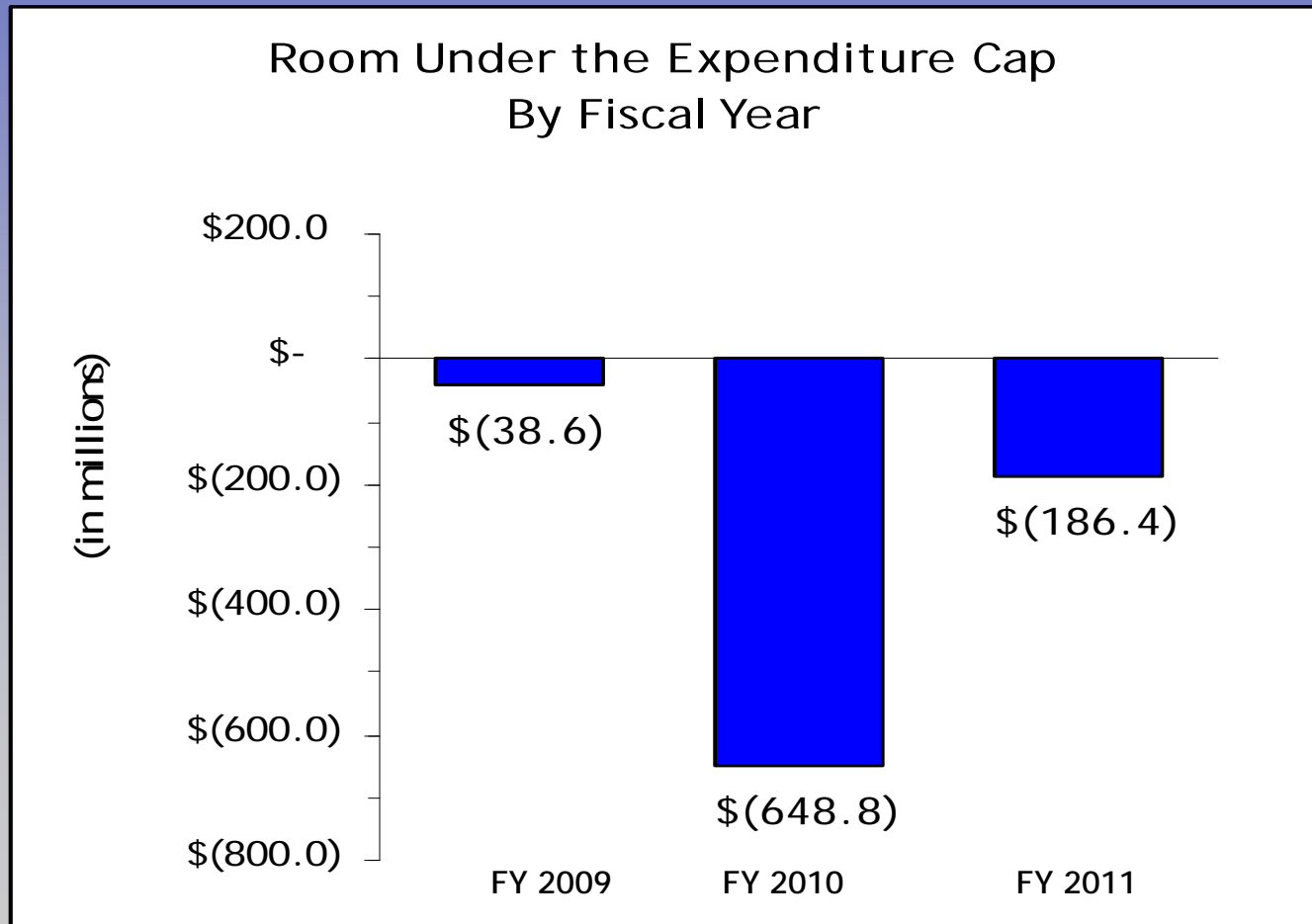


Governor Rell's Proposed Growth in State Spending





Room Under the Expenditure Cap Under Governor Rell's Proposed Budget





Consolidation of Agencies and Commissions

- **Proposing major reorganization of state government;**
- **Elimination or consolidation of 23 state agencies and commissions and a number of programs within agencies;**
- **Eliminate duplication of services;**
- **Eliminated agencies that are no longer affordable;**
- **Move toward returning state government to its core functions;**
- **Unavoidable byproduct of these proposed mergers and consolidations: elimination of approximately 400 jobs;**
- **Must dedicate scarce resources to those functions that are deemed most essential; and**
- **Shed functions less vital to the health, welfare and prosperity of our citizens.**



Agencies/Commissions Eliminated

- **Asian Pacific American Affairs Commission**
- **African-American Affairs Commission**
- **Commission on Children**
- **Commission on Aging**
- **Commission on the Status of Women**
- **Latino and Puerto Rican Affairs Commission**
- **Office of Consumer Counsel**
- **Office of the Healthcare Advocate**
- **Property Rights Ombudsman**
- **Correctional Ombudsman**



Streamlining Government

Agency mergers and eliminations:

- **Office of the Child Advocate**
 - Funding and one position merged with the Office of the Attorney General
 - Savings of \$1.6 million over the biennium

- **Children's Trust Fund Council**
 - Core prevention grant programs consolidated under DCF
 - **Nurturing Families Network**
 - **Help Me Grow**
 - **Family School Connection**
 - **Family Empowerment Initiatives**
 - **Kinship and Grandparents Respite Funds**
 - Administrative savings of \$3.0 million over the biennium



Agencies Consolidations

Current Agency	Proposed Destination
Board of Accountancy	Department of Consumer Protection
Criminal Justice Commission	Division of Criminal Justice
Board of Firearms Permit Examiners	Department of Public Safety
State Insurance & Risk Management Bd.	Department of Administrative Services
Office of the Child Advocate	Office of the Attorney General
Office of the Claims Commissioner	Department of Administrative Services
State Properties Review Board	Department of Administrative Services
State Marshal Commission	Department of Administrative Services
Children's Trust Fund Council	Department of Children and Families
Council on Environmental Quality	Department of Environmental Protection
Gaming Policy Board	Division of Special Revenue
Department of Higher Education	Department of Education



Elections Enforcement Commission



- Consolidate funding for Elections Enforcement Commission expenditures into the Citizens' Election Fund (CEF);
- Fund all activities through one funding source, eliminating need for a General Fund appropriation;
- Expenditures paid through the CEF;
- Amounts allowed for administering the Citizens' Election Fund within C.G.S. Section 9-701 proposed to be modified:
 - \$2.3 million to \$6 million in FY10;
 - \$7 million in FY11.
- Current Balance approximately \$45 million and Anticipated \$10 million in the biennium.



Office of Accountability

- **The Office will:**
 - Eliminate waste and inefficiency in state agencies
 - Ensure that state resources, including vehicles, phones and computers, are used for legitimate state purposes
 - Ensure that state and federal funds are properly accounted for
 - Achieve economic efficiencies wherever possible
 - Verify that each state agency is fulfilling its statutory mission
- The Office of Accountability will be overseen by a Chief Accountability Officer who will have the authority to audit state agencies.
- The department head of each state agency will appoint a Agency Accountability Officer to assist the Chief Accountability Officer.



State Personnel Costs

- CT state employees are one of our most valuable resources.
- No part of the budget can be exempt from the need to control growth in spending.
- Governor Rell has taken the initiative to set up discussions with state employee unions to craft a comprehensive and fair concession package.



Other States Asking for Concessions from State Employees

- **Ohio:** Governor Strickland asked unionized employees for a 5% pay cut, a 35 hour workweek, elimination of personal day.
- **Maryland:** Governor O'Malley imposed furloughs and salary cuts.
- **New Jersey:** Governor Corzine and the legislature eliminated two state paid holidays.
- **Pennsylvania:** Governor Rendell - lay offs and furloughs are likely.
- **Hawaii:** Governor Lingle may pursue furloughs and higher employee shares for health insurance.
- **California:** Governor Schwarzenegger imposed two furlough days per month and attempting to eliminate two paid state holidays.
- Many **other states** have already instituted many cost saving measures, including freezing salaries and layoffs.



State Personnel Cost Savings

- Target savings:
 - \$275 million in the General Fund
 - \$20 million in the Special Transportation Fund
- Savings represents:
 - Less than 10% of \$3 billion current services deficit for FY10
 - Less than 9% of \$3.2 billion current services deficit for FY11



Additional State Personnel Cost Savings

- Removal of 448 vacant positions from the General and Special Transportation Funds
- Approximately 400 jobs eliminated as a result of consolidation not including Higher Education



Municipal Aid

- Municipal Aid makes up \$2.9 billion of our state budget.
- Many believe that this would be an easy place to make significant cuts.
- New York has proposed cuts to education funding and Massachusetts has proposed cutting municipal aid by millions.
- Governor Rell knows that cutting municipal aid only shifts tax burden to towns and local taxpayers.



Municipal Aid

Governor Rell proposes a 3 point plan:

- Maintain funding to municipalities for both years of biennium;
- Provide relief from costly unfunded mandates; and
- Provide incentives to encourage regional delivery of services.



Municipal Aid

- Maintain funding to municipalities for both years of the biennium at FY09 levels (excluding one time expenditures paid with surplus funds).
- New source of revenue for towns:
 - Allow towns to collect up to 3.5 cents for every container covered by the expanded bottle bill through road side collection.



Relief from Unfunded Mandates

- Prohibit enactment of new costly state mandates unless 2/3rds of members of both houses of General Assembly vote to do so; and
- Suspend requirements of in-school suspensions until 2012.



Incentives for Regional Delivery of Services

- New Regional Incentive Grant;
- \$40 million of Bond funds;
- Regionalization of existing, required governmental function or service or expansion to more towns;
- Minimum of 3 towns, serving 50,000 people – up to \$3 million;
- Four or more towns, serving less than 50,000 people – up to \$1 million;



Incentives for Regional Delivery of Services

Used to offset capital infrastructure costs of regionalized services such as:

- Trash collection
- Road maintenance
- Animal control
- Centralized administrative functions
- Parks and recreation
- Regional police departments
- Regional emergency communication centers



Incentives for Regional Delivery of Services

- Towns that meet criteria of Regional Incentive grants will receive:
 - 10% bonus in LoCIP for 3 years
 - 10% bonus in Town Aid Road for 3 years
- *Bonuses to be paid out of existing fund further promoting regional services



Incentives for Regional Delivery of Services

**New Municipal Capital Expenditure
Purchase Grant (MCEP) program:**

- **\$10 million of bond funding for municipal cooperative purchase of equipment with useful life of at least 5 years**
- **Cover 75% of municipal costs up to \$250,000**



Proposing a Groundbreaking Concept

A New Middle College System

- Combining the considerable talents of the:
 - Technical High Schools (THS)
 - Community Colleges (CC)
 - Staff and leadership provided by the Office of Workforce Competitiveness (OWC)
- This new system will institutionalize the partnerships that currently exist



Proposing a Groundbreaking Concept

The Middle College System will provide students with an expanded number and variety of career paths to the 48% of today's jobs that "require more than high school but less than a four year degree."

Holzer, Lerman 2007

What it Takes to Succeed in the 21st Century
by the Nellie Mae Education Foundation



Middle College System

- With the consolidation of these two systems, there will be new and expanded numbers of pathways for 10,000 THS students to continue their education beyond high school;
- THS students will have a much stronger occupational focus;
- Connecticut's labor market will need workers who have post-high school skills and who can work in health care, early childhood programs, computer support, automotive technology, and green jobs technology;



Middle College System

- Middle College System will expand traditional technical high school experience to include the possibility of college level training in the CCs;
- THS students, many of whom are disadvantaged, will be able to earn college credits while still in high school; and
- With the assistance of the expertise of the OWC staff, the state's workforce needs will be incorporated into new training and education opportunities at both the high school and college levels in the Middle College System.



Middle College System

The Middle College System will be modeled on the successful community college relationship.

- Manchester Community College and Great Path Academy;
- Capitol Community College & Capitol Magnet School;
- Planned middle college relationship between Norwalk Community College and JM Wright Technical High School.



Education

- From 2005, when Governor Rell took office, through 2009, ECS grew by over \$326 million, a 21% increase in a short four years.
- Connecticut mayors and first selectman depend on ECS to help fund essential education programs.
- Proposing no reductions in this grant for the upcoming biennium.

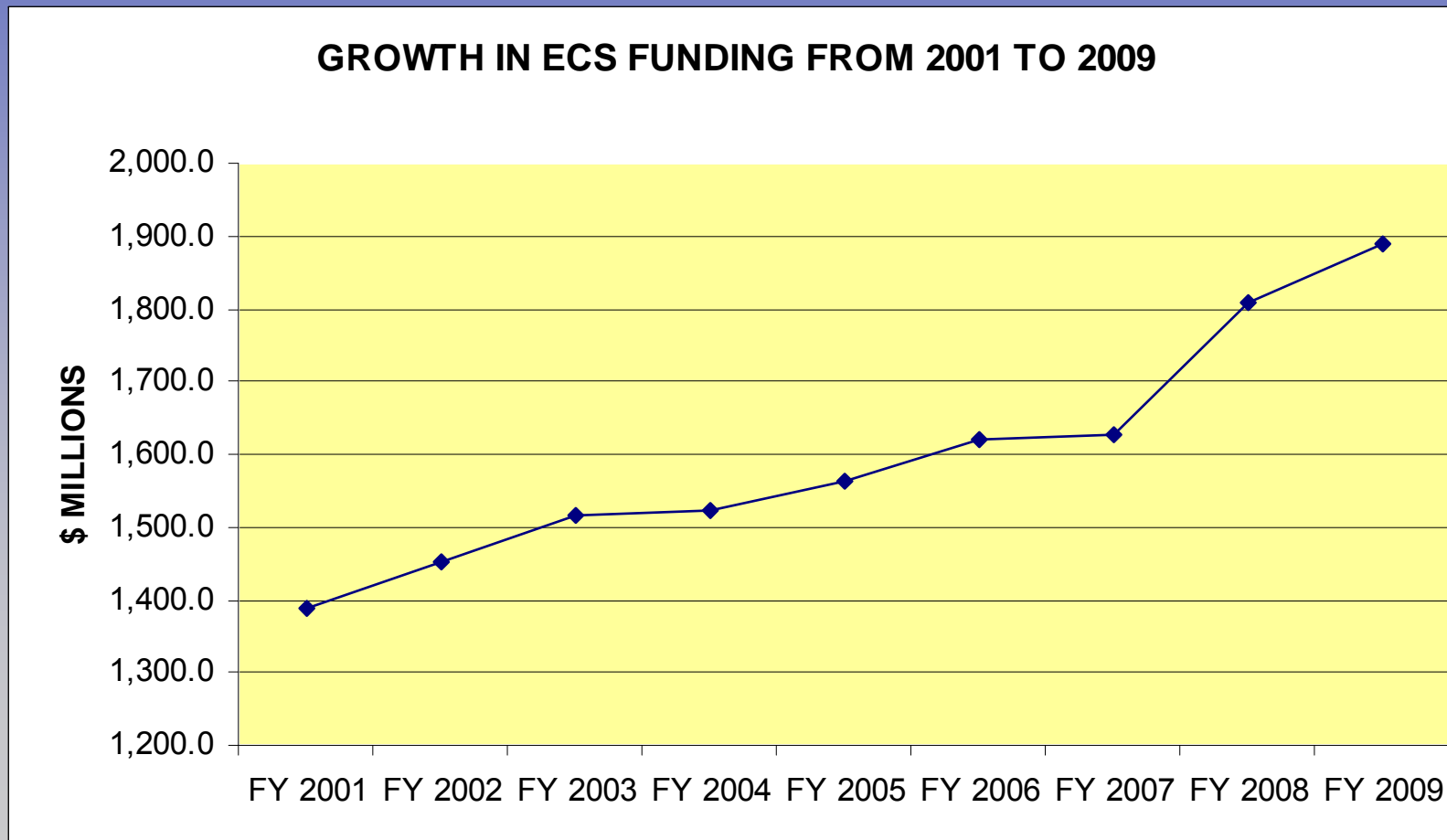


Education

- Even in these very difficult times, Governor Rell is preserving:
 - Current funding levels for Education Cost Sharing (ECS) grants and other categorical grants;
 - Gains made in creating preschool slots; and
 - Expanded higher education financial aid.



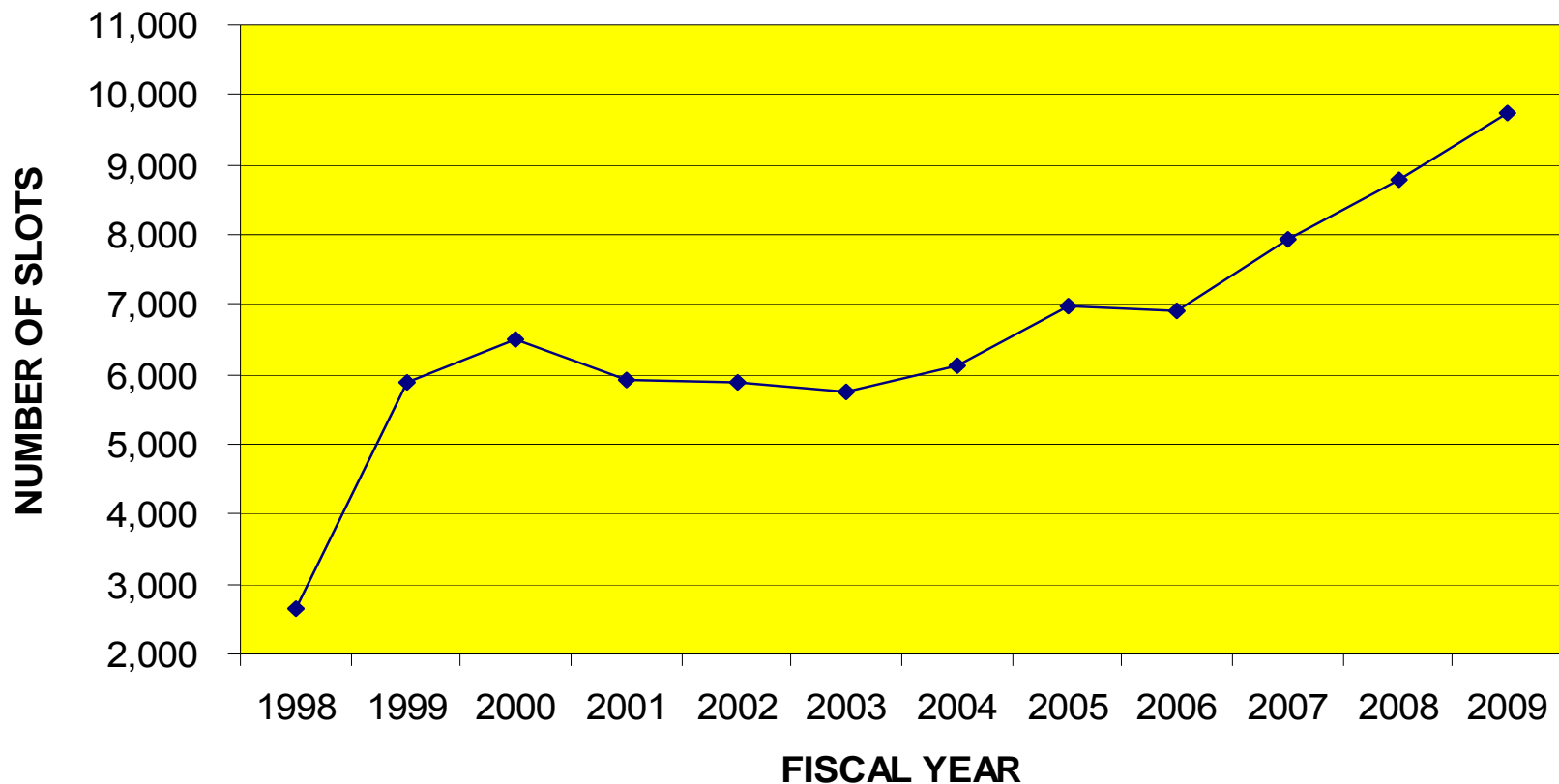
GROWTH IN ECS FUNDING FROM 2001 TO 2009





Under Governor Rell's leadership, preschool slot growth has soared from around 6,900 to over 9,700 this year, a 40% increase

GROWTH IN PRESCHOOL SLOTS FROM 1998-2009





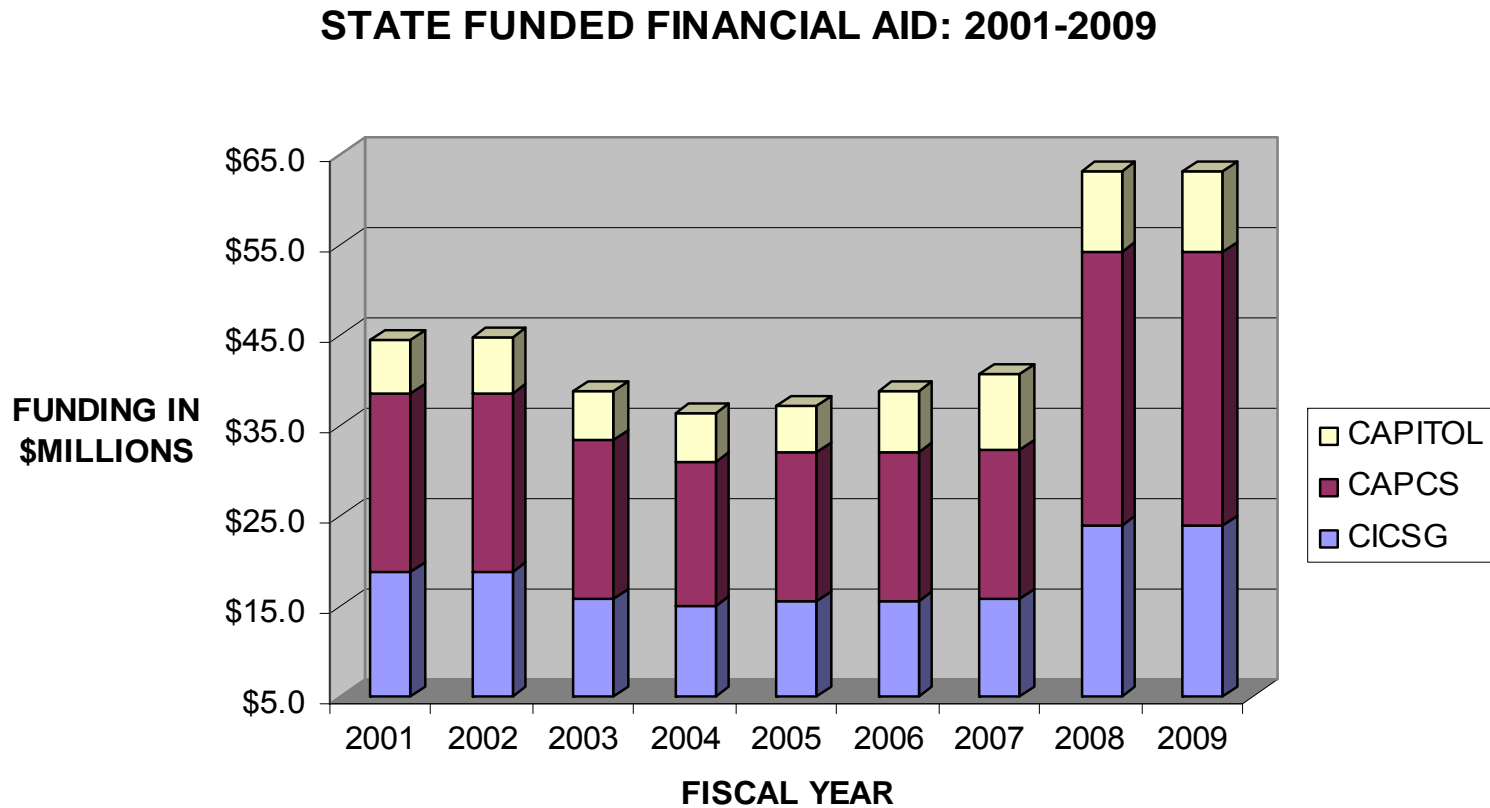
Student Financial Aid

We need to maintain our commitment to Student financial aid:

- Sustaining the growth in the state's three major financial aid programs:
 - Connecticut Aid to Public College Students (CAPCS);
 - Connecticut Independent College Student Grants (CICSG); and
 - Capitol Scholarship program.
- Funding for all three grants was at an all time high in FY08 and FY09.



STATE FUNDED FINANCIAL AID 2001 - 2009



Under Governor Rell, financial aid in these three programs has increased by \$26 million, or more than 70%.



Right-Sizing Higher Education

- Like other state agencies, continue FY09 rescissions for UCONN, CSU and the Community Colleges through biennium;
- Modestly reduce Block Grants by an additional 2%; and
- Save \$52 million in FY10 and \$71 million in FY11.



STREAMLINING ECONOMIC DEVELOPMENT

“Economic development - jobs, income, and community prosperity - is a continuing challenge to modern society”.

Economic Development Quarterly



STREAMLINING ECONOMIC DEVELOPMENT

- Current system with many agencies and fragmented programs provides potential job creators with a confusing array of options.
- A common purpose to create a Connecticut that is welcoming to jobs, and ultimately, income and prosperity is shared by:
 - Department of Economic and Community Development (DECD);
 - Commission on Culture and Tourism (CCT);
 - The quasi-public Connecticut Innovations Incorporated (CII); and
 - Connecticut Development Authority (CDA).



CCT Incorporated into DECD



- Cultural, tourism, film and historical programs are important elements in the state's economic development.
- These programs have resided in a relatively small agency - CCT.
- In recognition of the significant impact these programs have on the state's economy (\$9 billion in tourism revenues in 2008, supporting 110,000 jobs), CCT's programs would be incorporated into DECD.



Tourism and Marketing

- Two additional programs - tourism and marketing - will be streamlined; and
- Statewide marketing will be increased to \$4.5 million in FY10, and \$5.1 million in FY11.
- Result: Elimination of redundant state subsidies of \$2 Million in FY10 and \$3.3 million in FY11 for marketing and local tourism districts.



Basic Cultural Resources Grant

- Basic Cultural Resources Grant will be increased from \$2.6 million to \$9 million by FY11. Individual earmarks will be phased out by FY11.
- The cultural, tourism, film and historical programs will have heightened economic development visibility, along with a stronger and more streamlined focus.



Office of Workforce Competitiveness

Included with this configuration will be certain economic development programs from the Office of Workforce Competitiveness. These programs include:

- Jobs Funnel;
- Small Business Innovation and Research Matching Grants;
- Nanotechnology;
- Film Industry Training; and
- Spanish American Merchants Association funding.



Connecticut Economic Innovations Authority

- On the quasi-public side of economic development, CII and CDA supply potential job creators with important sources of capital.
- CII's focus is more start-up and high tech.
- CDA has investment capital, debt financing and special programs.
- As quasi-publics with millions available for economic development, there is a certain important synergy from combining the leadership of these two entities.
- Consolidating these two entities into the Connecticut Economic Innovations Authority will provide one-stop shopping for venture capital, investment capital and debt financing.



Human Services

The Governor's budget does **not**:

- Propose across-the-board Medicaid rate reductions and preserves the significant increases passed in the last biennium;
- Roll back recent eligibility increases;
 - HUSKY A expansion to 185% FPL
 - Pregnant women expansion to 250% FPL
- Propose across-the-board reductions to private provider funding or nursing home funding.



Maintaining Core Service

Significant caseload growth is budgeted over the Biennium:

- **DSS:**
 - Medicaid (including HUSKY A)
 - Charter Oak Health Plan
 - State Administered General Assistance
- **DDS:**
 - Residential and day services
 - Birth to Three early intervention program
- **DMHAS:**
 - General Assistance Behavioral Health
 - Young Adult Services
 - Traumatic/acquired brain injury
- **DCF:** foster care and adoption



Caseload Growth



DSS:

- HUSKY A – 10% growth over biennium, \$70 million;
- Medicaid fee-for-service – 8.5% growth over biennium, \$105 million;
- Charter Oak Health Plan – 26,000 state-subsidized (under 300% FPL) cases by the end of the biennium, \$17 million;
- SAGA - \$18.5 million over biennium for cash and medical caseload growth.



Caseload Growth



DMHAS:

- Young adults transitioning from DCF – 185 youths each year, \$18.2 million over biennium;
- GA Behavioral Health – 5% growth each year, \$6.9 million over biennium;
- Traumatic/acquired brain injury – 17 clients, \$3.7 million over biennium;
- Home and community based waiver services for adults with serious mental illness – 158 placements, \$4.1 million over biennium.



Caseload Growth

DDS

DDS:

- \$35.7 million in FY10 and an additional \$20.4 million in FY11 for caseload growth;
 - 351 high school graduates and age-outs in FY10; 324 more in FY11;
 - 85 residential placements in FY10; 87 more in FY11;
 - Birth to Three - \$12.6 million over the biennium.



DCF:

- 456 new subsidized adoptions and guardianships each year; \$8.1 million over biennium;
- 140 new foster care placements each year; \$4.5 million over biennium;
- These result in the commensurate reduction of residential care expenses.



Program Adjustments

DSS:

- Cost sharing as an alternative to eligibility reductions:
 - Co-pays - \$8.5 million in FY10, \$10.5 million in FY11;
 - Excludes hospital inpatient, emergency room, home health, laboratory and transportation;
 - Exemptions for certain children under 18, those below 100% FPL, SSI recipients, pregnant women, women being treated for breast or cervical cancer, persons in institutions; and
 - Will not exceed 5% of family income.
 - Medicare Part D co-pays for dually eligible - \$3.7 million in FY10, \$4.0 million in FY11
 - Client will pay no more than \$20 per month.



Program Adjustments

DSS:

- Cost sharing as an alternative to eligibility reductions:
 - Premiums for HUSKY A adults - \$8.8 million in FY10, \$9.3 million in FY11:
 - Sliding scale, up to 10% or 20% of service cost, depending on family income;
 - Exemptions for certain children under 18, those below 100% FPL, pregnant women, individuals in hospice.
 - Adjust premiums for HUSKY B band 2 (236-300% FPL) - \$1.5 million in FY10, \$1.6 million in FY11
- Provide only emergency dental services to adults under Medicaid and SAGA.



Program Adjustments

DSS:

- Modifications to pharmacy programs:
 - Eliminate non-formulary drug coverage (Medicare Part D Supplemental Needs Fund) - \$26.2 million in FY10, \$28.7 million in FY11:
 - Part D plans are required to cover medically necessary drugs.
 - ConnPACE - \$25.0 million in FY10, \$27.5 million in FY11:
 - Change annual enrollment fee from \$30 to \$45;
 - Freeze income eligibility levels over biennium;
 - Institute open enrollment period similar to Medicare Part D and commercial plans; and
 - Implement same liquid asset test as is used for Medicare Part D low-income subsidy.



Program Adjustments

DSS:

- Other pharmacy proposals - \$35.3 million in FY10, \$39.2 million in FY11:
 - Require Medicare Part D recipients to enroll in benchmark plans;
 - Include mental health medications on preferred drug list;
 - Require prior authorization for high cost drugs;
 - Modify dispensing fees and other pharmacy reimbursement;
 - Eliminate certain coverage of over-the-counter drugs;
 - Institute co-payments (up to \$20 per month); and
 - Eliminate automatic 30-day fill on new scripts requiring prior authorization.



Program Adjustments

DSS:

- Other adjustments of note:
 - Defer medical interpreters under Medicaid through the biennium saving \$5.5 million in FY10 and \$6.0 million in FY11; and
 - Eliminate state-funded non-emergency medical assistance for non citizens – saving \$23.6 million in FY10 and \$24.5 million in FY11.



Program Adjustments



DPH:

- Regionalization of local health districts – saves \$2.6 million in FY10 and \$2.8 million in FY11. Funding of \$3 million to regional health districts; subsidize only regional districts.
- Funding for AIDS services is reduced by \$3.1 million:
 - Eliminates new funding added in FY07-09 biennium in anticipation of federal reduction that did not materialize;
 - Federal Ryan White funding is anticipated to remain at same level for FY09-11 biennium; and
 - FY07 funding was \$4.7 million. \$5 million is recommended in each year of the biennium.



Program Adjustments



DOL:

- Consolidates funding for employment programs:
 - Jobs First Employment Services (JFES) and the TANF Job Reorganization programs are combined;
 - Competitive bidding process for these employment services will reduce administrative overhead;
 - Savings of \$7.0 million over the biennium.



Program Adjustments

DOL:

- Elimination of less essential programs - \$11.2 million over the biennium:
 - Individual Development Accounts;
 - Connecticut Youth Employment Program:
 - ▶ Federal stimulus funding is expected to fund youth employment activities.



Streamlining Government

Closing smaller, less essential facilities:

- High Meadows:
 - Smallest DCF-run facility – 34 children
 - Children will be served at CT Children's Place and through available community services
 - Significant capital cost avoidance - \$11.8 million
 - Operating savings of \$2.6 million in FY10, \$8.2 million in FY11
- Cedarcrest Hospital:
 - Campus in Newington will be closed by July, 2010
 - Patients will be served at CT Valley Hospital and in other inpatient and community settings
 - No loss of beds to DMHAS system
 - Will require some renovations at CVH
 - Annualized savings of \$3.7 million by eliminating redundant overhead



New Initiatives

Food and nutrition assistance:

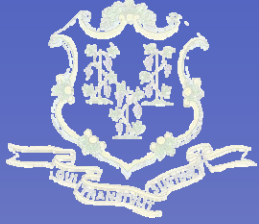
- Increased eligibility for federally-funded Supplemental Nutrition Assistance Program (food stamps) from 130% FPL to 185% FPL, and eliminate asset test;
 - ▶ Estimated additional 19,000 households.
- \$600,000 over biennium for Food Share and CT Food Bank for bulk food purchases for food pantries, shelters and soup kitchens; and
- \$900,000 over biennium for elderly nutrition program for more home-delivered and/or congregate meals.



Protecting Our Environment



- **DEP Special Funds:**
 - The Governor proposes to submit DEP's off budget programs to the annual scrutiny and transparency of the appropriations process;
 - Most Special Fund positions, and fund balances of \$37M will be transferred to the General Fund on July 1, 2009; and
 - Both the Special Fund Revenue and expenses will be transferred to the General Fund. Solves projected Special Fund insolvency issues.



Protecting Our Environment

- Connecticut's Conservation Corps:
 - In anticipation of the second federal economic stimulus package, the Governor proposes \$7.5M for funding a CT Conservation Corps;
 - With CT unemployment at 7.1%, the Corps mission is to provide residents with gainful employment on beneficial public projects; and
 - Governor wants to work with the legislature on funding, wages, eligibility and training requirements, and types of projects.



Protecting Our Environment

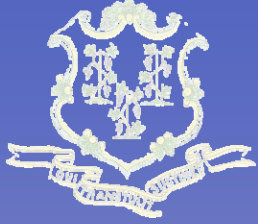
- **The 21st Century Bottle Bill:**
 - The goal of the 31 year old Bottle Bill was to discourage littering/encourage recycling.
 - The Governor proposes to modernize the Bottle Bill by creating a Central Trust Fund with a dedicated funding stream.
 - The bill will expand the Bottle Bill to include water bottles.
 - The Fund will collect all deposits and pay out all returns/costs associated with the system.
 - The State will receive \$38 million from the fund.
 - The Fund will pay refunds and handling fees to curbside recyclers, retailers and redemption centers.



Streamlining State Police



- Redeploy Troopers to Core Services
- Add 70 troopers to Patrol Duties
- More troopers on the streets and highways while reducing overtime



Streamlining State Police

DEPARTMENT OF PUBLIC SAFETY Trooper Redeploy to Core Services

Area to Eliminate or Reduce	Number of Troopers
School Resource Officers	18
Bradley International Airport (Troop W)	18
Weigh Stations (DMV to cover)	21
Various Other Non-patrol Areas	13
Total Troopers Redeployed To Patrol	70



Criminal Justice Initiatives



- Governor Rell's budget continues funding for:
 - 210 diversionary beds;
 - 24 sex offender beds;
 - Full time Parole Board and other reforms;
 - Additional Parole and Probation Officers; and
 - Victim Advocates at Parole Board.



Juvenile Jurisdiction Change

- Delay Juvenile Jurisdiction Change.
- Important initiative that will potentially double the number of juveniles handled by the Juvenile Court annually.
- JJPOCC has identified significant costs necessary to implement effectively.
- Fiscal situation dictates a delay for two years with a new effective date of January 2012.



Juvenile Jurisdiction Change

- Defer 61 positions including probation officers, judges and support staff;
- Also, defer costs associated with leasing additional facilities;
- Eliminates unfunded municipal mandates and costs until they can be further studied; and
- Annualized savings in excess of \$75 million plus savings of capital costs.



Court Consolidation

The Governor is proposing to eliminate two facilities while preserving the 13 Judicial Districts:

- The facilities in Bristol and Meriden will be closed.
- Bristol matters will be handled in New Britain.
- Meriden matters will be divided:
 - Madison, Meriden and Wallingford will be handled in Middletown;
 - Cheshire will be handled in Waterbury; and
 - Hamden and North Haven will be handled in New Haven.
- Consolidation of these courthouses saves \$2.8 million annually.



Probate Court Reform

- The State's probate courts have been forecasting one fiscal crisis after another for years, yet no significant structural reforms have been adopted.
- The current system of 117 courts state-wide is unwieldy, inefficient and too costly. It is time for wholesale reform.
- Governor Rell proposes to consolidate the 117 courts to 36 with relatively evenly distributed workloads.
- Judges would continue to be elected but must be attorneys with no less than 10 years experience.
- This will render the courts financially self-sufficient as originally intended.

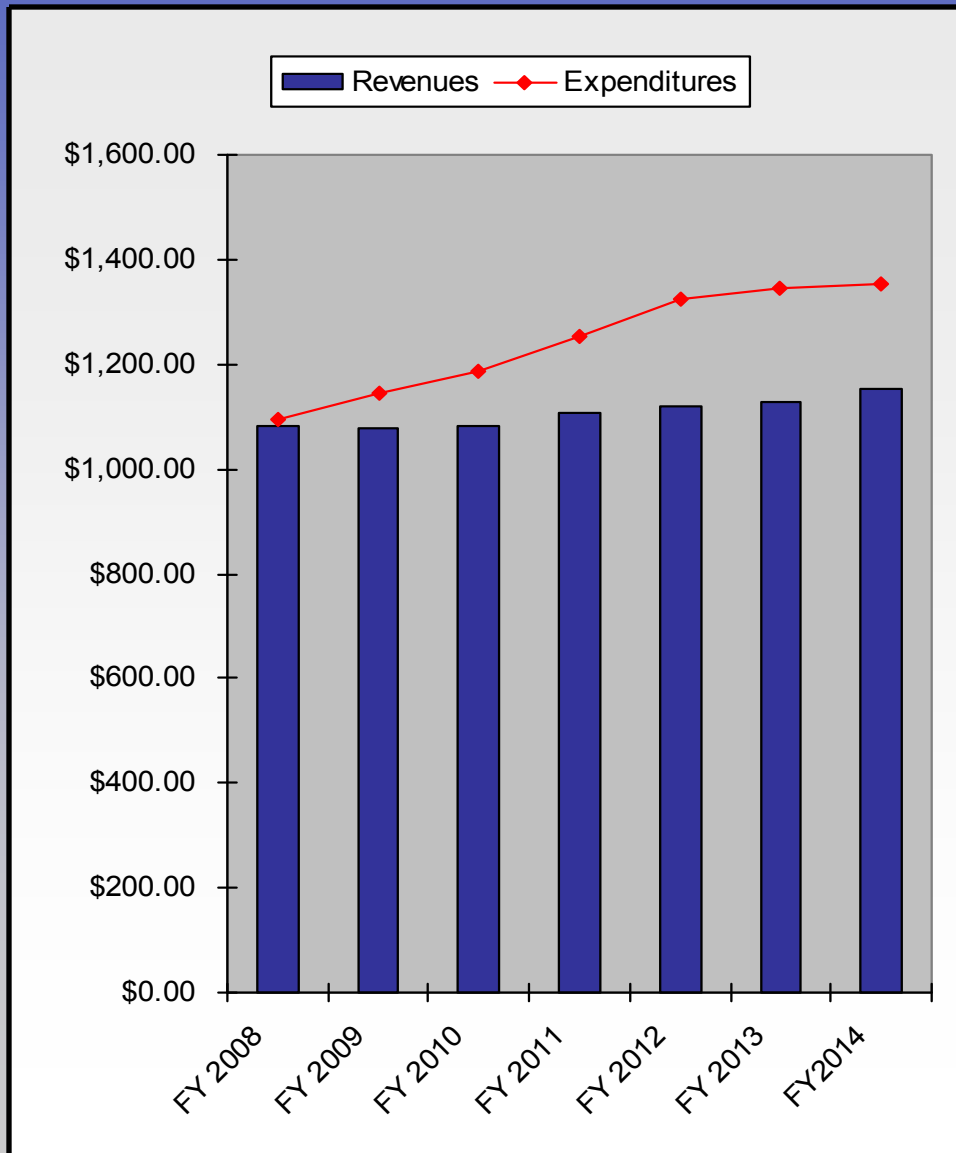


Transportation

- Restoring Connecticut's transportation system has been a priority in each of Governor Rell's proposed budgets.
- This year the emphasis is on preserving the Special Transportation Fund and gains made.
- Initial forecasts predicted annual deficits of \$102 million in FY10 and \$145 million in FY11:
 - STF Cumulative Surplus would have been exhausted in 2011.



Causes of the Gap



- **Expenses exceeding revenues and growing faster than revenues:**
 - Projected 2009-2011 expenditure growth: over 9%.
- **Expenditure growth the result of:**
 - Increased operating costs, especially for bus and rail programs;
 - Increases in construction costs; and
 - The number of major projects which will require bond funding over the biennium, resulting in an increase in debt service costs.

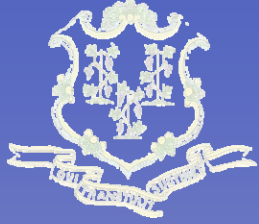


Closing the Gap



- Hold down DOT and DMV operating costs
 - Continue current year rescissions
 - Reduce state cars, cell phones, supplies and similar expenses
 - Defer some initiatives
- Increase DOT and DMV fees
- Close DMV satellite Branch in Stamford
- Transfers \$20 million additional gross receipt tax revenue into Transportation Fund in FY11
- Governor Rell is not proposing any new increase in bus or rail fares





Transportation

- **New Haven Rail Maintenance Facility:**
 - Capital Budget includes an additional \$550 million in bonding.
- **Highway Safety:**
 - Funding provided for four automatic traffic safety cameras to be used to reduce speeding on Connecticut highways;
 - **Annual License Surcharge on Bad Drivers:**
 - Drivers who accumulate seven or more points over a two year period will be assessed \$100 per year for two years. Each additional point over seven would result in a \$50 increase in the assessment Drivers convicted of serious motor vehicle crimes would be assessed \$1,000 a year for two years.



Federal Stimulus

Federal Recovery and Reinvestment Funds Anticipated in Governor's Budget (in millions)

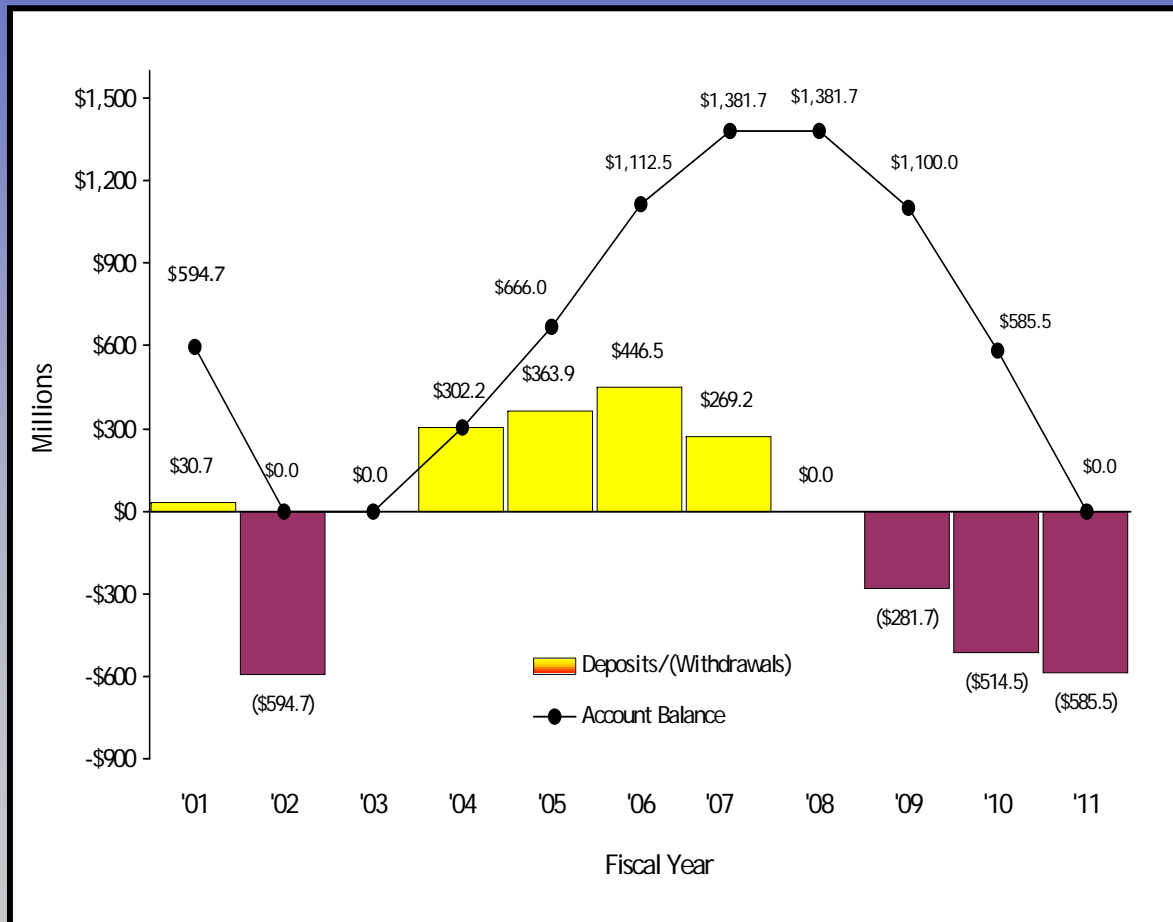
	FY2009	FY2010	FY2011	Total
Medicaid ¹	\$357.2	\$614.9	\$318.7	\$1,290.8
Title IV-E ¹	3.6	4.8	2.4	10.8
Stabilization ²	_____	<u>359.0</u>	<u>359.0</u>	<u>718.0</u>
	\$360.8	\$978.7	\$680.1	\$2,019.6

Sources of Estimates:

1. OPM Staff calculations based on (Committee Print) H.R. 1, American Recovery and Reinvestment Act of 2009, January 16, 2009 (4:02 p.m.)
2. Congressional Research Service



Budget Reserve Fund



- As a result of the hard work of our taxpaying citizens, the state's Rainy Day Fund is at its highest level ever.
- It is now available to assist the state during this fiscal crisis.
- The Governor proposes to utilize the fund in an orderly and thoughtful manner over the next three fiscal years.



License, Permits and Fees

- Governor Rell is proposing that General Fund license, permits, and fees (LPF) be increased as follows:
 - No license or permit shall be less than \$15;
 - All LPFs that are currently less than \$150 shall be doubled;
 - All LPFs that are currently between \$150 and \$1,000 shall be increased by 25%; and
 - All LPFs that are currently \$1,000 or greater shall be increased by \$250.
- Many of these fees have not been raised since the early 1990s.
- The increase is expected to yield \$100 million in FY10 and \$72 million in FY11.



Prioritizing Resources

- Taxpayers cannot afford to have public revenue diverted to off-budget purposes.
- Moreover, such funds cannot be allowed to hold balances in excess of what is absolutely necessary.
- Therefore, the Governor's proposed budget anticipates \$133.2 million in FY10 and \$128.1 million in FY11 in such transfers.



FUND TRANSFERS

Fund Transfers (Amounts in Millions)

Fund/Account	P.A. 09-1	Proposed	
	FY 2009	FY2010	FY2011
1. Citizens' Election Fund	\$ 7.5	\$ 12.0	\$ 12.0
2. Tobacco & Health Trust Fund	6.0	16.0	16.0
3. Banking Fund	15.0	8.5	8.5
4. Biomedical Research Trust Fund	3.0	9.0	9.0
5. Fuel Oil Conservation Board	10.0	5.0	5.0
6. Workers' Compensation Fund	4.0	2.0	2.0
7. Pre-trial Alcohol and Drug Account	2.0	0.6	0.6
8. Underground Storage Tank Clean-up Account	3.0	-	-
9. Emergency Spill Response Account	3.0	-	-
10. Emissions Fund	1.0	-	-
11. Mashantucket Pequot and Mohegan Grant	0.2	-	-
12. Energy Unit Load Management Account	1.0	-	-
13. Public/Education/Government Programming	2.0	2.0	2.0
14. Consumer Counsel/DPUC Fund	2.0	1.0	1.0
15. Public Bus/Rail Operations	-	2.0	2.0
16. Siting Council	-	1.0	1.0
17. Commercial Recording Administration Account	1.0	0.5	0.5
18. Criminal Injuries Compensation	-	2.0	1.0
19. Community Mental Health Investment Fund	-	0.8	-
20. Dry Cleaning Establishment Remediation Acct.	-	0.8	-
21. New Automobile Warranties Account	-	0.5	0.5
22. Agriculture Viability	-	0.5	-
23. CT Energy Advisory Board	-	0.5	-
24. Utilization Review Fees	-	1.0	-
25. Animal Population Control Account	-	0.5	-
26. Client Security Fund	-	1.0	1.0
27. Stationary Air Emissions Monitoring	-	4.0	4.0
28. Farmland, Affordable Housing, Historic Preservation	-	12.0	12.0
29. Energy Conservation and Load Management Fund	-	40.0	40.0
30. Renewable Energy Investment Fund	-	10.0	10.0
31. DAS General Services Revolving Fund	1.2	-	-
32. Charter Oak Health from Tobacco & Health Trust	3.7	-	-
Total	\$ 65.6	\$ 133.2	\$ 128.1



Other Revenue Changes

- The Governor is proposing to cap the Film Industry Tax Credit at no more than \$30 million annually.
- Other minor revenue changes include:
 - Delaying the increase in the single's exemption for 3 years;
 - Suspending the sales tax free week for 2 years;
 - Suspending the use of 2 new corporation tax credits – the historic homes and structures credits – for a period of 2 years; and
 - Lowering the commission paid to lottery agents from 5% to 4%.



Securitization

- Even with the use of the federal stimulus funding, the dedication of the Budget Reserve Fund and aggressive restraint on spending designed to return to core government functions, Connecticut will need additional resources in FY11.
- Governor Rell is proposing to securitize a portion of the revenue currently flowing into the Renewable Energy Investment Fund and the Energy Conservation and Load Management funds to provide an additional \$350 million dollars in FY11.
- It will be Governor Rell's priority to eliminate the securitization if the budget picture improves sufficiently over the next fiscal year.
- Notably, this very securitization was utilized in FY04 and FY05 to assist the state through a difficult time, and when revenues returned, Connecticut was able to defease those bonds well ahead of schedule.



Capital Investments

Governor Reil is recommending a lean addition to previously enacted general obligation (GO) bond authorizations:

- \$980.1 million in FY10
- \$980.5 million in FY11

Recommended cancellation of \$389 million of GO bond authorizations:

- Many of the authorizations that are recommended for cancellation have remained unused for a significant period of time and are duplicative in nature.



Capital Investments

Examples of proposed GO authorizations:

- \$687.3 million in FY10 and \$641.6 million in FY11 for local school construction;
- \$90 million in each year for the Clean Water Fund leveraging additional Clean Water Revenue Bonds;
- \$66.5 million over the biennium for the Community College System; and
- \$52.1 million over the biennium for state facilities.

Conclusion

Governor Rell's budget ensures we can live within our means through the biennium while positioning Connecticut for the eventual rebound in our economy.