INTRODUCTION

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These are extraordinary times. Our nation - and indeed the global community - has experienced tremendous changes during the past year.

Our nation has seen an historical election bringing new leadership and a new sense of bipartisanship to Washington. Certainly, the challenges will be great as our nation deals with the aftermath of the 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, and the fact that major industries, including the automobile giants, are in need of federal bailouts. The Dow Jones industrial average has lost 27.4% 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. The loss of jobs for some and reduced income for others 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. Opportunities to reform government, opportunities to rethink our priorities, opportunities to 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.

Such change requires strong leadership as the defenders of the status quo are powerful and have strong institutional supporters. However, we cannot falter because change is needed and the people we represent and work for are depending on the state to help them with their burdens, not to add to them. In these times the state must provide for better educational opportunities and a friendlier and more stimulative business and job creation environment. The state must be fair to the municipalities that provide essential services and create mechanisms by which they can partner with others to provide these services more efficiently and at less expense to the taxpayers.

These are indeed extraordinary times; times that call for leadership.

Connecticut's Fiscal Challenge

Connecticut is facing a dramatic fiscal crisis; however, it is not a crisis that we face alone. Other states are experiencing current and projected deficits similar and in many cases worse. Compared to some, Connecticut is better positioned to cope with many of these issues because of our substantial budget reserve fund. On the other hand, 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, a sector of the economy disproportionately affected by the current national economic downturn.

Notable State Budget Deficits

	FY2009	% of FY09 General Fund	FY2010	% of FY09 General Fund
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%
Connecticut	$922 million	5.4%	$2.9 billion	17.1%

Source: Center on Budget and Policy Priorities, January 14, 2009
* Per Governor Patrick's FY 2010 Budget Recommendation

Connecticut's FY 2009 projected deficit stands at $921.7 million. This is almost entirely caused by plummeting tax revenue streams as compared to the revenue projections adopted at the time the budget passed. Based upon the January 15, 2009 tax filings, and changes in data between December 20, 2008 and January 20, 2009, tax projections have plummeted by about $900 million. In this one month time period, the state had experienced reductions in all major revenue streams, including a $665 million loss in the income tax, $100 million loss in corporate taxes, and a $50 million loss in the sales tax. Other revenue streams, such as casino proceeds and the real estate conveyance tax, show similar negative trends.

Major Revenue Revisions
Between December and January
Fiscal Year 2009
(in millions)

Source	Revision
Personal Income Tax	$ (665.0)
Sales Tax	(50.9)
Corporation Tax	(100.0)
Insurance Companies Tax	(25.0)
Oil Companies Tax	(45.0)
All Other	158.9
Total	$ (727.0)

The FY 2009 deficit exists despite the fact that Governor Rell has issued three rounds of rescissions in six months, instituted a hiring freeze, and implemented other cost saving initiatives. Governor Rell has also proposed and the legislature has passed two deficit mitigation packages.

The drop in revenue during FY 2009 requires revisions to the current services revenue projections for FY 2010 and FY 2011. Based on the latest data, the projected current services General Fund deficit for FY 2010 is $2.9 billion; and for FY 2011 is $3.1 billion.

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

Governor Rell's proposal includes sweeping reforms in state government and seizes the opportunity to streamline government and its functions. She has proposed the elimination of government agencies, boards and commissions that are not needed to accomplish government's core missions. Governor Rell proposes consolidation of agencies with similar missions so as to avoid duplicative bureaucratic structures. Moreover, these consolidations simplify the citizens' entry into government programs. Governor Rell also believes that with proper integration of 21st century technology, government can decrease costs and provide better protection for our citizens. On-line registrations, licensing, and filings are now available in many government functions. As a consequence, government can reduce the number of costly venues that are needed, which venues carry with them maintenance, utility and lease costs rendered obsolete by maximizing the use of internet technology.

Governor Rell recognizes that it is not state government alone that needs to become more lean and efficient. Local government too, must also reinvent itself.

Promoting Regional Collaboration

Throughout Connecticut, 169 individual towns and cities make decisions year in and year out as though each was an island unto itself. While there is much to be valued and preserved in the individual characteristics of our towns, there is also an inherent inefficiency that our taxpayers cannot afford. Municipalities themselves have recognized this and have cooperated with each other by establishing purchasing pools and other innovations. The recently enacted Regional Incentive Grant Program was a significant success. But the state can and must remove hurdles to these cooperative ventures that hold so much promise. Governor Rell proposes to remove all statutory prohibitions on inter-municipal cooperation and proposes a $40 million capital investment fund that can be utilized by collaborating municipalities to finance infrastructure costs that will allow these municipalities to combine service systems. In addition, the Governor proposes $10 million to assist municipalities in acquiring equipment for shared use. These one-time costs, financed by the state, will provide both the incentive and the means to reduce municipal costs on a permanent basis by streamlining government, reducing overhead, and eliminating the unnecessary duplication of bureaucracies across municipal borders.

Governor Rell also understands that a variety of state earmarks for specific programs are inserted into the budget each year without sufficient input from local leaders as to what is truly important for their region. This lack of local government input and a regionally based set of priorities adds undue expense to our taxpayers. Accordingly, this funding in the future will be forwarded to regional groups by way of social service and job development block grants. The expenditure of funding will be prioritized by the Regional Planning Organizations consistent with the needs of the region and the intent of the programs.

Revenues

State tax revenues have plummeted in the last several months. Included among the challenges Governor Rell faced this year is the volatility of our revenues in this unprecedented national and international fiscal climate. Since the beginning of the fiscal year state tax revenue projections have fallen by $1.5 billion. Virtually all state tax revenue sources have experienced significant erosion. The income tax demonstrated the single largest change of $776 million. Corporate taxes, sales taxes, real estate conveyance taxes and even casino revenues are all dropping. Against this backdrop the state budget must be balanced.

Decline in General Fund Revenue
from the Adopted Fiscal Year 2009 Budget
(in millions)

	Adopted Budget	Latest Estimate	Change	Pct Change
Personal Income Tax	$ 7,676.4	$ 6,900.0	$ (776.4)	-10.1%
Sales Tax	3,747.7	3,499.7	(248.0)	-6.6%
Corporation Tax	791.5	607.6	(183.9)	-23.2%
Insurance Companies	263.3	192.2	(71.1)	-27.0%
Real Estate Conveyance	204.0	124.1	(79.9)	-39.2%
Oil Companies	144.3	88.0	(56.3)	-39.0%
Refunds of Taxes	(874.1)	(920.0)	(45.9)	5.3%
Indian Gaming Payments	449.0	375.0	(74.0)	-16.5%
Investment Income	85.0	30.0	(55.0)	-64.7%
All Other	4,586.0	4,706.8	120.8	2.6%
Total	$ 17,073.1	$ 15,603.4	$ (1,469.7)	-8.6%

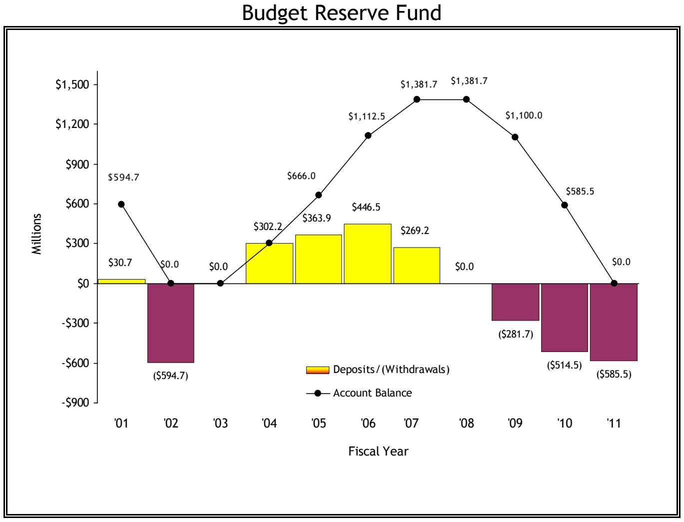
Note: Latest Estimate excludes $494.6 million in revenue derived from subsequently passed deficit mitigation plans, federal revenue related to retroactive claims and the carry-forward of the FY 2008 surplus.

No Tax Increases

At the same time, Governor Rell recognizes that our citizens cannot afford tax increases and she is proposing a two year state budget that does not include new taxes and does not increase existing ones.

The Governor proposes to utilize the Budget Reserve Fund (Rainy Day Fund) in relatively prorated distributions over the three years in question: FY 2009, FY 2010, and FY 2011. As a result of responsible action since Governor Rell took office, the Rainy Day Fund is at its highest level ever and it will serve to assist the state during this fiscal crisis. That was its intended purpose and now is the intended time.

Budget Reserve Fund



The Governor also proposes to transfer assets and revenues that flow into certain "off budget" accounts and utilize those resources to support essential and core state functions. Our taxpayers cannot afford to have public revenue diverted to off-budget purposes. Programs funded by revenue streams outside the general fund cannot maintain fund balances in excess of what is necessary to accomplish their statutory missions. In some cases expenditures in these "off-budget" accounts will need to be reduced, like expenditures in appropriated accounts, so that public resources are properly used to support the most important state functions. The transfer of the balances and redirecting of these revenues in some cases requires reasonable spending reductions, but in all cases creates greater transparency in the use of public funds.

At the same time it is important for the state to review and update our fee structure. Frequently new programs are adopted by the legislature with a fee that is projected to cover the cost of the programs or the regulation of the entity. The cost of running the program inevitably goes up either as a result of normal inflation, rising personnel costs or expansion of the program itself. The state has hundreds of these programs and fees that have been in place for many years and in some cases decades, but the fees are not regularly reviewed. Some have not been adjusted in five years; others have not been adjusted in twenty or more years.

For example a CPA's license fee has not been updated in 20 years; pet care facilities licenses have not been reviewed in 17 years. The license fees of architects and engineers have not been updated in 17 years. Licenses for some bakeries have not been changed in over 30 years. Many liquor license fees have not been altered in over 15 years as well. It is necessary to periodically review these fees or suffer the consequences of having the cost of regulating and or providing services for these entities borne increasingly by taxpayers at large. By updating the fees for the first time in many years, state revenues will increase by approximately 100 million dollars in the first year.

Federal Stimulus

The scope and depth of the national fiscal crisis has spurred the federal government into action, as it has recognized that financial aid to states needs to be an important part of the federal stimulus package if it is to promote national fiscal stability. Some of the nation's largest states are in the most immediate fiscal need. As of the writing of this budget the federal stimulus legislation, of course, has not passed. However, in recent days enough of the Senate Bill and House Bill have been released to allow the state to make reasonable estimates of the increased federal aid that is likely to flow to the state. Those changes involve increased Medicaid grants and increased Title IV-E grants. The stimulus package also contains new funding for educational stabilization and other general government functions such as public safety.

Governor Rell has included the best estimates of federal aid as a part of her budget proposals, recognizing that the proposed legislation is subject to change. Omitting the benefit and impact of this high profile legislation, designed in part to relieve the crisis faced by states and those who depend on them, would paint an incomplete picture.

Both the United States House and Senate bills contain substantial increases in Medicaid funding beyond Connecticut's normal 50% Medicaid reimbursement rate. Not only do they contain a base increase in the reimbursement rate but under either bill Connecticut would receive a supplemental increase because of the increase in our state's unemployment rate. Under this legislation, Connecticut will receive approximately $1.29 billion allocated over three fiscal years: FY 2009, FY 2010 and FY 2011. Similarly, but to a lesser extent the bills contain additions to Title IV-E funding totaling $10.8 million over the same three fiscal years.

The most recent version of the federal stimulus package also includes a state fiscal stabilization fund providing Connecticut with additional aid for education as well as certain other government support. The best data available indicates that Connecticut would receive $718.0 million from the fund distributed evenly between fiscal years 2010 and 2011.

There are a number of cautionary notes that must be sounded given the incomplete status of the legislation. First and most obviously, these bills are works in progress that may change, but all current indications are positive about their early passage. Second, some of these grants will contain conditions. The education portion of the stabilization fund in particular may only flow to the state if the state support of municipal aid is reduced and if not, it may flow directly to municipalities but not necessarily in a method consistent with state law. Governor Rell and the legislature will need to continue to monitor this legislation and ultimately pass state legislation that maximizes the state's receipt of available federal funds to help the state through these difficult times.

Federal Recovery and Reinvestment Funds Anticipated in Governor's Budget (in millions)				
	FY2009	FY2010	FY2011	Total
Medicaid	$ 357.2	$ 614.9	$ 318.7	$1,290.8
Title IV-E	3.6	4.8	2.4	10.8
Stabilization		359.0	359.0	718.0
	$ 360.8	$ 978.7	$ 680.1	$2,019.6

In addition and perhaps more widely publicized, is the federal stimulus funding available for "shovel ready" capital projects. Connecticut may receive up to $ 780 million over the next two years for these capital infrastructure projects. Governor Rell has laid the necessary groundwork in order to move forward with these projects as soon as the funding is available. Accordingly imbedded in the revenue estimates are assumptions of increased economic activity resulting from the utilization of the federal money as we improve and enhance Connecticut's infrastructure.

Remarkably, 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 FY 2011. Accordingly, securitization of a portion of the revenue currently flowing into the Renewable Energy Investment Fund and the Energy Conservation and Load Management funds provide an additional $350 million dollars in FY 2011. This is made possible by a reduction in spending in these funds. However, if the budget picture improves sufficiently over the next fiscal year, it will be a priority of the Governor to eliminate this securitization in the mid-term budget adjustment. Notably, this very securitization was utilized in FY 2004 and FY 2005 to assist the state through a difficult time, and when revenues returned, Connecticut was able to defease the securitization bonds well ahead of schedule.

SPENDING RESTRAINT

Concerned about the developing trends which were indicating a revenue decline, Governor Rell took decisive actions to pare down expenses in order to prepare our state for the days and months ahead.

In late April 2008, the Governor directed state agencies to reduce the use of state-owned vehicles. The Department of Administrative Services was directed to coordinate the reduction in the use of state-owned vehicles and gasoline consumption fell 10% by June 30, 2008, and 25% by June 30, 2009.

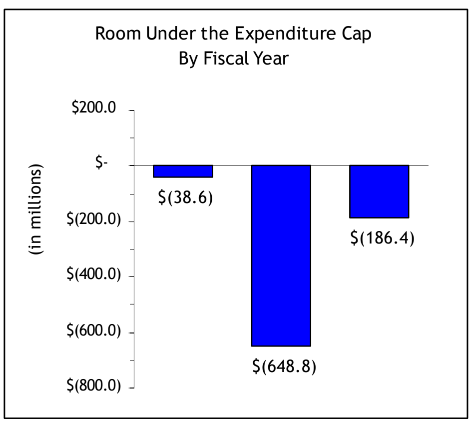
The Governor wrote to Agency Heads in the beginning of May 2008, directing them to limit expenditures to only the most essential items, and quickly followed with another directive banning any state funded out-of-state travel. Governor Rell also asked legislative leaders to refrain from passing any further bills in the waning days of the regular session, which either reduced revenues or increased costs.

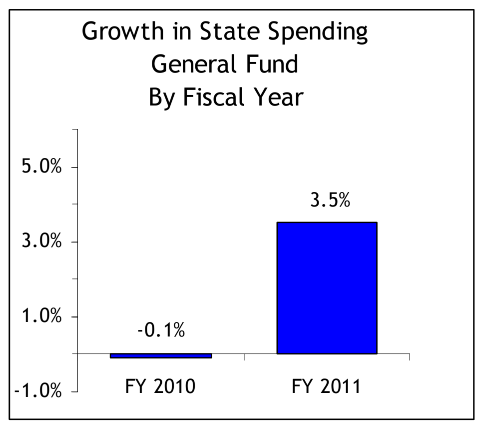
Later in May, the Governor reinforced her instructions by ordering a restriction on the use of state purchasing cards to ensure compliance with her directive to limit expenditures to only the most essential items. Governor Rell also announced her intention to use rescissions of up to 3% to control spending.

On May 23rd, Governor Rell ordered Executive Branch agencies to begin an immediate hiring freeze and requested the other branches of government to follow suit. One month later General Fund rescissions totaling $139.7 million were ordered as per the authority granted in CGS Section 4-85(b).

Some questioned the need to take such actions during the Legislative hearings held very early in this fiscal year. However, economic events that have unfolded in recent months have proven the Governor's course to be the right one, and as the months passed it became painfully obvious that even more needed to be done. The Governor implemented additional rounds of rescissions in the second and third quarters of this year amounting to an additional $41.6 million in General Fund reductions, while seeking additional legislative actions to close the FY 2009 gap through her Deficit Mitigation Plans.

This budget proposal builds upon the actions taken to date, and recognizes the need for further spending restraint. It outlines the difficult but necessary actions that must be taken to ensure a sustainable future for our state and the citizens who are dependent upon its services.





REFORMING & STREAMLINING STATE GOVERNMENT

This budget offers Connecticut taxpayers a more streamlined state government. Not only will these proposals, when implemented, save significant amounts of tax dollars, but the new government will be easier to access. Right now, there are multiple agencies that could address the same issues, creating levels of confusion for the inquiring public. With this set of recommendations, the number of state agencies will be right-sized so citizens will find it easier to find the services they require.

Economic Development is a clear priority for Governor Rell. She wants potential job creators to have easy and clear access to state funded programming. To accomplish this, she is recommending a streamlining and restructuring of economic development agencies and quasi-public entities. To summarize, here are the important elements associated with this:

- Incorporate the Commission on Culture and Tourism (CCT) into the Department of Economic and Community Development (DECD),
- Merge the quasi-public Connecticut Innovations Incorporated (CII) and the Connecticut Development Authority to provide one-stop shopping for job creation related capital, and
- Assimilate some economic development programs from the Office of Workforce Competitiveness to DECD (Jobs Funnel, SBIR Matching Grants, Nanotechnology, SAMA and Film Industry Training).

Savings from this streamlined economic development initiative would be $930,000 from economies related to CCT moving to DECD. Greater detail of this can be found in the section, *Streamlining Economic Development*.

In partnership with economic development, Governor Rell is recommending two landmark mergers of education and workforce programs. The first merger combines the talents of the Department of Higher Education and the Department of Education into a new pre-k through 20 Department of Education. This consolidation will create of a true education continuum in the state. Resulting administrative savings of about $1 million are anticipated from having one education leadership agency, rather than two.

A key part of Governor Rell's consolidation is the creation of the innovative Middle College System. This system, which combines the staffing of the Technical High Schools and the Community Colleges, along with leadership from the Office of Workforce Competitiveness (OWC), will offer Connecticut students with the first system to allow for the integration of curricula between high school and college. There are administrative savings associated with this proposal: $1.5 million in FY 2010 and $2.5 million in FY 2011. Greater detail of this can be found in the section, *Education and Workforce*.

In addition to these consolidations, there are others of note. Governor Rell is recommending the consolidation of the number of Commission on Human Rights and Opportunities (CHRO) branch offices from four to two. By closing two offices, $1.7 million each year would be saved.

The State Library operations are also recommended for streamlining. Governor Rell is recommending the closure of two library service centers which would save over $500,000 annually. The on-line resources maintained by the State Library make resource materials more generally available to patrons.

Due to the over-reaching impact of the Core-CT project and the information technology implications, multiple agencies were originally involved in the implementation of the system. As the project has evolved and the initial system development has been completed, the Governor's Recommended Budget includes consolidating Core-CT staff and expenditures in the Office of the State Comptroller and the Department of Administrative Services. Twenty-six positions are being transferred from the Department of Information Technology (DOIT) to the State Comptroller and another three positions are being transferred from DOIT to the Department of Administrative Services (DAS). The State Comptroller is also transferring two positions to DAS. It is expected that this improved reporting structure will provide more efficient support and development processes and more effective governance.

In addition, Governor Rell has proposed to consolidate and eliminate a number of state commissions and agencies. Many of these entities are advisory in nature; many are duplicative of other state functions.

Agencies 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 - OPM
Correctional Ombudsman - DAS

Additionally, agencies that provide similar support functions to various boards and commission have been consolidated into larger agencies that currently have the ability to provide these functions and thereby achieve efficiencies.

Agency	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 and Risk Management Board	Dept of Administrative Services
Office of the Child Advocate	Office of the Attorney General
Office of the Claims Commissioner	Dept of Administrative Services
State Properties Review Board	Dept of Administrative Services
State Marshal Commission	Dept of Administrative Services
Children's Trust Fund Council	Dept of Children and Families
Council on Environmental Quality	Dept of Environmental Protection
Gaming Policy Board	Division of Special Revenue
Department of Higher Education	Department of Education

Efficiencies

In order to preserve Governor Rell's ability to present a truer picture of her recommended budget, she is proposing the repeal of applicable statutes for the Office of State Ethics and the Freedom of Information Commission which restricts changes to the agencies' requested budgets. In addition, the Governor is proposing to repeal the statute that restricts her from revising allotment requisitions or allotments in force. These changes will allow their budgets to be appropriately reviewed and modified similar to other executive and judicial branch agencies.

The Governor's Recommended Budget also consolidates the funding for Elections Enforcement Commission expenditures into the Citizens' Election Fund (CEF). This action will allow the Commission to fund all of its activities, including the related fringe benefits, through one funding source, eliminating the need for a General Fund appropriation.

Office of Accountability

When Governor Rell was presented with the prospect of declining state revenues and increasing home foreclosures and job losses, she knew that state government would have to return to its core mission and make do with less. As she attempted to remake state government to meet these challenges, she sought input from state residents. The message that she repeatedly heard was two-fold: there is too much waste in state government and there needs to be a watchdog agency that will identify and eliminate wasteful practices. Governor Rell recognizes that state government is ultimately accountable to the taxpayers. She has proposed, therefore, the creation of a state Office of Accountability, which will be responsible for detecting and preventing fraud, waste and abuse in the management of state personnel, the use and disposition of state property and the collection, disbursement and expenditure of state and federal funds. The new office, within the Office of Policy and Management, will be overseen by the Chief Accountability Officer who will have the authority to audit state agencies. This individual will be assisted by Agency Accountability Officers appointed by the department head of each state agency. Together, they will work to achieve the following goals:

- 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; and
- Verify that each state agency is fulfilling its statutory mission.

In addition, the Chief Accountability Officer will implement a quality assurance program to ensure that state services:

- Are provided in a timely, efficient and professional manner;
- Meet the needs of agency clients and the public;
- Are cost-effective;
- Produce the anticipated outcomes; and
- Utilize state resources prudently.

Governor Rell knows that difficult economic times require us to work smarter and harder and make do with fewer resources. And yet, she understands that at precisely those times our residents have greater need for state services. The new Office of Accountability will help state government fulfill its core missions in a manner that will meet the needs of our residents and restore the confidence of our taxpayers.

EDUCATION AND WORKFORCE

"The strength of the United States is not the gold at Fort Knox or the weapons of mass destruction that we have, but the sum total of the education and the character of our people."

Claiborne Pell

One of the most pressing challenges facing Connecticut's economy is the education and training of our human capital. Connecticut's economy is increasingly knowledge-based. In order to succeed in this type of economy, employees have to possess skills like critical thinking, problem solving and communication. Fundamental to that is post-high school training and education. As the Nellie Mae Education Foundation noted "jobs requiring postsecondary training but not a Bachelor's degree will continue to comprise the largest part of New England's employment base." Therefore, in order for Connecticut to prosper, an adequate number of skilled workers will be needed by a progressively more sophisticated economy.

Unfortunately for Connecticut, the creation of this human capital has met with only partial success. There are numerous economically secure and successful high school graduates but too many of them leave the state for college and never come back. The public state university and community college system, which educate the majority of state's high school graduates, have had varying levels of success graduating students. Perhaps more troubling, as the state becomes more racially diverse, a persistent achievement gap limits the educational horizons for significant numbers of the state's minority, urban and low-income students. Assessing these issues collectively, it appears that Connecticut's future has a dearth of skilled workers. For Connecticut to garner the human capital it needs for its knowledge based economy, bold action is needed now.

Governor Rell is proposing a groundbreaking concept: a new Middle College System combining the considerable talents of the Technical High Schools (THS) and the Community Colleges (CC), with staff and leadership provided by the Office for Workforce Competitiveness (OWC). This new system will institutionalize the partnerships that currently exist between OWC, the THS and CCs. 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) Although there is one clear difference between the THS and CCs, the former is primarily a high school system and the latter a community college system, there are important similarities, including:

- Common educational, vocational and technical programs;
- Existing career pathways from high school to certificate through degree programs;
- Vibrant partnerships with their community leaders and employers; and
- Diverse student populations, including significant numbers of poor and minority students.

With the consolidation of these two systems, there will be new and expanded numbers of pathways for THS students to continue their education beyond high school. As Kenneth Gray, a professor of Education at Penn State said, " Students who go to college without adequate occupational focus are less likely to graduate and if they do graduate, they are less likely to end up with commensurate employment." By strengthening and institutionalizing the relationship between these two systems, THS students will have a much stronger occupational focus, particularly when they see the college pathways defined for them. For, even though "the two year degree is both an important threshold credential for individuals and a recognized signal to employers of readiness to succeed," Connecticut produces a low number of them (Nellie Mae Education Foundation). Connecticut's labor market will need these types of 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. Some of these programs, while not at the college level, are available in the THS. Uniting these two educational systems under a single academic umbrella with a common purpose (to produce more skilled Connecticut workers), demonstrates Governor Rell's commitment to education as the gateway to economic prosperity.

The Middle College System will expand the traditional high school experience in the THS 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.

HOW A TENTH GRADER CAN EARN THIRTEEN COLLEGE CREDITS

High School Requirement	Possible College Overlap	College Credit
American Literature	American Lit.	3
Geometry		
Spanish III		
World History	World History	3
Early Childhood	Early Childhood	4
Economics	Economics	3

STATE HIGH SCHOOL GRADUATION REQUIREMENTS

20 Credits Including at Least:

4 in English, 3 in Math, 3 in Social Studies, 2 in Science, one in Gym and one in Arts/Vocational Education.

Programs such as healthcare, fuel cell technology and optics, which have growing workforce needs, will be aligned with THS curricula so high school students will have access to the programs both at the THS and CC levels.

At the same time, with the assistance of the OWC, 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. For instance, OWC will assist in the expansion of training for new green jobs. A shortage of skills and training is impeding the growth of jobs in renewable energy (e.g., solar panel installation) and energy efficiency (e.g., retrofitting existing buildings). With OWC's guidance, current green jobs related programs will be expanded and new programs created so the Middle College System can quickly respond to the workforce needs of the state's economy.

Ultimately, the goal of this reconfigured education system will be to produce a new generation of smart, trained and technologically savvy workers so Connecticut's economy will thrive and prosper.

STREAMLINING ECONOMIC DEVELOPMENT

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

Economic Development Quarterly

As Connecticut looks forward and plans its economic development strategies, it has become apparent that our current system, with its many agencies and fragmented programs, provides potential job creators with a confusing array of options. Each agency, from the Department of Economic and Community Development (DECD) and the Commission on Culture and Tourism (CCT), to the quasi-public Connecticut Innovations Incorporated (CII) and the Connecticut Development Authority (CDA), all share a common purpose to create a Connecticut that is welcoming to jobs, and ultimately, income and prosperity. In these troubled times, there could be no greater challenge. With this proposal, Connecticut will strengthen its economic development message by consolidating important programs, streamlining redundancies and coordinating all of the web-based economic development information in one helpful portal.

Cultural, tourism, film and historical programs are important elements in the state's economic development quiver. For some years, 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), this proposal would incorporate CCT's programs into DECD. As part of this reconfiguration of DECD, two additional programs will be streamlined. Tourism and marketing will take on a statewide focus, ultimately leading to the elimination of redundant state subsidies of $2 Million in FY 2010 and $3.3 million in FY 2011 for marketing and local tourism districts. Additionally, millions of dollars of state funding have been spent on the needs of individual cultural, arts and tourist venues. To save valuable state funding of $7.7 million in FY 2010 and an additional $5 million in FY 2011, while still providing opportunity for the worthy, the budget includes a phasing out of individual grants and an expansion of the Basic Cultural Resources Grant. All together, the cultural, tourism, film and historical programs will have heightened economic development visibility, along with a stronger, streamlined focus.

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.

On the quasi-public side of the economic development world, CII and CDA supply potential job creators with important sources of capital; CII's focus is more start-up and high tech, while 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.

In this reconfiguration of Connecticut's economic development entities, there will be a common website for all economic development inquiries, including housing inquiries to the Connecticut Housing Finance Authority (CHFA). DECD will host the website, which will be a central portal to all of the state's economic development programs such as tourism, film, DECD financing, CII/CDA capital and housing finance. Finally, the website will include standardized business-friendly electronic forms for all entities hosted on the website.

Governor Rell's efforts to reform and streamline state government extend into the area of judicial operations. Although many very important initiatives have been proposed and implemented, in these dire economic times, there is a need to re-evaluate and re-prioritize activities in this area. Also, there are some areas that are ripe for change to reflect our changing needs as a state. Governor Rell has included both change and reform in her Recommended Biennial Budget.

Probate Court Reforms

The probate courts have existed in some form for over 300 years in Connecticut. They are statutory courts, and, as such, have only the jurisdiction and authority granted by the state legislature. Currently, probate courts have jurisdiction over a wide variety of matters including the disposition of trusts and estates, appointing guardians and conservators, and granting name changes. Probate court decisions may be appealed to the superior court.

The state's probate court system is funded by revenue collected in cases and also through a state appropriation of $2.5 million. The system, by way of its administration fund, is facing a potential $5 million shortfall in FY 2011 and is projecting deficiencies in all future years. Consolidation of the tremendous amount of courts (117) is needed for any significant cost savings.

Below is a proposal to eliminate the shortfall and ensure the courts remain more locally based than the state superior court system, yet self-sustaining. This proposal eliminates the need for any additional state funds and the current appropriation of $2.5 million. This proposal would be effective January 1, 2011 at the expiration of the existing elected judges' term.

1. Merge the existing courts from 117 to 36. Jurisdiction would be determined by state senatorial district. The elimination of 81 judges and a modest 20% reduction in non-judicial staff expenses will result in significant savings. Total anticipated savings is not less than $9 million annually.
2. Compensate all probate court judges on a weighted workload basis with a range of compensation between $80,000 and $110,000. Using 2005 data from the Probate Court Administrator, 32 judges earned over $75,000, with the top 14 judges earning approximately $100,000. Many, if not most, of these judges serve on a part-time basis.
3. Require that all courts be open not less than 40 hours per week.
4. Require that all probate court judges be attorneys, members in good standing of the Connecticut bar for not less than 10 years, and residents of their district. Judges would continue to be elected.
5. Eliminate the statute that provides any additional retirement credit for any judge that is displaced. This incentive to consolidate courts has been available for several years and few courts have consolidated.
6. Centralize certain of the accounting and payroll functions of each court in the Office of the Probate Court Administrator. It is estimated that this change may result in a savings of not less than $300,000 annually.
7. Allocate each court's budget for staff and miscellaneous expenses by the Office of the Probate Court Administrator based upon weighted workload of the court. Require that all staff, including judges, work a minimum of 20 hours per week to qualify for health benefits and any pension plan.
8. The Probate Court Administrator would be responsible for balancing the budget for the probate court system, including all employee health care benefits and pension contributions, based upon revenue generated by the probate courts.

Closing courthouses in close proximity to each other

The Governor has proposed that courthouses be consolidated. The state's 13 Judicial Districts currently have 15 different Judicial District Courts (JD) and 20 Geographical Area Courts (GA). This proposal will close two courthouses while preserving 13 Judicial Districts. The courthouse in Bristol that houses a Geographical Area Court and the Meriden facility that houses both a Geographical Area Court and a Judicial District Court will be closed, and the matters handled by these courts will be moved to the remaining jurisdictions. This streamlining will allow for the more efficient operations of the courts.

Four municipalities will be moved from the New Haven Judicial District, in which Meriden is currently located, in order to redistribute matters that had been handled in the Meriden courthouse. Madison, Meriden and Wallingford will become a part of the Middlesex Judicial District and Cheshire will be added to the Waterbury Judicial District.

This consolidation proposal will result in savings of $2.8 million.

Delay Raise the Age

The Juvenile Jurisdiction change is scheduled to go into effect January 1, 2010. This important initiative will significantly alter the existing juvenile courts by potentially doubling the number of juveniles that these courts currently handle. The Juvenile Jurisdiction Policy Operations Coordinating Council has been meeting to determine the final implementation plan and has identified some of the significant costs necessary to complete this change effectively.

In light of the state's economic condition and the continuing effort to finalize the implementation plan, the Governor is proposing that this initiative be delayed for two years with a new effect date of January 1, 2012. The delay will also allow for municipal impact to be further analyzed and the necessary capital improvements to be completed at both the local and state level.

As a result of this delay, 61 positions are being deferred in the Judicial Branch. The reduction includes 50 juvenile probation officers, 5 judges and 6 support staff that were originally to be hired in FY 2009. Funding was removed as a part of the second Governor's Deficit Mitigation Plan and will be deferred until FY 2012 to coincide with the changed effective date.

Once the implementation plan is finalized, there may be a need to expand facilities to accommodate the changes associated with this endeavor. The Judicial Branch had included requests for additional lease costs associated with the Juvenile Jurisdiction change but funding for these new leases has been delayed in the same manner as the other portions of this change.

Vacant Judicial Positions

In an effort to assist the Judicial Branch in reducing expenditures, the Governor has stated that she will maintain five Judge positions as vacant throughout the biennium in order to achieve approximately $800,000 in savings.

The Judicial Branch's authorized positions count contains 65 unfunded vacancies that remained from the 2003 Early Retirement Incentive Program. Governor Rell is recommending the elimination of these positions to more accurately reflect the number of positions that the recommended funding level will support.

Criminal Justice Initiatives

The majority of initiatives contained within Public Act 08-1, An Act Concerning Criminal Justice Reform, and Public Act 08-51, An Act Concerning Persistent Violent Felony Offenders, have been implemented and have improved the state's criminal justice system. However, several have yet to be implemented. Although each of the initiatives is very important, the state's dire economic circumstances requires review of the initiatives that are not currently operating. Governor Rell is proposing to reduce funding associated with these items. Sixty re-entry and diversionary beds for which there are no current contracts will be eliminated. This reduction will result in $1,680,000 in savings.

In addition, salary increases for Temporary Assistant Clerks are being eliminated saving approximately $860,000 in each year of the biennium.

Public Act 08-51 also proposed to establish a Juvenile Justice Urban Cities Pilot Program. This pilot has yet to be implemented thus funds for this purpose have been removed from the budget. This reduction is consistent with the proposed delay in the change in Juvenile Jurisdiction. By delaying this pilot program, savings of $764,000 can be achieved.

PUBLIC SAFETY

Increasing Trooper Presence

There is a growing need for additional State Police Troopers to patrol our highways and keep our citizens safe. However, with limited resources available to increase Trooper staffing levels and to support current overtime hours, the Governor is proposing to redeploy Troopers from non-traditional Trooper roles to more mission critical responsibilities which will result in increased public safety as well as reduced overtime costs.

School Resource Officers

Currently there are 18 Troopers working in various high schools, including state technical schools, throughout the state. The state added School Resource Officers as part of a federal grant in 1998. The grant expired in 2002 and there was a requirement to keep those troopers in their positions was for one additional year. Additionally, there are 13 troopers working in other non-patrol functions that can be reassigned. The Governor is proposing redeploying these 31 troopers to patrol duties which would increase public safety and reduce overtime costs.

Weigh Stations and Truck Safety Inspections

Current statute (Section 14-270c of the Connecticut General Statutes) dictates that both the Commissioners of Public Safety and Motor Vehicles shall staff the weighing areas throughout the state. This split responsibility, in addition to the extra costs associated with having troopers working weigh stations with inspectors, results in an inefficient use of state resources. The Governor is proposing statutory revisions to place all responsibility of the state's weigh stations under the auspices of the Department of Motor Vehicles (DMV). The DMV, which is currently the sole operator of the Union weigh station and shares the responsibility of the Greenwich weigh station with the Department of Public Safety, certainly has the expertise to operate all three stations. This reorganization would allow 21 State Troopers to be available to the Commissioner of the DPS to redeploy to other mission essential areas of the Department.

In order to accomplish this initiative, eleven Vehicle Weight and Safety Inspectors under the DPS would be transferred to the DMV to work with the Motor Vehicle Inspectors dedicated to Weigh Stations and Truck Safety. This proposal shifts costs of over $550,000 from the General Fund to the Special Transportation Fund. The Governor's Budget also includes two new Motor Vehicle Inspectors in DMV to ensure the shift hours are covered by the standard number of inspectors per team.

Bradley International Airport

The Department of Public Safety currently deploys 37 troopers to patrol Bradley International Airport, also known as Troop W. An agreement between the airport and DPS is in place that requires Bradley to reimburse the state for the cost of 19 troopers, the level airport officials feel is necessary to maintain proper safety and security at the airport. Therefore, the Governor is proposing that the 18 troopers not funded by the Bradley Enterprise Fund be returned to other patrol duties throughout the state.

In summary, the Governor is proposing to increase public safety by redeploying 70 troopers to address the core responsibilities of the State Police while at the same time promoting efficiencies at weigh stations and reducing overtime costs in DPS.

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

Re-Entry Furlough

Public Act 08-1, An Act Concerning Criminal Justice Reform, removed the Commissioner of Correction's discretionary authority to release an inmate on a re-entry furlough for up to 30 days. In FY 2007, just over 3,000 offenders were released on re-entry furloughs. The loss of this option effectively added 247 inmates to the Department of Correction (DOC) prisoner population, and eliminated their ability to supervise inmates during a key period of transition back to the community. This program had a successful completion rate of 97%, making it the most successful discretionary program available to the incarcerated population.

The Governor is proposing to restore and expand re-entry furloughs to 45 days. The goal of this program is to provide accountability, support, and aftercare services to offenders being released from correctional facilities near the end of their sentence or prior to a period of approved community supervision. Offenders must have an approved community sponsor, demonstrated responsible behavior while incarcerated and an assessed need for transitional services. As always, public safety will be the overriding goal of all discretionary community releases.

Offenders who meet criteria as established by the Commissioner may be authorized for a re-entry furlough for up to 45 days. Evidence based research clearly demonstrates that a period of community supervision and targeted interventions lowers the risk of recidivism. Upon release to the community, the offender will be required to report to the assigned Parole and Community Services District Office. Upon arrival at the District Office, conditions of supervision will be reviewed with the offender and a "re-entry service needs checklist" is administered to ensure that critical needs (employment assistance, substance abuse treatment, mental health services, etc.) are identified. Referrals will be made to existing community based service providers already under contract with DOC.

All offenders released to re-entry furloughs who have parole to follow will be supervised during this period in accordance with established parole supervision standards, which include all risk/needs assessments, stipulated conditions of supervision and case plans. For those inmates being released who have probation to follow, the assigned probation officer will be notified and reporting instructions will be provided in accordance with established parole to probation policy.

This program will be managed under existing resources in the DOC Division of Parole and Community Services. Data will be continually collected and evaluated to measure the success of the program.

PRESERVING OUR SAFETY NET

Given the economic crisis confronting Connecticut, the challenge of meeting the social needs of its diverse population is significant. To be sure, there are proposals in the budget to reduce health and human services programs, but many of those changes are in keeping with the Governor's focus on streamlining state government and reorienting agency efforts toward core missions. Yet what is most striking about the Governor's budget is what the budget does not do — it does not sacrifice the most critical supports that have been so carefully crafted over the years to assist Connecticut's neediest residents.

The commitment to maintaining the safety net is especially important during an economic downturn, when many residents are more likely to need services such as health care, income supports, and other social services. Unlike the governors in many other states, Governor Rell is not proposing across the board reductions in Medicaid provider rates or in nursing home rates. Instead, the funding for Medicaid rate increases that was added during the FY 2007-09 biennium — totaling over $200 million annually — is preserved. Additionally, contrary to what other states are doing, Governor Rell is not proposing drastic reductions in Medicaid or HUSKY B eligibility. In fact, the Governor's budget maintains recent expansions in Medicaid eligibility: HUSKY A eligibility remains at 185% of the federal poverty level (FPL), and eligibility for pregnant women remains at 250% FPL. Also, Governor Rell's budget does not propose across-the-board reductions to private provider funding, and instead recognizes the need to maintain as much continuity as possible in these areas in order to benefit those in need of assistance from the state during these trying times.

Increased Financial Oversight of Nursing Homes

Governor Rell is recommending stiffer financial oversight of the nursing home industry with five additional staff in the Department of Social Services. The Governor's plan includes ongoing financial monitoring and reviews of nursing homes, including planned changes in ownership or control, reviews of indebtedness, and financial reporting requirements. Nursing homes are and will continue to be an important component of the continuum of care for Connecticut residents. With this initiative, the Governor is taking proactive steps to improve nursing home financial accountability, which is an essential element to maintaining quality care.

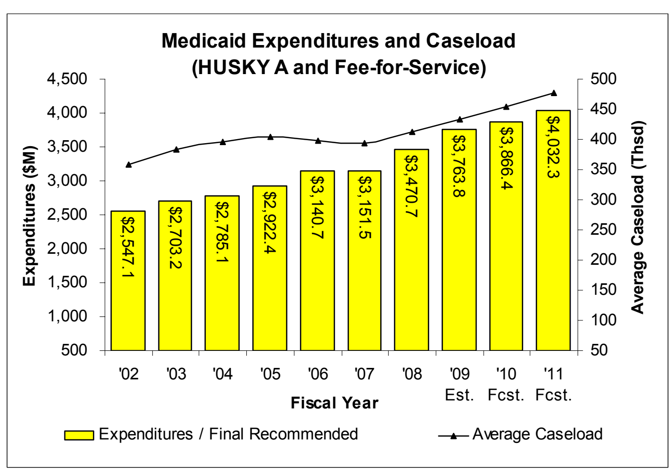
Preserving Access to Healthcare

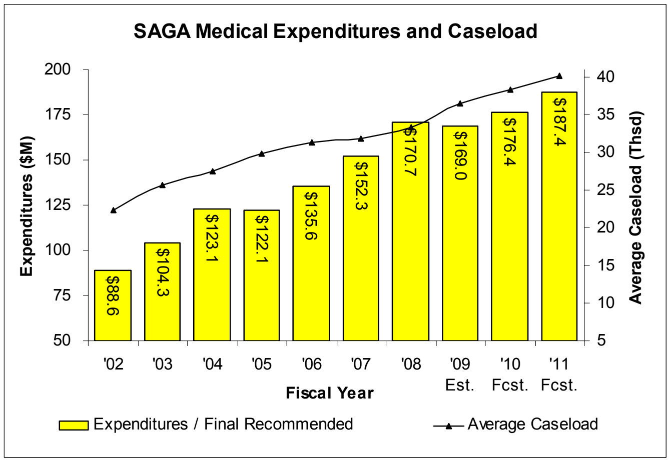
The Governor is proposing to reform the medical malpractice system by capping non-economic damages (pain and suffering) at $750,000 to be paid over a period of three years. Economic damages (lost wages, medical expenses, etc.) will continue to be unlimited. This proposal will ensure that there is adequate access to medical professionals in Connecticut. Our state ranks among the highest in the nation in awards for injuries resulting from medical malpractice. This has begun to impact the medical profession's ability to attract and retain doctors and other health care professionals willing to practice here, and ultimately, will adversely impact access to health care for Connecticut's residents. A cap on non-economic damages will serve two purposes: (1) to reduce medical malpractice insurance rates, as it has in other states, to make Connecticut a more affordable place to practice medicine, and (2) to ensure that patients are adequately compensated for medical mistakes.

Significant funding is provided for caseload growth

Because the economic crisis is expected to result in increased demand for social services, the Governor's budget reflects a commitment to serving those in greatest need. The Governor's budget includes significant new funding for caseload growth in many programs: Medicaid (including HUSKY A), the Charter Oak Health Plan, State Administered General Assistance, Money Follows the Person, residential and day services for persons with developmental disabilities, Birth to Three, General Assistance Behavioral Health, Young Adult Services, services for those with traumatic or acquired brain injuries, and children and youth requiring foster care and adoption services. The level of resources provided in the budget demonstrates an extraordinary commitment to increasing services to those in need, despite the challenges facing Connecticut's economy.

Under the Department of Social Services, the Governor's budget includes funding for caseload growth in many programs. Areas of substantial growth include HUSKY A, Medicaid fee-for-service, state subsidies under the Charter Oak Health Plan, and State Administered General Assistance. The budget assumes over 10% growth in HUSKY A over the biennium, with caseload expected to grow to 375,000 by the end of FY 2011. This will require additional funding of approximately $70 million over the biennium. The caseload under Medicaid fee-for-service is expected to grow by approximately 8.5% over the biennium. Enrollment in the state-subsidized portion of the Charter Oak Health Plan (persons under 300% of the federal poverty level) is expected to almost triple by the end of the biennium, with caseload projected to reach almost 26,000 state-subsidized clients by June 30, 2011. Over $17 million has been added over the biennium to support this growth. Approximately $18.5 million has been added over the biennium to reflect increases in both cash and medical assistance under the State Administered General Assistance program.





Significant caseload growth is also budgeted under the Department of Mental Health and Addiction Services. To support services for 185 youth each year transitioning from the Department of Children and Families into the Young Adult Services program, the budget proposes $7.6 million in new funding in FY 2010 and an additional $10.6 million in FY 2011. Over $3.3 million is recommended to support 5% caseload growth in the General Assistance Behavioral Health Program in each year of the biennium. The budget includes $2.0 million in FY 2010 and an additional $1.7 million in FY 2011 to support 17 placements for individuals with traumatic or acquired brain injury over the biennium. Finally, $1.2 million in FY 2010 and $2.9 million in FY 2011 is provided to support 158 placements over the biennium in a Medicaid home and community based services waiver for adults with serious mental illness. The waiver is anticipated to begin in April 2009.

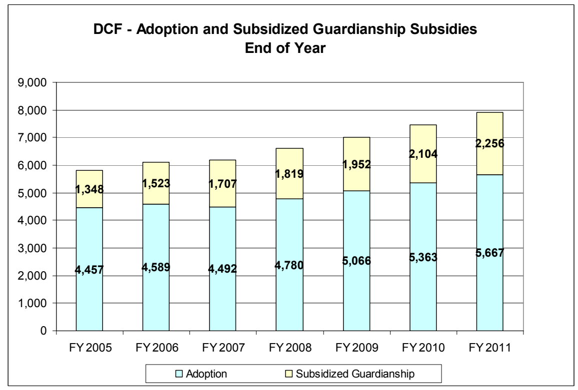
Substantial funding is also provided for caseload growth under the Department of Developmental Services. $35.7 million in FY 2010 and an additional $20.4 million in FY 2011 is recommended to support caseload growth over the biennium. Funds will support day programs for 351 individuals in FY 2010 and an additional 324 individuals in FY 2011 who are graduating from high school or aging out of services provided by the Department of Children and Families or local education agencies, and 85 placements in FY 2010 and an additional 87 placements in FY 2011 into residential services provided through DDS' service system. Funding also supports caseload growth under the Birth to Three early intervention program.

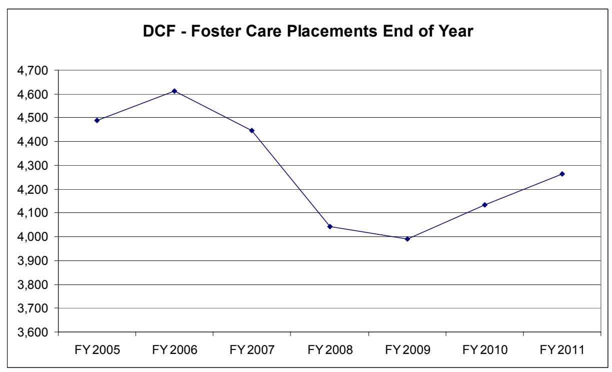
Budgeted Caseload Growth - Department of Developmental Services

Programs/Services	FY2007	FY2008	FY2009	FY2010	FY2011
Day Programs for High School Graduates	229	270	264	278	254
Day Programs for Age Outs	63	79	91	73	70
Residential Age Outs	50	66	73	72	67
Total	342	415	428	423	391
Waiting List*	150	150	150		
Total Caseload Growth Including Wait List	492	565	578	423	391

** 2009 was the final year of the state's legal obligation to fund placements from the waiting list.*

Under the Department of Children and Families (DCF), the Governor's budget recommends increased support for permanent homes for our most vulnerable children. Funds are recommended to support a net increase of 456 subsidized adoptions and subsidized guardianships in each year of the biennium. These new cases are estimated to cost $2.7 million the first year, annualizing to $5.4 million in the second year of the biennium. Additionally, the budget recommends a net increase of approximately 140 additional foster care placements in each year of the biennium. This will reverse the trend of the past few years where DCF has seen a net decrease in foster care homes. The new cases are estimated to cost $1.5 million the first year, annualizing to $3.0 million in the second year of the biennium.





Adjustments to Programs

Some adjustments to programs are proposed where necessary to reflect either new programs or funding available at the federal level. The availability and maturation of the Medicare Part D pharmacy benefit has allowed Connecticut to eliminate funding for the state's Medicare Part D Supplemental Needs Fund, as prescription drug plans are required to cover those drugs that are medically necessary. Similarly, funding for the ConnPACE program will be targeted to those most in need. Of course, other program reductions or eliminations are necessary to deal with the fiscal crisis. Adult dental benefits under the Medicaid and SAGA programs are scaled back to cover emergency services only. Co-payments and premiums are introduced or increased under the Medicaid (to include HUSKY A) and HUSKY B programs as an alternative to reducing or eliminating eligibility. A number of grant-based programs in various agencies are scaled back or eliminated, particularly where they may not represent activities that are part of an agency's core mission. Finally, as part of the Governor's initiative to streamline government operations, two facilities are proposed for closure: High Meadows and Cedarcrest Hospital.

- **Cost Sharing as an Alternative to Restricting Eligibility**

Given the rising cost of health care, the Governor's budget reflects additional cost-sharing under a number of DSS programs. Co-pays will be required under Medicaid not to exceed 5% of family income on allowable medical services (excluding hospital inpatient, emergency room, home health, laboratory and transportation services), resulting in savings of $8.5 million in FY 2010 and $10.5 million in FY 2011. Consistent with federal rules, certain children under age 18, individuals at or below 100% of the federal poverty level, SSI recipients, pregnant women, women being treated for breast or cervical cancer and persons in institutional settings are exempt from the cost sharing requirement. In addition, consistent with the vast majority of states, Connecticut will no longer cover the Medicare Part D co-pays charged to dually eligible (Medicare and Medicaid) clients under Medicare Part D, resulting in savings of $3.7 million in FY 2010 and $4.0 million in FY 2011. To ensure that these co-pay provisions are not overly burdensome, clients will not be responsible for pharmacy co-pays of more than $20 per month. The Governor is also proposing to establish monthly premiums for HUSKY adults, not to exceed federal maximum levels, for savings of $8.8 million in FY 2010 and $9.3 million in FY 2011. Premium amounts will be determined on a sliding scale, up to 10% or 20% of the cost of the service, depending on the individual's family income. Consistent with federal rules, certain children under age 18, individuals with income at or below 100% of the federal poverty level, pregnant women and individuals in hospice are exempt from paying premiums. Finally, under HUSKY B, individuals with income between 236% and 300% of the federal poverty level will be required to pay higher premium amounts, which will result in savings of $1.5 million in FY 2010 and $1.6 million in FY 2011. Through these cost-sharing measures, critical health care programs can be maintained and eligibility restrictions avoided.

- **Modifications to ConnPACE and Pharmacy Programs**

Given the significant expenditures made by DSS each year for pharmaceuticals, program revisions are proposed which would save $86.0 million in FY 2010 and $94.5 million in FY 2011. A large portion of these savings are related to the elimination of non-formulary coverage ($26.2 million in FY 2010 and $28.7 million in FY 2011) and the restructuring of the ConnPACE program ($25.0 million in FY 2010 and $27.5 million in FY 2011). Savings initiatives include adding mental health-related drugs to the preferred drug list, requiring prior authorization on certain high cost drugs, reducing pharmacy reimbursement levels, eliminating coverage of most over-the-counter drugs to the extent allowed under federal law, and adding co-pay requirements (up to $20 per month). In addition, the state will no longer provide coverage of non-formulary drugs under Medicare Part D, as prescription drug plans are required to cover all medically necessary drugs and dually eligible clients, who are eligible for both Medicare and Medicaid, and ConnPACE clients will be required to enroll in benchmark plans under Medicare Part D as the enhanced plans do not provide any substantive benefits over the lower costing benchmark plans. Changes under the ConnPACE program include increasing the annual enrollment fee from $30 to $45, freezing income eligibility levels over the biennium, and instituting an open enrollment period similar to commercial plans. In addition, by adopting the same asset test used to determine eligibility for the federal low-income subsidy under Medicare Part D, ConnPACE benefits will be targeted to those most in need.

- **Efficiencies in the Department of Mental Health and Addiction Services'(DMHAS) Budget**

The budget includes approximately $6.2 million in annualized savings resulting from efficiencies in the management of certain DMHAS programs. Through targeted management initiatives, the department will eliminate excess capacity in the medically managed detoxification system, implement efficiencies in its contract with the administrative service organization responsible for managing the agency's General Assistance Behavioral Health Program, and develop more efficient approaches to service delivery and reimbursement such as bundling rates for certain services or episodes of care (e.g., mobile crisis, crisis respite, and acute psychiatric inpatient services) and developing tiered rates associated with new levels of care such as a tiered methadone maintenance program or ambulatory detoxification. These changes are expected to have a minimal impact on client care. Additionally, savings of $1.3 million will result through shifting various prevention activities – the Regional Action Councils, the Governor's Partnership to Protect Connecticut's Workforce, and costs of 20 part time positions necessary to reduce tobacco purchases by minors – onto non-General Fund revenue sources. Finally, $1.2 million is saved by eliminating state support of research activities at the Connecticut Mental Health Center.

- **Streamlining Government by Closing Smaller, Less Essential Facilities**

As part of the Governor's initiative to streamline government operations, two facilities are proposed for closure: High Meadows and Cedarcrest Hospital. The High Meadows residential facility operated by the Department of Children and Families will be closed and services shifted to Connecticut Children's Place or to available community services. As the smallest DCF-run facility, this closure will have the least impact on clients. Additionally, the state will save significant capital funds as cost avoidance on planned major facility renovations. Including fringe benefit savings, closure of this facility is anticipated to save $2.6 million in FY 2010 and $8.2 million in FY 2011, with capital cost avoidance of $11.8 million.

Cedarcrest Hospital, operated by the Department of Mental Health and Addiction Services, is also slated for closure. Under this proposal, the hospital, located in Newington, will be closed and patients served at Connecticut Valley Hospital and in other inpatient and community settings. The Cedarcrest closure will result in no loss of beds to the DMHAS service system, but will result in annualized savings of $3.6 million.

- **Streamlining Government through Agency Mergers and Consolidations**

Consistent with the Governor's efforts to streamline state government, the Office of the Child Advocate is recommended for elimination in the Governor's budget. In order to maintain a level of independent oversight and advocacy on behalf of children, the budget recommends the transfer of one position and associated funding for the position of the Child Advocate to the Office of the Attorney General. In addition, as part of the initiative to streamline state government and return it to its core functions, the Children's Trust Fund as an agency is recommended for elimination in the proposed budget. While this will result in administrative savings, the core prevention programs will be maintained and consolidated with other child abuse and neglect prevention grant programs into the Department of Children and Families (DCF). This change is consistent with DCF's statutory prevention mission.

- **Program Efficiencies in the Departments of Public Health and Labor**

In keeping with the Governor's focus on returning government to its core functions, funding for a variety of programs was reduced or consolidated in the Departments of Public Health and Labor. Reductions in a number of Department of Public Health programs, such as community health centers, school based health clinics, fetal and infant mortality review, and inspections of managed residential communities, are anticipated to have a minimal impact as they affect only those new or expanded service initiatives that have yet to begin. Additionally, existing health care professional loan repayment programs funded from different accounts are consolidated to support a comprehensive loan repayment assistance program for primary care professionals and health care educators. To streamline employment services to the public, various employment services and training programs under the Department of Labor will transfer to the newly created Middle College System. The Governor's budget also proposes combining funding for the Jobs First Employment Services and the Temporary Assistance to Needy Families (TANF) Job Reorganization programs, with savings anticipated through a competitive bidding process that will focus the program on efforts to place Temporary Family Assistance recipients in employment, training or educational activities.

- **Efficiencies Through Regional Approaches to Service Delivery**

As part of the Governor's initiative to promote regionalization, municipalities will be encouraged to collaborate with each other to form additional, and expanded, regional departments of health. Through increased collaboration, administrative resources can be combined and efficiencies realized. Under this proposal, subsidies will be provided only to regionalized health departments at an expected savings of $2.6 million in FY 2010 and $2.8 million in FY 2011. The Governor's budget also creates a $7.5 million Community and Social Services Block grant and a $1.2 million Employment Services block grant. Funding from a variety of non-entitlement programs within the Department of Social Services will be consolidated and distributed according to a plan to be developed by regional planning organizations, subject to review and approval by the Department of Social Services and the Office of Policy and Management, and with the concurrence of the legislative committees of cognizance. Through this allocation process, community agencies and providers will have an opportunity to present proposals for funding. These new block grants continue Governor Rell's efforts to streamline government operations, maximize efficiencies, obtain consumer participation, prioritize initiatives according to local needs and ensure an equitable regional allocation of resources.

- **New Initiatives to Assist Those Affected by the Economic Downturn**

Despite the fiscal situation confronting the state, the Governor is proposing some additional efforts to ensure that those in the most need can be assisted during the economic downturn. These initiatives include food and nutrition assistance, working with shelters to reconnect people with stable housing, and increasing the amount of child support a family on Temporary Family Assistance can retain without losing eligibility.

Under the Department of Social Services (DSS), the Governor is proposing $880,100 in FY 2010 and $863,600 in FY 2011 for additional food and nutrition assistance by increasing categorical eligibility through a state plan change under the federally-funded Supplemental Nutrition Assistance Program (formerly known as the Food Stamp program), expanding assistance to food pantries and food banks, and expanding home-delivered and congregate meal services for the elderly.

Nutrition Assistance Expansions	FY2010	FY2011
Expand Categorical Eligibility under SNAP	$130,100	$113,600
Expand Food Pantry Nutritional Assistance	$300,000	$300,000
Expand Elderly Nutrition	$450,000	$450,000
Total	**$880,100**	**$863,600**

- The federal Supplemental Nutrition Assistance Program (SNAP), formerly known as the Food Stamp Program, is a 100% federally funded nutrition program that helps low-income individuals and families purchase food. The USDA allows states to expand categorical eligibility by providing a non-financial benefit or service for which 50% or more of the cost is funded through Temporary Assistance to Needy Families (TANF) if that benefit or service fulfills TANF purpose 3 (teen pregnancy prevention) or 4 (maintaining and supporting families). The Governor's budget proposes $130,100 in FY 2010 and $113,600 in FY 2011 for DSS to provide an informational and referral brochure to all households that are receiving or apply for SNAP regarding other programs available to those applicants that would fulfill TANF purposes 3 and 4. As a result, DSS will be able to amend the state SNAP plan to expand categorical eligibility by increasing the gross income test up to 185% Federal Poverty Level, compared to 130% under current policy, and eliminating the asset limit. These changes are expected to increase the number of households that can be served under SNAP by about 19,000.
- The Governor is proposing $300,000 in each year of the biennium to enable food pantries to purchase food in bulk at a reduced cost. One-third of the funds will be provided to Food Share and the remainder to the Connecticut Food Bank for distribution to food pantries, food banks, shelters and soup kitchens within their respective regions.
- The Elderly Nutrition program annually provides home-delivered or congregate meals to

approximately 22,700 elderly, many of whom live alone or are located in a rural area or are disabled. The Governor's budget provides additional funding of $450,000 in each year of the biennium to address the wait list for home-delivered meals, increase the number of weekend meals, and to expand the benefit or increase the number of elderly who participate.

In addition, the Governor is proposing a reallocation of existing shelter resources to initiate a focus on "rapid rehousing." Through a cooperative effort of the Departments of Social Services, Children and Families, and Economic and Community Development, this initiative will assist shelters in offering financial and housing specialist supports and intensive counseling to families experiencing a non-chronic housing crisis. These efforts are expected to reduce shelter stays and expedite placement and restabilization in the community.

Finally, the Governor's budget proposes an increase in the amount of child support recoveries paid to families. This proposal increases from $50 to $100 the amount of the current child support payment that is disregarded and passed through to families receiving Temporary Family Assistance (TFA). Increasing the disregard provides families with additional financial support and a greater incentive to cooperate in securing child support for their children. Increasing the disregard will also result in fewer families being discontinued from TFA each month because of child support income as they will now have to have at least $100, rather than $50, above the payment standard before losing eligibility. Since October 2008, the Deficit Reduction Act no longer requires states to "share" 50% of child support payments collected and disregarded. As a result of this change in federal law, the child support pass-through can be increased to $100 at no cost to the state.

The fiscal crisis presents clear challenges, but Governor Rell's proposed budget responds to those challenges by ensuring that critical health and human services are preserved while also respecting the fiscal limitations confronting the state. The reductions proposed in the budget are tempered by significant investments in serving additional Connecticut residents through the most critical health care and social service programs, and by new initiatives designed to help those affected by the economic downturn.

Continued Efforts to Maximize Federal Revenue

The FY 2009 deficit mitigation plans offered by Governor Rell took into account significant efforts to garner every dollar of federal reimbursement to which the state is entitled, thereby reducing the scope of any reductions needed to deal with the fiscal crisis. These efforts included revision of claimable costs for public and private services offered by the Department of Developmental Services (DDS), such as public and private intermediate care facilities (ICF/MRs), group homes, and day programs, which are expected to result in $292.5 million in FY 2009 and ongoing revenue of approximately $78.5 million for each year of the biennium. In addition, the Department of Social Services continues to examine existing reimbursement rates for various state programs with a goal of bringing all rates up to current costs where applicable, with increased revenue expected in FY 2009 and rolling out into the FY 2009-11 biennium. This additional work is expected to include a review of Disproportionate Share Hospital claiming for services provided by the Department of Veterans' Affairs at the new Levitow Health Center ($10.5 million in FY 2009 and $3.5 million ongoing); update and revision of targeted case management (TCM) and private non-medical institution (PNMI) rates ($6.0 million in FY 2009 and $1.2 million for each year of the biennium); and a one-time settlement with the Centers for Medicare and Medicaid Services regarding home health services that should have been paid through Medicare rather than Medicaid ($18.2 million in FY 2009 and $16.5 million in FY 2010). All of these initiatives are reflected in the federal grants revenue estimates for FY 2009 as well as for the FY 2009-11 biennium.

Revenue Maximization Initiatives

(in millions)

	FY2009	FY2010	FY2011
Intermediate Care Facilities	$120.0	$32.8	$33.7
Community Living Arrangements	67.5	13.8	14.2
Private Group Homes	105.0	31.0	32.0
DDS Initiatives Sub-Total	292.5	77.6	79.9
Home Health Settlement - DSS	18.2	16.5	
Levitow Health Center - DVA	10.5	3.5	3.5
Other**	6.0	11.2	11.2
Total	$327.2	$108.8	$94.6

* FY2009 includes one-time rate adjustments for past periods. FY2010 and FY2011 represent ongoing rate adjustments.

** Other includes Targeted Case Management, Private Non-Medical Institutions, and other new initiatives during the biennium.

In addition to the efforts that enabled the state to realize considerable new revenue in FY 2009, the administration will continue to focus on revenue maximization during the FY 2009-11 biennium. Areas anticipated to be addressed include the following:

- Exploration of a new DDS "supports" waiver. The Department of Developmental Services is exploring a new "supports" waiver to garner federal reimbursement of the costs of services under $25,000 that are already being provided to 286 high school graduates who receive state support for employment or day services. These consumers have not been enrolled in DDS' existing waivers because those waivers would obligate the state to provide services up to a maximum of $58,000—far more than those clients are using. With a new "supports" waiver, costs not currently included under an existing waiver could be reimbursed. Of course, as client needs change, they will be able to have their needs met through more intensive waivers.

- Claiming costs for the Department of Children and Families Committed Children served by DDS in DDS Waivers. A policy shift will allow DCF committed children and youths with developmental disabilities who are receiving in-home supports or are in foster care to access the developmental disability waivers through DDS. These placements could start as early as FY 2009 and continue through the biennium. This will allow billing for services that are not currently reimbursable.

- Expanding federal reimbursement for services provided under the Birth to Three program. Currently, the Birth to Three program operates using one bundled rate. If tiered rates were utilized, this may allow greater reimbursement for certain populations who require more costly services than the average early intervention client. In addition, the Department of Social Services will explore whether certain children in the Birth to Three program could be covered under the HUSKY B program at 65% federal reimbursement, or possibly through a Birth to Three waiver for children with autism, as was done in Kansas.

- Claiming state costs for services to those with autism through a waiver. Currently, services to those with autism are provided through the existing Department of Developmental Services' autism pilot, the Department of Children and Families' protective and voluntary services efforts, and to certain populations under DMHAS including the Young Adult Services program. If a Medicaid waiver is pursued for these populations, the state could potentially receive reimbursement for services that are currently state-funded. If a waiver were feasible, revenue would likely not begin before FY 2011.

- Exploring whether pharmacy costs for DMHAS inpatients can be billed to Medicare Part D. If federal rules permit, the Department of Mental Health and Addiction Services may be able to apply to join the network of long term care pharmacies and begin billing the federal government through Medicare Part D for pharmaceuticals, co-pays and expenses for certain inpatient clients.

Department of Environmental Protection Special Funds

Governor Rell is committed to ensuring the quality of life in Connecticut by preserving the state's environment. The Governor is proposing to bring transparency to the budget process for the Department of Environmental Protection (DEP). Currently, there are nearly as many positions funded by special funds in the department as there are funded from the General Fund. Under the Governor's proposal, funds or accounts identified in the chart below will be eliminated and all positions and fund balances will be transferred to the General Fund. In addition, all revenues which are currently deposited into these special funds will be deposited in the General Fund beginning in FY 2010.

As a result of this transfer, $37 million will be available on July 1, 2009 for a one-time transfer to the General Fund. The General Fund will pick up expenditures totaling $59 million and current revenues of approximately $53.7 million. Additional revenues of $13.3 million are anticipated due to proposed fee increases, a new marine fishing license, a new shellfish harvest fee, and a new underground storage tank inspection fee. This proposal will subject these programs to the annual scrutiny and transparency of the appropriations process

As part of the Governor's efforts to streamline state government, a number of reductions are being proposed. Funding for reimbursements under the Underground Storage Tank Cleanup program will be limited to $8.9 million. In addition, the Governor is proposing to restructure the Emergency Spill Response program to allow for the reduction of eight positions. The Pheasant Program is being eliminated and four positions will be eliminated at the state fish hatcheries through efficiencies.

Department of Environmental Protection
FY2010

	Positions	% of Total	Expenditures	% of Total
General Fund	372	50.8%	41,418,353	44.2%
Funds Folded into General Fund:				
Environmental Quality Fund				
Environmental Quality Fees	101	13.8%	9,145,515	9.8%
Emergency Spill Response	70	9.5%	10,577,774	11.3%
Solid Waste	32	4.4%	2,832,429	3.0%
Underground Storage Tank	14	1.9%	9,925,616	10.6%
Other EQ Accounts[1]		0.0%	1,103,000	1.2%
Subtotal - EQ Fund	217	29.6%	33,584,334	35.8%
Environmental Conservation Fund				
Environmental Conservation Fees	64	8.7%	7,264,385	7.8%
Boating	29	4.0%	5,917,358	6.3%
Other EC Accounts[2]			628,000	0.7%
Subtotal - EC Funds	93	12.7%	13,809,743	14.7%
Clean Air Act Fund	51	7.0%	4,903,091	5.2%
Subtotal - Consolidated Special Funds	361	49.2%	52,297,168	55.8%
Consolidated General Fund	733		93,715,521	

1. Includes Long Island Sound, Land Use Application, Covered Electronic Recycler Reimbursement and Electronic Device Recycling Program accounts.

2. Includes Migratory Bird Conservation; Maintenance, Repair & Improvements; Greenways; Recreational Services Enterprise; and Wildlife Conservation accounts.

Connecticut's Conservation Corps

In 1933, U.S. President Franklin Delano Roosevelt established the Civilian Conservation Corps (CCC) to provide employment and vocational training for the unemployed during the Great Depression. Over the next decade, thousands of young men found gainful employment through the CCC on conservation and natural resources development work, and defense work on military installations.

In anticipation of the second federal economic stimulus package, Governor Rell has proposed the funding of a Connecticut Conservation Corps.

The mission of the Corps would be to provide gainful employment opportunities to individuals (men and women) throughout the state. Connecticut's employment rate currently stands at 7.1%.

This will be an opportunity for individuals to earn wages while helping on various projects beneficial to the public, municipalities, and the state. Projects might include park and beach clean ups, trail building and the clean up of brownfield sites. In addition, a number of project opportunities might be created as a result of the second federal stimulus package.

Governor Rell has included $7.5 million in her proposed budget over the next two years to provide employment opportunities to Connecticut residents through the Corps. Connecticut General Statutes Section 22a-21b – Connecticut Conservation Corps – allows the Department of Environmental Protection (DEP) to establish a Corps within given resources.
To facilitate the establishment of the Corps, Governor Rell wants to work with the General Assembly to develop a comprehensive plan for providing gainful employment to Connecticut residents.

Elements and topics to be addressed in establishing the Corps include:

- Eligibility requirements;
- Wages;
- Types of projects;
- Training requirements; and
- Funding mechanism – short- and long-term.

The plan for establishing the Corps is to be completed by July 1, 2009.

The 21st Century Bottle Bill

Connecticut's "Bottle Bill" is 31 years old this year, and in the three decades since its passage, the world has changed. The main goal of the Bottle Bill was to protect the environment by discouraging litter and encouraging recycling. The law succeeded on both counts - particularly on the recycling end, as Connecticut is recycling more than the Bottle Bill's authors ever imagined.

For too long, the debate over recycling in Connecticut has had far too narrow a focus - pitting advocates of bottle bills against the beverage and retail industries - and stalling the growth of broad recycling policy in the process. This debate has fostered a false choice between bottle bills and curbside recycling. Both sides of the bottle bill debate have merits. Putting an incentive on a container will make it more likely to get recycled; however, the traditional bottle bill concept creates a segregated recycling system that need not compete with recycling in the 21st century.

It is time to modernize Connecticut's Bottle Bill to reflect today's recycling realities, and it is time to expand the bottle bill to include bottled water.

Rather than simply add new products to a 31-year old bottle return model, Governor Rell is proposing to modernize the Bottle Bill to provide a central fund with a dedicated funding stream that (1) preserves the return-to-retail option, (2) funds curbside recycling to provide more flexibility and convenience for consumers and a lighter burden on retailers, bottlers and distributors, (3) returns unclaimed deposits to where they rightfully belong – to the people of the state, and (4) for the first time - sends money to towns that collect the containers curbside.

This is accomplished by utilizing a central trust fund that collects all nickel deposits when they are initiated, and then pays out all returns and assorted costs of running the system. Deposits are paid to a Trust Fund under the administration of participating deposit initiators (bottlers, beer wholesalers, other beverage manufacturers). Refunds and handling fees are paid to curbside, retailers and redemption centers by the Trust Fund. Brand sorting of empties is no longer required since reimbursement is centralized. Pick-up agents collect materials just as they do under current provisions and contracts today.

As today, this system will be the responsibility of the beverage and retail industries to run, and its costs will be borne by the nickel deposits and a manufacturer's fee - not by the taxpayers. The Trust Fund administrators will be required by state law to supply annual audits to the state to ensure all parties, including the state, are receiving their fair disbursements from the fund.

STATE PERSONNEL COSTS

The economic crisis that has gripped our great nation has left no one untouched. The "Big Three" automakers are on the brink of collapse and had to beg the federal government for aid to avoid running out of cash. Unemployment rates are rising steeply as private industry is shedding jobs in an attempt to weather the storm. The financial services industry has been devastated, and insurance companies once thought to be rock solid have come to brink of collapse.

State governments are not immune to this downturn. Revenues in nearly all states are down dramatically and states are proposing massive cuts in services in an attempt to bring budgets into balance. Many states are also looking to their employees for savings. Governors across the nation are asking state workers for concessions to help alleviate the fiscal constraints on state budgets:

- Ohio: Governor Ted Strickland has asked unionized state employees for a 5% pay cut, a 35 hour workweek and the elimination of personal days,
- Maryland: Governor Martin O'Malley has imposed furloughs and salary cuts on thousands of state workers,
- New Jersey: Governor Jon Corzine and the state legislature eliminated two state paid holidays for state employees,
- Pennsylvania: Governor Ed Rendell has stated that lay offs and furloughs are likely,
- Hawaii: Governor Linda Lingle has stated that she may pursue furloughs and higher employee shares for health insurance,
- California: Governor Arnold Schwarzenegger imposed two furlough days per month and has attempted to eliminate two paid state holidays.

Many other states have already instituted many cost saving measures, including freezing salaries and layoffs.

Savings Over the Biennium

Connecticut is fortunate to have a state workforce that is one of the best in the nation, and our state employees are one of our most valuable resources. Unfortunately, however, no part of the state budget can be exempted from the government's need to control growth in spending in these difficult times. The state must look to its employees for cost savings. Governor Rell has taken the initiative and has set up negotiations with state employee unions to craft a comprehensive and fair concession package. The Governor's budget includes a target savings of $275 million in the General Fund and $20 million in the Special Transportation Fund. This savings can be readily attained with a combination of things such as a wage freeze, additional cost sharing for pension and health benefits, and possibly a retirement incentive program. The Governor is looking to work with the unions in a cooperative manner, and the savings represents less than 10% of the approximately $3 billion current services deficit for FY 2010 and less than 9% of the approximately $3.2 billion current services deficit for FY 2011.

At the agency level, the Governor is also proposing several changes designed to control personnel costs proactively. In an effort to reduce expenses without having to threaten the jobs of current state employees, the Governor's budget removes 448 vacant positions from the General and Special Transportation Funds. In addition, data from the first seven months of the hiring freeze clearly show that agencies that do not require hiring approval from the Office of Policy and Management (OPM) have been less successful in implementing the hiring freeze than those that do. Since its inception in May 2008, the number of filled positions in exempt agencies has grown by 2.4%. During that same period, the number of filled positions in non-exempt agencies has actually decreased. In order to address this situation, Governor Rell is proposing legislation that would require the constituent units of higher education and the Division of Criminal Justice to obtain prior OPM approval to fill positions.

As mentioned in earlier sections, the Governor is proposing a major reorganization of state government, including the elimination or consolidation of 23 state agencies and commissions, as well as a number of programs within agencies. Governor Rell has looked to eliminate the duplication of services, eliminated agencies that are simply no longer affordable, and is moving toward returning state government to its core functions. Unfortunately, an unavoidable byproduct of these proposed mergers and consolidations is the elimination of approximately 400 jobs. While the elimination of state jobs is never an easy or desirable course of action, these economic times dictate that that the state must dedicate its scarce resources to those functions that are deemed most essential, and shed some of the functions that are less vital to the health, welfare and prosperity of our citizens.

Structural Changes

As part of the effort to make state government more cost effective over the long term, the Governor is proposing some changes in state personnel and collective bargaining provisions that will allow the state to more effectively use its resources and to bring its policies more in line with what exists for other employees in the overall Connecticut workplace and with what the public should expect in the way their tax dollars are spent.

The State of Connecticut currently provides longevity payments for its employees starting at ten years of service. The state cannot afford to reward employees for the simple fact that they have additional years on the job. Given this, the Governor is proposing to eliminate longevity payments for all new state employees and to freeze any payments for employees currently receiving longevity payments at the amounts they are currently receiving. Where existing labor contracts provide otherwise, this provision would take effect upon the expiration of that labor agreement unless an agreement to implement it sooner can be reached with the union.

Currently there is no specific statutory limitation on how many hours a state employee must work in order to receive state subsidized health insurance coverage. While many individual union contracts do have minimum work hour requirements, employees excluded from bargaining have no minimum requirement. The Governor is proposing to set in statute a requirement that would require all non represented state employees to be permanent and to work a minimum of twenty hours a week in order to receive state subsidized health insurance coverage. These standards can hopefully be extended at some point to cover all employees providing much needed uniformity and a policy much more in line with what Connecticut employees in the private sector receive.

Furthermore, the Governor believes it is time to deem the SCOPE/OJE agreement complied with and end increases in state employee salaries based on this agreement. It is fourteen years later and clearly whatever inequities needed to be addressed at the time of that agreement were taken care of long ago. Remaining vestiges of inequality, if any, can be addressed through the normal bargaining process.

Additionally, the Governor is proposing changes in the binding arbitration process for state employees which will provide much needed reform. Under the current process, individual unions negotiate separate wage packages which are all potentially subject to separate binding arbitration proceedings before separate arbitrators. Currently pension and health benefits for state employees must be negotiated on a coalition basis. The Governor is proposing to add wages and salaries to the list of things that must be negotiated on a coalition basis. Besides benefiting the taxpayers, this will also promote parity between different groups of state employees with regard to wages received.

The Governor is also proposing to limit the actual range of issues that will be subject to binding arbitration. The Governor is proposing to limit binding arbitration to the major issues which must be negotiated on a coalition basis. Under the Governor's proposal this will mean that only pensions, health benefits, and wages will be subject to the binding arbitration process. While individual unions will still have the opportunity to meet with the state and attempt to reach mutual agreement on other issues, they will not be subject to the binding arbitration process. This will protect issues that impact the delivery of services to the public from being left up to the determination of an arbitrator while still providing state employees with the right to submit the issues that most impact their general welfare to binding arbitration. Additionally the Governor is proposing to require a majority of both houses vote to approve or reject labor agreements or arbitration awards and they will be deemed rejected if not acted upon.

The Governor is also proposing that from July 1, 2009 until July 1, 2011, the normal binding arbitration process for state employees be suspended and no arbitration award may be made during that period. This will apply to any collective bargaining agreement that expires during the period beginning July 1, 2009 and ending June 30, 2011, or for which arbitration has not commenced on or prior to the effective date of this provision. The terms of any such collective bargaining agreement shall remain in effect until such time as a new agreement is reached and approved by the legislature. The request to have this temporary suspension of the binding arbitration is not taken lightly, and the Governor is only proposing it in light of the difficult economic challenges that the state is currently facing.

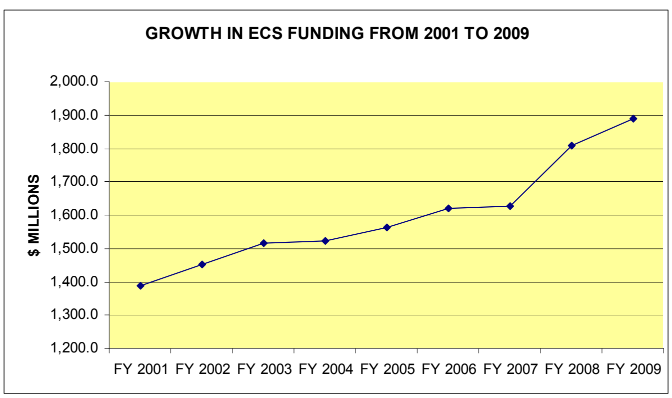
"Genius without education is like silver in the mine."
-- ***Benjamin Franklin***

Connecticut has many assets, chief among which are its citizens, many of whom are highly educated, with well-paying jobs and limitless prospects. In the midst of our national fiscal crisis, Governor Rell has not forgotten her fundamental promise to Connecticut. Our future is making sure all of our students receive the very best education (pre-k through college) so our future workforce will be smart, ready and able to take the reins when the time comes.

This budget does something few of our neighbors have done: it maintains a level of municipal funding for education that is the same as FY 2009. Even in these worst of times, Governor Rell is preserving:

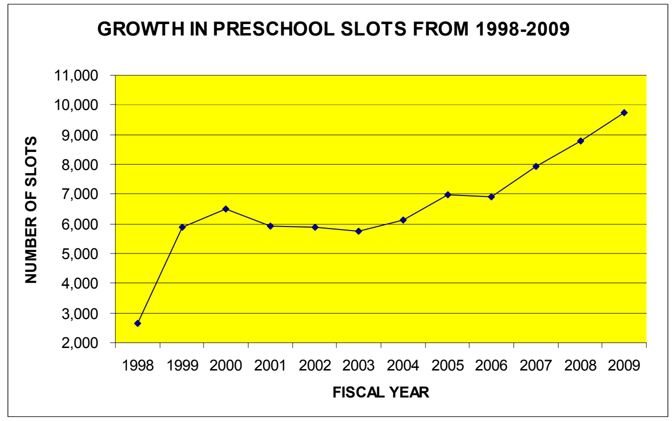
- Current funding levels for Education Cost Sharing (ECS) grants and other categorical grants;
- Gains made in creating preschool slots;
- Programs to reduce racial isolation and improve urban education for disadvantaged students; and
- Expanded higher education financial aid.

ECS has grown significantly since Governor Rell took office. In the years prior to 2005, as the chart shows, ECS growth was incremental.



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

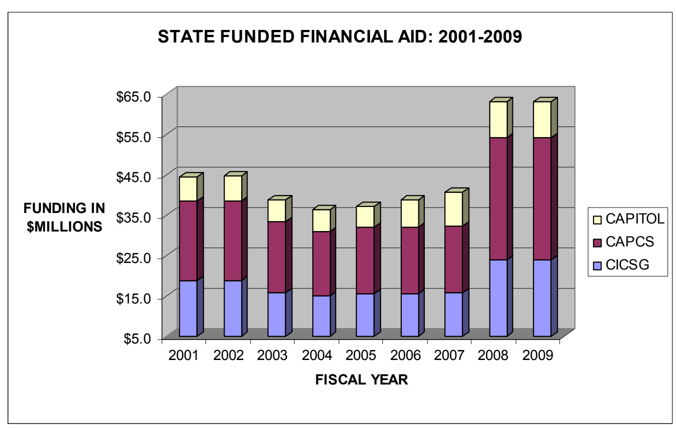
Governor Rell's commitment to preschool is also reflected in the maintenance of financial resources for School Readiness slots. School Readiness provides preschool slots for the most disadvantaged three and four-year-olds in the state. With the provision of quality preschool experiences before children reach kindergarten, it is expected that these children, who face significant barriers to their academic success, will arrive at school ready to start their education.



The chart shows the growth of preschool slots from 1997, when the program began, to this year. From the chart, it is clear that the program growth was relatively flat from 1999-2005. Beginning with Governor Rell's leadership, preschool slot growth has soared from around 6,900 to over 9,700 this year, a 40% increase. Governor Rell is committed to continuing the funding for these slots for the biennium so disadvantaged youngsters will have an opportunity to learn the skills they need for kindergarten such as:

- Enthusiasm toward learning;
- Solid oral-language skills;
- Ability to listen;
- Desire to be independent;
- Ability to play well with others;
- Strong fine-motor skills; and
- Basic letter and number recognition.

Governor Rell knows Connecticut needs to maintain its commitment to student financial aid which is why she is sustaining the growth in the state's three major financial aid programs: Connecticut Aid to Public College Students (CAPCS), the Connecticut Independent College Student Grants (CICSG) and the Capitol Scholarship program. Funding for all three grants was at an all time high in FY 2008 and FY 2009, as evidenced by the attached chart.



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

An important element of the education budget involves programs that reduce racial isolation and improve urban education. These programs, which were expanded significantly in response to the 1996 Supreme Court decision, "Sheff v. O'Neill" received some of the rare budgetary increases in the biennium.

As the chart shows, both magnet and charter schools, which both provide parents with school choice options, are increased during the biennium; $16.9 million in FY 2010 and $14.3 million in FY 2011. With these additional resources, 1,842 more magnet and charter slots will be available in FY 2010 and an additional 1,938 will be available in FY 2011. Funding for the Sheff Settlement itself increases by $2.8 million in FY 2010 and an additional $13.9 million in FY 2011. At a time when resources are startlingly scarce, these increases highlight Governor Rell's commitment to the education of disadvantaged, and often minority, children.

Account	FY 2009 Est. Expenditures	Recommended FY2010	Recommended FY2011	Growth FY2009-FY2010	Growth FY2009-FY2010	New Slots FY2010	New Slots 2011
Magnet Schools	$ 121,509,285	$ 134,980,742	$ 145,622,629	$ 13,471,457	$ 10,641,887	1,477	1,545
Charter Schools	$ 40,692,150	$ 44,082,000	$ 47,736,900	$ 3,389,850	$ 3,654,900	365	393

MUNICIPAL AID, MANDATE RELIEF AND REGIONALISM INCENTIVES

At around $2.9 billion, aid to Connecticut's cities and towns represents a major component of the state's overall budget. In looking to balance that budget, municipal aid may, at first blush, seem like an easy place to make relatively harmless cuts.

In fact, our neighboring states already have made drastic reductions in municipal aid. In response to the current economic crisis, New York proposed massive reductions in local education aid for next fiscal year, while Massachusetts has proposed *mid-year* cuts in aid to municipalities amounting to hundreds of millions of dollars.

Governor Rell has long recognized that cutting aid to municipalities simply shifts the burden from the state to the cities and towns, forcing them either to cut services or increase taxes. She also believes that property taxes simply are too high in this state. Specific property tax reforms the Governor has proposed in the past (from eliminating the property tax on cars to instituting a property tax cap) have yet to be passed by the General Assembly.

During this time of unprecedented economic difficulty, however, the Governor is renewing her pledge to protect local services *and* property taxpayers. To that end, the Governor is proposing a three point plan: maintain current funding levels for municipal aid, provide real relief from unfunded mandates, and provide incentives to encourage the regional delivery of services.

Maintaining Municipal Aid

Governor Rell has had to make some very difficult decisions in grappling with a multi-billion dollar budget problem. There are many cuts throughout this budget that will be unpopular and generate earnest discussion.

Although making cuts to the approximately $2.9 billion in state funds that are directed to our cities and towns might seem to be an obvious choice given the significant percentage of the state's budget that amount represents, we must remember that those cuts will only end up being shouldered by local property taxpayers.

To prevent that, the Governor is proposing funding for both years of the upcoming biennium that will equal the FY 2009 expenditure level for state aid, excluding one-time surplus funds that augmented grant expenditures this year.

Additionally, under the Governor's 21 Century Bottle Bill proposal, towns that collect recyclables curbside will be entitled to 3.5 cents for every container covered under the expanded bottle bill. This is a completely new source of revenue for our municipalities at a time when they need it most.

Providing Relief from Unfunded State Mandates

Maintaining level funding for state aid programs alone will not protect municipalities from the impact of the current economic crisis. Municipal expenses will continue to rise. Even with the new source of revenue mentioned above, municipal revenues will not keep pace. Thus, it is imperative that the state relieve cities and towns of some of the multitude of unfunded state mandates that take budget control out of the hands of local elected officials.

The current binding arbitration system is one of the biggest cost drivers for local budgets. The system favors wage and benefit patterns that, over time, have proven unaffordable for the average taxpayer, especially those in distressed communities. Arbitrators often regard a town's existing reserves or "rainy day funds" as being available to pay for increases in wages and benefits, regardless of the overall fiscal climate or the fiscal health of a specific town. This may force towns to depart from best management practices since it serves as a disincentive to the maintenance of adequate budget reserves.

Due in large part to the binding arbitration system, wages and benefits comprise at least 75 percent of most municipal budgets. Health care costs, increasing exponentially year after year, only add to the burdens caused by this system. As a result, significant portions of municipal budgets are often outside the control of municipal leaders, and thus local taxpayers.

The Governor wants to empower towns to take back control of their budgets. The Governor's multi-faceted mandate relief plan will allow municipalities to control their expenditures, thus reducing the burden of taxes on local property owners.

The Governor's plan will:

- Give a town or a local board of education the ability, between July 1, 2009 and June 30, 2011, to extend an expired or expiring contract for up to two years, as long as the current wage and benefit package and other work rules remain in effect;
- Require arbitrators to disregard the presence of a municipal reserve fund balance of 10% or less in determining a town's ability to pay for contract increases under the Municipal Employees Relations Act (MERA) and the Teacher Negotiation Act (TNA);
- Require arbitrators to take into consideration a town's ability to keep the property tax levy increase to a percent change in the Consumer Price Index (CPI) for the most recent twelve-month period;
- Require the submission of fully stipulated TNA awards to a town's legislative body for review and allow for rejection of an award (and a return to negotiations) upon a 2/3 vote;
- Limit the mandatory subjects of collective bargaining to salaries, benefits and matters of health and safety only;
- Allow collective bargaining over the impact of the regional consolidation of services, but not over the question of whether consolidation should be allowed; and
- Enable towns to negotiate inter-municipal master contracts with municipal employee and teacher unions.

Governor Rell's other mandate relief reforms will:

- Prohibit the enactment of any costly state mandate on municipalities, unless 2/3 of the members of both chambers of the General Assembly vote affirmatively to do so. The Governor's proposal defines a "costly state mandate" as one that would require a municipality to expend the lesser of $100,000 or ½ of 1% of the total amount of the municipality's general operating budget for the prior fiscal year;
- Allow municipalities to disseminate their annual Town Reports in a format(s) other than just print medium (e.g., posting on the town's website or e-mailing to interested persons);
- Allow municipalities to post certain information on their websites, in lieu of publishing the information in a newspaper, as long as they meet all Freedom of Information Act (FOIA) requirements;
- Encourage state agencies to accept electronic reports from municipalities;
- Give municipalities up to 30 days to post minutes on their websites, and suspend the requirement that they do so until January 1, 2010;
- Delay the requirement to treat 16- and 17-year olds as juveniles (currently scheduled to take effect January 1, 2010) until FY 2012. This delay will provide substantial mandate relief to municipalities;
- Repeal the requirement that towns remove, store and sell at auction the possessions of evicted tenants; and
- Suspend the requirements concerning in-school suspensions for the 2010 and 2011 school years.

While Governor Rell is not able to recommend the level of state aid to cities and towns that she would prefer, she believes that these initiatives will help municipalities to control their expenditures without diminishing the services they provide to their taxpayers.

Incentives for Encouraging Regionalism

As we grapple with the current economic crisis, there is an inescapable conclusion that applies to both state and local government – these entities cannot continue to do business the way they have in the past. The current crisis necessitates the delivery of services, especially at the local level, in ways that provide for the greatest efficiencies. With 169 separate municipalities in this state, there is certainly opportunity for multiple towns to join together to deliver services in a cost effective manner and without diminishing service quality.

In Connecticut, the joint provision of municipal services through interlocal agreements has existed for years. Regional school districts, regional health districts and regional emergency communications centers are but a few examples of how towns cooperate in providing essential services in a cost efficient manner. The formation of equipment sharing cooperatives has also helped towns contain costs.

In these difficult economic times, Governor Rell sees voluntary inter- and intra-municipal agreements as being an even more important tool in helping local governments provide essential services in a more cost effective fashion, so as to bring real relief to local property taxpayers.

Too often, however, there is reluctance on the part of municipalities to provide for joint service delivery. Governor Rell wants to encourage more municipal leaders to think regionally. She is proposing an eight point plan to promote a voluntary effort to provide services on a regional basis.

1. Recognizing that a major impediment to the regional delivery of services is the up front cost of investing in the infrastructure and equipment necessary to effectuate the change in service delivery, Governor Rell proposes creating a Regional Incentive Grant ("RIG") financed through state bond funds. Eligibility would be contingent on the regionalization of an existing required governmental function or service or the expansion of such a function or service to additional towns. Under the Governor's plan, a minimum of 3 towns serving a combined population of at least 50,000 would be eligible for a grant of up to $3,000,000; four or more towns serving a combined population of less than 50,000 would be eligible for a grant of up to $1,000,000. These grants would help to offset the capital infrastructure costs of regionalized services, examples of which could include:

- Trash collection and recycling;
- Highway maintenance;
- Animal control;
- Centralized administrative functions (e.g., assessment, tax collection, payroll);
- Parks and recreation;
- Merging existing municipal police departments; and
- Merging emergency communications centers

2. As a further incentive for municipalities, Governor Rell is proposing to institute a 10% bonus in Local Capital Improvement Program (LoCIP) entitlements, for a three-year period, for towns that undertake regional projects that meet RIG eligibility requirements (even if the towns do not receive RIG funding).

3. Similarly, the Governor is proposing to institute a 10% bonus in Town Aid Road (TAR) grants, for a three-year period, for towns that undertake regional projects that meet RIG eligibility requirements (even if the towns do not receive RIG funding).

4. In addition to the RIG program, the Governor is proposing to create a $10 Million Municipal Capital Expenditure Purchase Grant program ("MCEP") financed with state bond funds. These funds will provide assistance for municipal cooperative purchases of equipment with a useful life of at least 5 years. Grants would equal 75% of joint municipal costs, up to a maximum of $250,000. Eligibility under this grant program would also encompass large vehicles, such as dump trucks, sanders and tractors.

5. Currently, there are impediments to regional agreements contained in local charters or home rule ordinances. To remove these impediments, the Governor is proposing to enable the chief executive officers of each municipality that

wishes to enter into an interlocal agreement for the purchase of products or services to select a single town attorney to review and approve the agreement and allow a lead town to administer the purchase agreement or service contract.

6. Governor Rell is also proposing that the Office of Policy and Management conduct or sponsor (within available appropriations) an annual regional incentive seminar to apprise local government officials of the cost benefits of participating in a regional approach to the delivery of services and purchase of goods. This should occur initially in FY 2010, to highlight the new incentives for regionalization.

7. The Governor wants to implement the Property Revaluation Work Group recommendation that would authorize the Secretary of the Office of Policy and Management to allow a town to delay the implementation of a revaluation by up to two years, in order to allow the town to enter into an interlocal agreement with another town or towns for the services of a revaluation company.

8. Finally, the Governor is proposing to amend the program for reimbursing health departments to encourage the consolidation of health districts.

As mentioned above, the Governor is also proposing to allow bargaining over the impact of the regional consolidation of services, but not over the question of whether to consolidation should be allowed.

The Governor's proposals remove impediments to interlocal agreements and provide the capital and incentives necessary for our municipal leaders to embrace and implement the regional delivery of services. The precious dollars that cities and towns save as a result of cooperating in service delivery will help them and their taxpayers weather this fiscal crisis.

TRANSPORTATION

Restoring Connecticut's transportation system has been a priority in each of Governor Rell's recommended budgets and the 2010-2011 biennial budget is no exception. However, this year the focus is not on new initiatives it is on restoring the financial health of the Special Transportation Fund, which supports virtually all of the state's transportation operating and capital programs.

As planning for the new biennium began, the state faced a potential transportation funding crisis. Without action the Transportation Fund was projected to have operating deficits of $102 million in FY 2010 and $145 million in FY 2011. The cumulative balance in the fund, which was in excess of $175 million at the start of FY 2009 would have been exhausted in 2011 and the state would have been in violation of bond covenants which require that the Transportation Fund budget for each year be balanced.

How did this happen? Transportation fund revenue is declining just as general fund revenue. Indeed, in FY 2009 all Transportation Fund revenue categories are below their budgeted levels. The motor fuels tax, a major funding source is declining for the fourth year in a row, an unprecedented trend. At the same time Transportation Fund expenditures have grown substantially. For example, total Transportation Fund expenses, which were about $1.1 billion in FY 2009 were projected to grow to almost $1.25 billion in FY 2011, an increase of over 9%. Over the same time period, Transportation Fund revenues were projected to grow by under 3%.

The expenditure growth is the result of several factors, including increased operating costs, especially for bus and rail programs, increased construction costs, and a number of major transportation projects which will require funding over this biennium, resulting in an increase in debt service costs.

Governor Rell is proposing a number of actions to bring the Special Transportation Fund into balance in this biennium and into the future.

Within the Department of Transportation, several actions are proposed to aid in balancing the Fund. On the expenditure side, reductions totaling over $3.7 million are included in FY 2010. Many of these changes range from continuing rescissions instituted in the current fiscal year into the FY 2010 – 2011 biennium and instituting general savings by cutting expenditures relating to cellular phone service, motor vehicle rentals and supplies by at least 20%.

On the revenue side, the proposed budget includes modest increases in various motor vehicle and other license, permits and fees. For example, passenger motor vehicle registration will increase by $5.00 a year, while commercial licenses will increase by an average of $10.00 per year. Passenger drivers' license fees will increase by $2.00 a year. Commercial drivers' licenses will increase by an average of $4.00 per year. The largest fee increases are reserved for late fees, operator license restoration fees and similar penalties. In total, the various fee increases are expected to generate $52.3 million a year in new revenue for the Transportation Fund.

In continuing the effort to streamline state operations, the Governor's Recommended Budget proposes to close the Stamford part-time Department of Motor Vehicles satellite branch. The operation of this branch is covered by staff from the closest full-time branch in Norwalk. Upon the closure of this branch, the staff will be returned to their regular full-time branch, generating administrative savings. The nearest AAA office and the Norwalk branch will be able to accommodate the diverted customer activity and needs.

New Haven Rail Maintenance Facility

Recognizing the growth and importance of Connecticut's commuter rail lines, Governor Rell is proposing new bonding to provide essential rail maintenance facilities in New Haven. While the recommendations of an outside evaluator, hired at the Governor's direction, have significantly reduced the overall cost of this facility, a half a billion dollars in additional bonding –most of it in this biennium—will be required. This funding, and the associated debt service, are included in the Governor's recommended capital budget.

Highway Safety

The recommended budget also includes two significant initiatives, which continue the Governor's commitment to highway safety. First, the Governor is proposing funding for four automatic traffic safety cameras which will be used to reduce speeding on Connecticut's highways. Second, the Governor is proposing the creation of a Driver Responsibility Program which, in effect will make bad driving cost more by imposing an annual license surcharge on bad drivers.

Under the Governor's plan drivers who accumulate seven points on their driving record license will be assessed a fee of $100 per year for two years. Each additional point over seven will result in the fee being increased by $50. Drivers convicted of serious motor vehicle offenses, such as vehicular homicide, or fleeing a police officer, would be assessed an annual fee of $1,000 a year for two years.

CAPITAL INVESTMENTS

In keeping with the current fiscal environment and the economic downturn, Governor Rell is proposing a lean capital budget that will continue essential infrastructure investments in local school construction, clean water projects, community colleges and state facilities while beginning the process of reigning in the state's long-term debt. The Governor is also proposing funding for new programs to provide incentives to municipalities to regionalize services to save money.

Total proposed new general obligation (GO) bond authorizations are $980.1 million in FY 2010 and $980.5 million in FY 2011. These proposed bond authorizations are in addition to those that were previously authorized by the General Assembly and become effective during the biennium, including $95 million each year for the Connecticut State University System (CSUS) 2020 program, $140.5 million in FY 2010 and $146.5 million in FY 2011 for UConn 2000, and $20 million in FY 2010 for the Housing Trust Fund.

A key element of Governor Rell's proposed capital budget is the cancellation of $389 million of previously enacted GO bond authorizations. Many of these authorizations have remained unused for some time or are duplicative in nature. Others are earmarks enacted in better economic times that are no longer affordable or essential given the current fiscal environment. Even after these significant cancellations, there will still be over $700 million in previously enacted GO bond authorizations available for allocation. Governor Rell believes that maintaining a safe cushion from the 90% cap in the state's statutory debt limit during a period of fiscal uncertainty is the prudent course of action. The Governor also believes that the bond rating agencies will view these actions positively.

The Governor's proposed GO bond authorizations include:

- $687.3 million in FY 2010 and $641.6 million in FY 2011 for school construction;
- $30 million in each year of the biennium for Urban Act funding;
- $30 million in each year of the biennium for the Local Capital Improvement Program;
- $40 million in FY 2010 for the Regionalization Incentive Grant Program;
- $10 million in FY 2010 to finance joint equipment purchases by municipalities;
- $90 million in each year of the biennium for Clean Water Fund grants, in conjunction with $175 million of revenue bonds each year to finance loans under the program;
- $66.5 million over the biennium for the Community College System; and
- $52.1 million over the biennium for Department of Public Works projects.

The Governor is proposing Special Tax Obligation bond authorizations for transportation projects total $861.3 million in FY 2010 and $243.4 million in FY 2011. This includes $550 million in FY2010 to complete the financing for the new rail maintenance facility in New Haven. These authorizations continue the Governor's commitment to transportation funding while managing the fiscal well-being of the Transportation Fund during the economic downturn.

Governor Rell's proposed capital budget provides $40 million in FY 2010 for a Regionalization Incentive Grant program, which will help finance infrastructure projects and equipment necessary for municipalities to regionalize services that they are required to perform. Three or more towns serving a combined population of 50,000 or more would be eligible for up to $3 million. Four or more towns serving less than 50,000 people would be eligible for up to $1 million. The Governor is also proposing $10 million for a Capital Equipment Purchase Program to encourage municipalities to make joint acquisitions of equipment necessary to carryout required functions.

The Governor's proposed capital budget does not factor in any potential federal stimulus funding for capital programs as the proposed federal legislation is still being crafted. The proposed federal legislation may provide opportunities for funding local school renovation projects, higher education renovation projects, additional clean water program funding, additional transportation infrastructure funding, and funding for rehabilitation of public housing facilities.

In an effort to save on debt service costs during this period of fiscal uncertainty, Governor Rell is deferring bond issuances in FY 2010 of $140.5 million for UConn 2000 and $95 million for CSUS 2020, which will result in debt service savings of $19.5 million in FY 2011. Additionally, the Governor is deferring construction contracts for five Technical High School System projects, which will save $7.7 million in debt service in FY 2011.

Governor Rell is again proposing modifications to school construction financing for Connecticut school districts in an effort to control project costs and future state debt. The current generous percentages for the state share of local school construction create a disincentive for some school districts to control project costs, thus increasing the cost to the state, which in many cases shoulders the majority of the cost of these projects. Therefore, the Governor is proposing to decrease the state reimbursement percentages for local school construction projects from the current range of 80% to 20% of total project cost to a range of 65% to 15% of total project cost. Each district's reimbursement percentage will continue to be calculated utilizing the current formula within the revised reimbursement range. In addition, the Governor is proposing to place a $450 million annual cap on the level of state grant commitments for the school building priority list beginning with the December 2009 list. While these changes will not immediately reduce school construction bonding, they need to be enacted now to create long-term debt savings.

CONCLUSION

While this budget cycle presents challenges like no other in recent times, Governor Rell has taken this challenge head on and proposed a plan which reflects the strengths and resolve of the citizens of Connecticut as we position ourselves for the future.

The Governor's Budget makes use of the tools available, incorporating the use of the Budget Reserve Fund in a way that it was intended by bridging multiple years and smoothing the rapid changes that can and have occurred in the state's revenue stream. The use of the federal stimulus funding also plays an integral part in the financing of state operations over the next two years, further enhancing our ability to withstand the economic shock waves that we, along with the rest of the nation, have felt. This budget does include the securitization of revenue in the second year of the biennium. Reserving the securitization until the second year provides for the opportunity to revisit the necessity of such an action during the midterm adjustment

Make no mistake about it; these three components of financing represent a method of budgeting which has some element of risk because of the reliance upon non-recurring revenue. However, it is a plan which recognizes the cyclical nature of our economy and balances the immediate needs of our citizens and the resources needed to bridge the gap until an economic rebound can occur. This plan recognizes that we must continue to support the fundamental services upon which our citizens rely. We must educate our youth, we must ensure public safety, and we must ensure the needs of our most vulnerable citizens are met. This plan does so without unduly shifting the burden to others. The Governor's budget plan, in providing level funding for municipal aid and level funding for the network of private providers serving our neediest citizens, has recognized the importance of these areas and protected them from across the board reductions.

In order to maintain essential services, the core elements of government, it was necessary to review all facets of state operations and make certain hard choices. These difficult choices will impact various areas and will range from deferrals of important programs such as changing the age of juvenile jurisdiction to outright closing of some state facilities. Each reduction contained within the Governor's Recommended Budget represents a necessary step to position the state to live within its means and position ourselves for an economic recovery. Taxing our way out of this downturn was simply not a viable option.

The economic recession which we are experiencing presents the opportunity to revisit how government operates and fundamentally reset the method of delivering services to our citizens. Many boards, commissions, and agencies have been recommended for elimination, others are proposed for merger into agencies with similar missions. The State Board of Education as proposed will include higher education, increasing the coordination of education services while decreasing bureaucracy. Technical high school students will be able to seamlessly transition to the college level in the Middle College proposal, all while shrinking the administrative resources that would exist in separate systems. This budget presents a plan to streamline operations, a plan which eliminates redundancies and inefficiencies that we can no longer afford.

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