

# INTRODUCTION

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## MANAGING THE STATE'S FISCAL CHALLENGES

During the past eighteen months Connecticut has been buffeted by the economic storms that have hit the nation and indeed the entire world. Since the collapse of major national financial institutions and businesses began in September 2008, the landscape of Connecticut's financial fortunes has changed dramatically. State tax revenues have plummeted, forcing decision makers to determine what the state can continue to support.

Connecticut's citizens have suffered during these tumultuous times. Unemployment has risen to 8.9%. Participation levels in social services programs that provide health care, nutrition and heating assistance continue to increase.

As state revenues decrease and the ability of our taxpayers to pay declines, the needs of citizens increase. The difficulties in finding the proper balance in solving these issues have imposed widespread strains.

Moreover, the economic news continues to disappoint. As recently as January 15, 2010 the Office of Policy and Management (OPM) and the Office of Fiscal Analysis (OFA) agreed upon new revenue estimates that in total were \$342.9 million less than those included in the adopted budget for FY2009-10 only four and one half months earlier. Indeed, the revenue deterioration would be \$129.5 million more dramatic but for the cancellation of the sales tax cut presumed in the revenue estimates included as a part of the adopted budget.

### REVENUE DECLINES – FY2010

Decline in General Fund Revenue From the Adopted Fiscal Year 2010 Budget (in millions)				
	Adopted Budget	Latest Estimate	Change	Percent Change
Personal Income Tax	\$ 6,630.7	\$ 6,423.0	\$ (207.7)	-3.1%
Sales Tax	3,166.7	3,076.1	(90.6)	-2.9%
Corporation Tax	721.6	706.6	(15.0)	-2.1%
Inheritance & Estate	208.7	196.2	(12.5)	-6.0%
Refunds of Taxes	(1,080.5)	(1,145.5)	(65.0)	6.0%
Indian Gaming Payments	409.1	371.0	(38.1)	-9.3%
All Other	<u>7,316.1</u>	<u>7,402.1</u>	<u>86.0</u>	1.2%
<b>Total</b>	<b>\$ 17,372.4</b>	<b>\$ 17,029.5</b>	<b>\$ (342.9)</b>	<b>-2.0%</b>

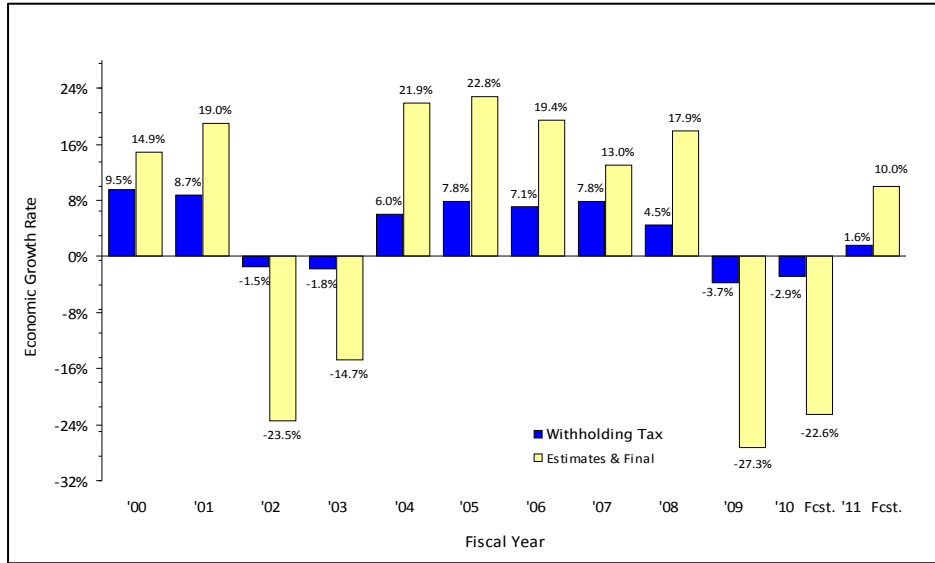
Note: Latest estimate includes \$129.5 million in additional revenue derived from the elimination of the the sales tax reduction from 6.0% to 5.5% that was scheduled to take effect January 1, 2010.

### REVENUE DECLINES – FY2011

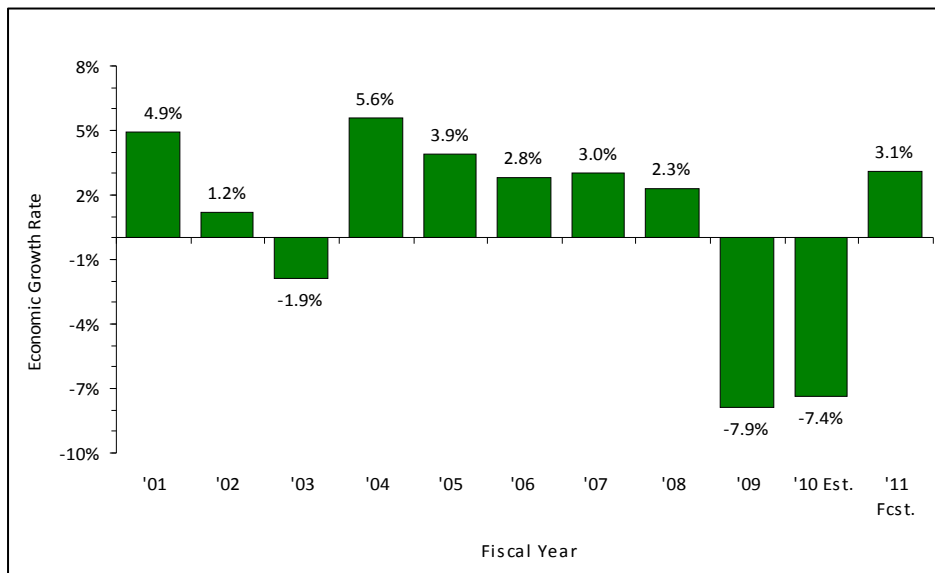
Decline in General Fund Revenue From the Adopted Fiscal Year 2011 Budget (in millions)				
	Adopted Budget	Latest Estimate	Change	Percent Change
Personal Income Tax	\$ 6,654.7	\$ 6,442.5	\$ (212.2)	-3.2%
Sales Tax	3,095.4	3,165.8	70.4	2.3%
Corporation Tax	731.9	694.9	(37.0)	-5.1%
Cigarettes	403.1	386.5	(16.6)	-4.1%
Refunds of Taxes	(983.3)	(1,033.3)	(50.0)	5.1%
Indian Gaming Payments	391.7	353.3	(38.4)	-9.8%
Miscellaneous Revenue	218.5	171.5	(47.0)	-21.5%
Federal Grants	3,770.4	3,634.1	(136.3)	-3.6%
All Other	<u>3,314.4</u>	<u>3,328.9</u>	<u>14.5</u>	0.4%
<b>Total</b>	<b>\$ 17,596.8</b>	<b>\$ 17,144.2</b>	<b>\$ (452.6)</b>	<b>-2.6%</b>

Note: Latest estimate includes \$268.0 million in additional revenue derived from the elimination of the the sales tax reduction from 6.0% to 5.5% that was scheduled to take effect January 1, 2010.

## PERSONAL INCOME TAX GROWTH RATES



## SALES TAX GROWTH RATE



Governor Rell continues to offer deficit mitigation plans to close the 2010 deficit and is preparing a plan to deal with the most recent projected deficit.

While the news has been difficult during this period, it does appear that the decline is at or near the bottom.

However, questions remain about the pace of economic and revenue growth during the next several years. Most economists agree that the nation's and Connecticut's economic recovery will be slower than we have seen after past recessions.

During FY2008-2009 the Governor, consistent with her authority, issued five rounds of rescissions and proposed four different deficit mitigation packages. The General Assembly adopted four mitigation packages totaling \$481.7 million. FY2008-2009 ended with a deficit in the General Fund of \$948 million and the General Assembly authorized the State Treasurer to issue Economic Recovery Notes to finance the same.

## MANAGING THE BIENNIAL BUDGET

The adopted budget included an unprecedented \$473 million in lapses for FY2009-2010 and \$530 million in lapses in FY2010-2011. These lapses are savings that must be achieved if the state budget is to end the fiscal year in balance, though little in the way of direction was included in the adopted budget.

The Governor has allocated these savings to the various agencies and boards on a proportionate basis dependent upon the nature of the lapse. The following charts depict these allocations for FY2009-2010.

<b>PERSONAL SERVICES</b>	Appropriation	Personal Services Savings	Management Reduction	SEBAC Savings	Total Available After Lapses	Percentage Available After Lapses
Legislative Management	\$ 43,709,641	\$ 813,274	\$ 565,416	\$ -	\$ 42,330,951	96.8%
Dept of Public Works	7,589,020	622,488	27,890	209,048	6,729,594	88.7%
Dept of Public Safety	130,265,313	8,358,636	115,365	2,290,905	119,500,407	91.7%
Dept of Environmental Protection	33,590,000	1,728,167	64,655	598,620	31,198,558	92.9%
Commission on Culture and Tourism	2,726,406	243,275	6,339	144,734	2,332,058	85.5%
Dept of Economic and Community Dev	7,406,307	1,047,375	21,552	0	6,337,380	85.6%
Dept of Public Health	33,734,745	3,033,507	70,994	0	30,630,244	90.8%
Dept of Developmental Services	304,742,900	14,771,617	152,130	489,025	289,330,128	94.9%
Dept of Mental Health and Addiction Svcs	210,530,850	14,492,392	335,953	778,400	194,924,105	94.5%
Dept of Social Services	120,822,641	8,436,543	102,688	1,177,390	111,106,020	92.0%
Dept of Education	145,663,706	8,382,144	138,185	2,338,309	134,805,068	92.5%
Dept of Correction	435,292,324	12,874,004	963,489	410,771	421,044,060	96.7%
Dept of Children and Families	289,022,680	11,375,649	0	634,075	277,012,956	95.8%
Judicial Dept	321,017,316	14,113,255	888,692	0	306,015,369	95.3%
All Other Agencies	382,291,995	21,795,698	6,526,367	8,366,593	345,603,337	90.4%

<b>OTHER EXPENSES</b>	Appropriation	General OE Adjustment	Reduce OE 2007 Level	Contracts Savings	Total Available After Lapses	Percentage Available After Lapses
Legislative Management	\$ 16,890,317	\$ 415,440	\$ 2,004,033	\$ 428,061	\$ 14,042,783	83.1%
Dept of Public Works	26,785,784	658,832	668,639	3,183,500	22,274,813	83.2%
Dept of Public Safety	29,997,894	737,839	0	5,317,303	23,942,752	79.8%
Dept of Environmental Protection	3,456,277	85,012	0	612,688	2,758,577	79.8%
Commission on Culture and Tourism	857,658	21,095	0	383,783	452,780	52.8%
Dept of Economic & Community Dev	1,505,188	37,022	0	239,131	1,229,035	81.7%
Dept of Public Health	5,549,136	136,488	0	1,636,931	3,775,717	68.0%
Dept of Developmental Services	27,093,834	666,409	566,199	3,685,463	22,175,763	81.8%
Dept of Mental Health & Addiction Svcs	34,667,107	916,635	2,707,056	8,317,188	22,726,228	65.6%
Dept of Social Services	88,148,799	2,168,139	474,194	16,545,408	68,961,058	78.2%
Dept of Education	16,689,076	410,490	0	3,058,921	13,219,665	79.2%
Dept of Correction	84,791,809	2,085,569	9,506,572	6,268,886	66,930,782	78.9%
Dept of Children & Families	46,185,390	1,135,992	613,092	7,089,543	37,346,763	80.9%
Judicial Dept	74,956,525	1,843,657	7,818,118	2,558,880	62,735,870	83.7%
All Other Agencies	68,358,930	1,661,875	2,170,715	11,368,178	53,158,162	77.8%

In order to achieve these savings the Governor has given instructions regarding the hiring of state employees, and the renewal and cancellations of contracts. In order to adjust to the lower personnel and financial resources, agencies have been instructed to revise the way they do business, including where necessary, the elimination of certain programs and the combining of institutions. The result is that the number of full time, permanent state employees has been reduced by 3,889 in the past eight months, from 57,006 to 53,117.

Much of the savings that the state experienced in FY2009-2010 and will experience in FY2010-2011 is the result of the agreement negotiated between Governor Rell and the State Employees Bargaining Agent Coalition (SEBAC). The SEBAC agreement resulted in a savings of \$716.0 million over the biennium. These savings include elimination of salary increases for one year, whether or not previously the subject of a contract or binding arbitration award, six furlough days, increased insurance copays, increased insurance premium contributions from employees and requiring new employees to contribute to their retiree health care benefits.

<b>2009 SEBAC AGREEMENT</b>	
The savings associated with this agreement for FY 2010-2011 are as follows:	
• Increase in Prescription Drug Co-Pays from \$3/\$5 to \$5/\$10/\$25	(\$17,898,000)
• Increase Active Employee Health Premium Share by \$350 per year	(\$19,192,800)
• Preventative Care Visit Co-Pays Reduced to \$5	\$753,600
• Employees With Less Than Five Years of Service Contribute 3% of Pay For Retiree Health Cost Until They Reach Ten Years of Employment	(\$15,278,600)
• Salary Freeze and Furlough Days in all Bargaining Units Except Correctional Officers and Correctional Supervisors	(\$150,289,700)
• Retirement Incentive Program	<u>(\$143,411,985)</u>
<b>TOTAL SAVINGS</b>	<b>(\$345,317,485)</b>

In return, the State agreed to job security provisions for all bargaining units except for the two Correctional bargaining units which had not reached agreement with the state on wage concessions. These provisions either restrict or prevent the state from laying off any employees hired before July 1, 2009 until the expiration of the agreement on June 30, 2011. This does not prevent the state from eliminating or reducing programs – it simply requires that the displaced employees be offered comparable employment elsewhere in the state.

It's important to fully understand the alternatives to this agreement before weighing its merits. The state would have had to layoff approximately 5,000 employees in order to achieve the same level of savings that was obtained by the SEBAC Agreement. This would have created widespread elimination of programs and/or reduction in services which would have been very difficult to sustain. In contrast, a majority of the savings achieved through the SEBAC Agreement should be sustainable into the foreseeable future.

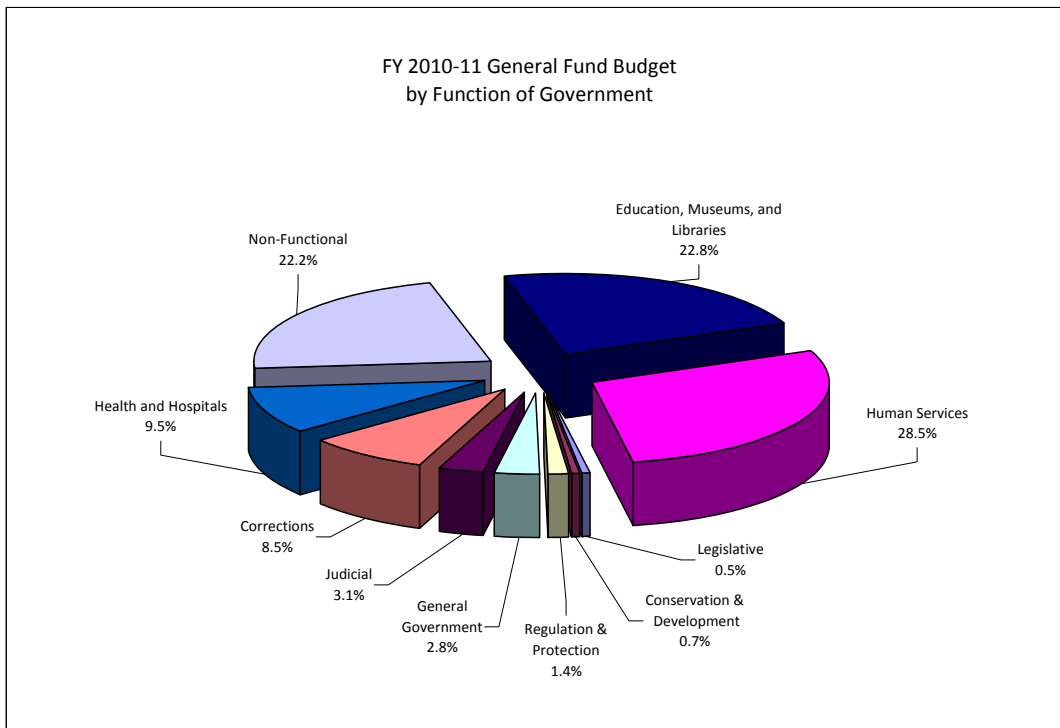
As a result of the continued downturn in revenue, Governor Rell has secured the right to reduce the state's contribution to the state employee pension fund by \$100 million in FY2009-2010 and \$100 million in FY2010-2011. These rights will prove crucial in balancing both years' budgets in these increasingly difficult times. This brings the total savings for FY2010-2011 to \$445.3 million.

**Expenditures**

Governor Rell is proposing modifications to the adopted budget that will result in an all funds budget for FY2010-2011 of \$18,910.9 million. The all funds proposal represents a decrease of \$27.7 million from the adopted budget. The Governor is proposing a General Fund Budget of \$17,566.1 million for FY2010-2011 which represents a decrease of \$28.6 million from the adopted budget. Governor Rell has made this proposal notwithstanding the fact that entitlement caseload growth will add \$152.4 million to a variety of human services accounts.

This would result in growth rates of government spending that are commensurate with our citizens' ability to pay. As such, the Governor's proposed budget for all funds is 0.1% less than the adopted budget and just 0.6% higher than the FY2009-2010 budget. It is \$485 million below the state expenditure cap.

Appropriated Funds Of The State (In Millions)			
	<b>Adopted FY 2011</b>	<b>Changes</b>	<b>Recommended FY 2011</b>
General Fund	\$ 17,594.7	\$ (28.6)	\$ 17,566.1
Special Transportation Fund	1,180.6	1.5	1,182.1
Mashantucket Pequot & Mohegan Fund	61.8	-	61.8
Soldiers, Sailors & Marines Fund	3.0	0.0	3.0
Regional Market Operating Fund	1.0	0.0	1.0
Banking Fund	20.6	0.1	20.6
Insurance Fund	26.6	(0.4)	26.2
Consumer Counsel and Public Utility Fund	24.0	0.5	24.5
Workers Compensation Fund	23.1	(0.9)	22.2
Criminal Injuries Compensation Fund	3.4	-	3.4
<b>Grand Total</b>	<b>\$ 18,938.6</b>	<b>\$ (27.7)</b>	<b>\$ 18,910.9</b>



## Revenue

Approximately three years ago, subtle signs of weakness began to appear in the economy. This grew worse with each passing month, culminating in dramatic job losses for the state's economy. Fiscal year 2009 was very disappointing for the state's economy and, moving forward, the state is expected to continue to experience difficult economic times. While there are signs of a weak economic recovery, the state and the nation are in a situation that has been described as the worst economic downturn since the Great Depression of the 1930s. Some have even called it the Great Recession.

The Governor is proposing no new taxes or tax increases in this midterm budget adjustment proposal. The residents of this state can not afford higher taxes.

However, the Governor is proposing to enhance the value of the state’s lottery system by introducing Keno into the state and a small number of modest transfers of funds to the General Fund. The introduction of Keno will generate \$20.0 million in FY2010-2011 and approximately \$60.0 million annually thereafter. A total of \$5.6 million in revenue annually, beginning in FY2010-2011, will be redirected from the Boating Account to the General Fund and associated expenditures will be appropriated from the General Fund similar to the fund consolidations that took place last year. Also, for FY2010-2011 only, the transfer from the General Fund to the Special Transportation Fund will be reduced by \$10.0 million, and \$5.0 million of the regular transfer of \$10.0 million from the Tobacco Settlement Fund to the Stem Cell Research Account will be directed instead to the General Fund.

Finally, it is expected that an extension of the federal economic recovery program will be implemented over the next few months. While the extension is not yet adopted, based on the information available, it is anticipated that the state will receive an additional \$266.5 million as enhanced federal matching funds for Medicaid and Title IV-E programs, and \$99.1 million for education aid during FY2010-2011. This would be a welcome increase in federal aid. In addition, the Governor has directed the state to pursue funds owed to the state by the Social Security Administration due to misclassification of a number of disabled Medicaid recipients. With the Budget Reserve Fund drained, the Governor’s plan calls for fully utilizing resources to help prevent draconian cuts to services, while attempting to preserve the state’s cash position.

Federal Recovery and Reinvestment Funds Anticipated in the Governor's Proposed Budget (In millions)						
	<u>FY2009</u>	<u>FY2010</u>	<u>FY2011 Forecast</u>			<u>Grand</u>
	<u>Actual</u>	<u>Estimated</u>	<u>Adopted</u>	<u>Additional</u> <u>Anticipated</u>	<u>Total</u>	<u>Total</u>
Medicaid	\$403.3	\$ 538.8	\$ 292.4	\$ 263.5	\$ 555.9	\$ 1,498.0
Title IV-E	4.4	6.0	3.0	3.0	6.0	16.4
Stabilization		271.0	271.0	99.1	370.1	641.1
<b>Total</b>	<b>\$407.7</b>	<b>\$ 815.8</b>	<b>\$ 566.4</b>	<b>\$ 365.6</b>	<b>\$ 932.0</b>	<b>\$ 2,155.5</b>

**GOVERNOR RELL’S REFORM PROPOSALS**

Governor Rell is proposing both a budgetary reform package and a general government reform package.

**BUDGETARY REFORM**

**Budget Reserve Fund**

The revenue shortfall that complicated the enactment of the current biennial budget was made somewhat less difficult because the Governor and General Assembly had provided for a budget reserve fund that accumulated \$1.4 billion in the years leading up to the current economic downturn. This was a record amount in that fund and was a credit to the willingness of the state’s leadership to set aside resources for a fiscal “rainy day.” Unfortunately what followed was a fiscal hurricane.

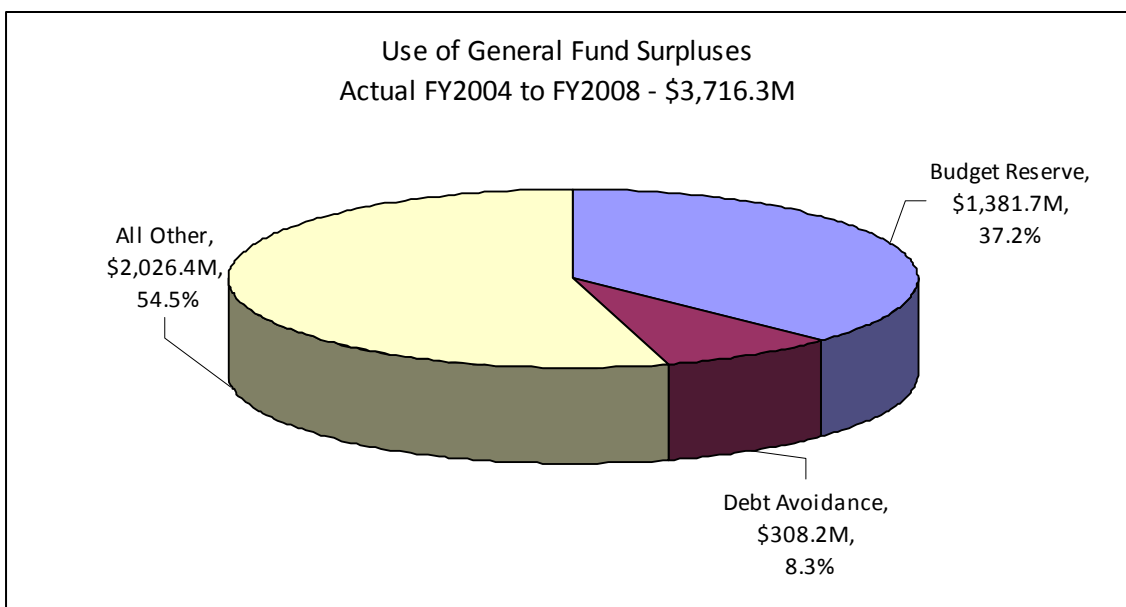
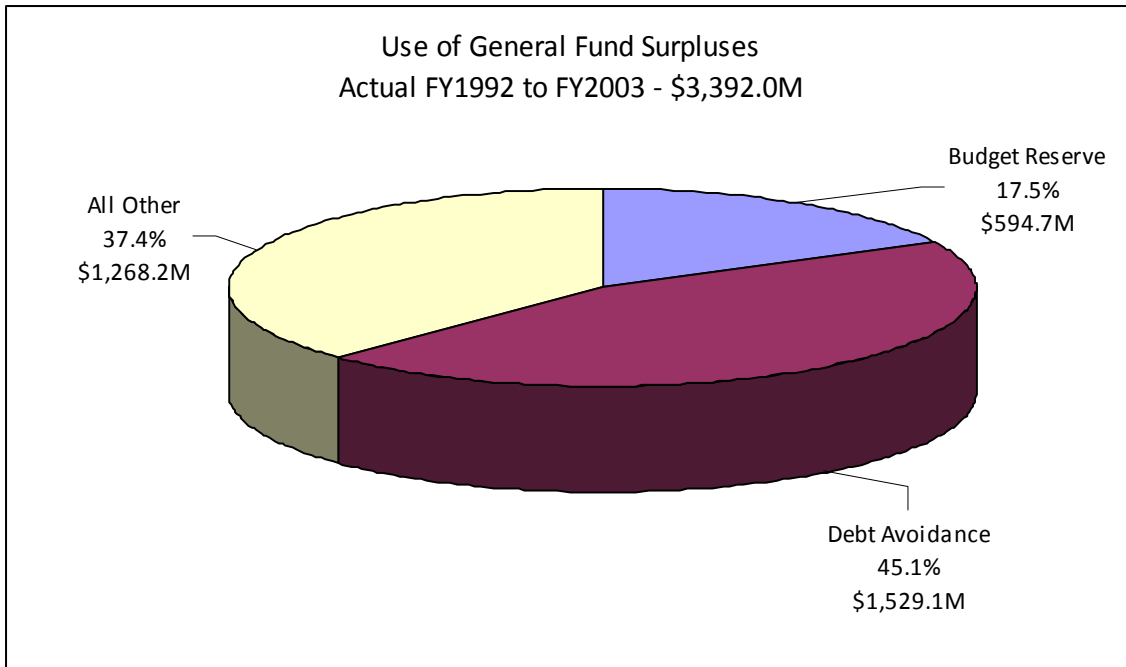
The budget reserve fund proved woefully insufficient to completely cover the shortfall that ensued from the dramatic revenue deterioration, but the problem would have been that much worse had we not built up the reserve.

The current biennial budget presented challenges because past surpluses engendered substantial new spending which is now difficult to cut. In a cyclical, free-market economy such as ours it is essential to the orderly continuation of government that we set

aside resources for the eventual rainy day. A budget reserve fund, like any family's savings account, is a prudent measure that will help the state deal with economic downturns in the future.

Going forward, it is imperative that the state begin to rebuild that reserve. It will be a signal to the bond rating agencies that we are serious about putting our fiscal house in order and it will serve to mitigate future program cuts and tax increases.

In order to provide some fiscal discipline and reorder our budget priorities, the Governor proposes that half of any surplus that is identified in the cumulative monthly financial statement concerning the state's General Fund issued by the Comptroller in the months of January or May be immediately transferred to the budget reserve fund. This will have the effect of taking those resources "off the table" for new spending and assure the reserve fund gets the first claim on any surplus. If the state still ends the fiscal year with a surplus, even after any such mid-year appropriation of estimated surplus, the remaining surplus would also be deposited in to the reserve fund.





## **Bonding Reform**

Governor Rell is concerned about the state's growing debt burden and is proposing legislation to enhance existing debt limitations.

Once the legislature authorizes bonds for a particular project, these bond authorizations exist until such time as the legislature takes the affirmative step of repealing the authorization, even though the need for the project may have long since passed, or it becomes clear that the project will not be funded by the bond commission. These unallocated authorizations affect our bond rating and at times can cause the state to be in violation of its bond cap limits.

Governor Rell proposes that bond authorizations that are not acted upon within five years of their authorization will be automatically extinguished in the absence of reauthorization by the General Assembly.

## **Governor's Enhanced Rescission Authority**

During difficult budget years, the law provides for the Governor to make adjustments to agency budgets to take account of changes in circumstances since the budget was adopted. This is commonly referred to as the Governor's "rescission" authority. During the recent budget difficulties the Governor has utilized this power to the greatest extent possible for many different items. Additional savings could have been achieved had there been the authority to do so.

Given the difficulty in making legislative changes necessary to effectuate savings in the budget and given the state's continuing fiscal problems, the Governor is proposing an expansion of the rescission authority when circumstances worsen. Currently the Governor may rescind up to 5% of any appropriation or 3% of any fund if the Comptroller projects a deficit that is 1% or greater than the amount of the General Fund. The proposal will allow a rescission of up to 10% of any appropriation or 6% of any fund in the case where the projected deficit is 3% of the General Fund and a rescission of 15% of any appropriation or 10% of any fund if the deficit is projected to be 5% of the General Fund.

The proposal does not give a Governor unlimited power to slash budgets. Writing and following a state budget is – and should remain – a balanced process, something that involves all three branches of government. But when the process – and the budget – is badly out of balance, as is certainly the case right now, someone must be able to restore that equilibrium. As Chief Executive of our state, this responsibility should rest with the Governor. These are modest – but necessary – changes and they will help ensure that the failure of the usual system for dealing with budget shortfalls does not wind up creating a lingering crisis or – worse – being solved on the backs of taxpayers with tax increases or ill-considered borrowing.

## **GENERAL GOVERNMENT REFORM**

### **Municipal Mandates**

Governor Rell included in the government reform package a series of proposals to relieve municipalities and their taxpayers from costly state imposed mandates. These mandates cost local taxpayers millions of dollars in compliance costs each year and in many cases are no longer necessary to accomplish the originally intended purpose.

The Governor proposes to:

- Allow posting of certain public notices on the internet;
- Allow transmittal of certain required information to state agencies electronically;
- Eliminate municipal requirement to store possessions of evicted tenants;
- Postpone requirement to do in school suspension;
- Limit to fifteen years the obligation to retain certain municipal records;
- Modify treble damages provision regarding zoning enforcement officers issuance of zoning violations;
- Modify the Raise the Age legislation regarding release provisions;
- Provide for municipal pension reform through development of an alternative benefits plan; and
- Prohibit enactment of any new unfunded mandates without a 2/3 vote of the General Assembly.

## **An Act Concerning Government for the Twenty-first Century**

Over the last eighteen months, each branch of state government has studied, talked about and proposed ideas concerning how best to restructure government, its institutions, structures and delivery systems. Unfortunately, substantial results have yet to be achieved. The time has come to act and to do so in a non-partisan spirit.

Governor Rell proposes that we follow the model established by the federal government for closing and realigning military bases. In the past, the base closure process was fraught with politics and controversy and necessary closures and realignments were very difficult to get through the Congress. The Base Closure and Realignment Commission (BRAC) process has worked for over twenty years now and has been considered a success in “right-sizing” our military base system, in significant part because it goes a long way in taking the politics out of the process.

The Governor proposes a similar process: there would be a balanced, non-partisan commission that would work in a transparent, public manner to review the structure of state government and propose efficiencies, eliminations, and reductions to the size and cost of state government.

The commission would make recommendations which would be subject to review and public input and, if approved by a review panel, the recommendations would be drafted into reform legislation. This omnibus bill encompassing the recommendations would then be put to a mandatory vote of the General Assembly and no amendments would be allowed, just as in the BRAC process the Congress must vote on the entire set of recommendations, with no amendments allowed.

The citizens of our state are entitled to action on a comprehensive review of government processes and structures. In the 21st century, Connecticut has to have a leaner and more effective state government if our state is to remain a competitive place to do business and a desirable place to live and work. This proposal provides us a mechanism to make real progress after the stalemate of the last year.

## **Citizens’ Election Program**

In 2005, Governor Rell was proud to sign into law a landmark campaign finance reform bill. The new law created the Citizens’ Election Program (CEP) and made our state a national model for campaign finance reform. It was hoped that the damaging, corrupting influence of special interest money would be kept out of our elections.

The law provides a system for publicly funding statewide and legislative campaigns, which began in 2008 for General Assembly races and was supposed to be in effect in 2010 for Governor and other constitutional offices, including Lieutenant Governor, Attorney General, Comptroller, Treasurer and Secretary of the State.

Last summer, the law was challenged in federal court and the court found several provisions of the law to be unconstitutional. The court concluded that the operation and enforcement of the CEP must be permanently enjoined. That injunction was later stayed pending appeal to the U.S. Court of Appeals for the Second Circuit.

The Governor proposes that the CEP law be revised to pass Constitutional muster so that we can assure that our state remains a model for clean government. The proposed revisions would eliminate additional qualifying criteria for candidates of minor parties and petitioning candidates; provide grants in same amounts to all candidates – major party, minor party and petitioning; defer the increase in grant amounts based upon consumer price index until 2014; provide that contributions from client lobbyists shall not be considered qualifying contributions for purposes of CEP; reduce amounts of grants in response to judge’s labeling of grant amounts as “windfall”; and, to the extent that provisions concerning excess and independent expenditures are found to be unconstitutional, temporarily suspend their operation until the issue is finally resolved.

It is imperative that the General Assembly act to revise this law so that there can be certainty as to the playing rules for the state elections coming in the fall of 2010. These elections come at a time of trial and anxiety in our state and important decisions will be made in these elections that will likely determine our state’s course for many years to come. Our citizens deserve a clean election free of the influence of special interests and with a level playing field for the many qualified individuals who are stepping forward to offer their service.

## **JOBS**

### **Jobs Creation Loan Pool**

Connecticut is experiencing a severe economic recession with abnormally high unemployment of 8.9%. Commercial firms and businesses in our state are seeing a significant lessening in sales volume and profitability, and as a result, are less attractive credit risks. The Governor recognizes that small and medium sized businesses are key to Connecticut's emergence from this downturn, and these businesses need credit if they are going to expand.

The Governor is proposing the establishment of a new economic diversification fund totaling \$100 million to spur job creation, job preservation and help economic recovery by providing critical finance to small and medium sized businesses. The fund will be used to support two lending programs.

A \$75 million loan guarantee/lending program in coordination with Connecticut banking institutions will extend a guarantee for loans of \$500,000 to \$3,000,000 made to businesses with 250 or fewer employees. The loss protection extended to participating banks is an enhancement to increase the creditworthiness of potential borrowers that are having difficulty getting loans. The \$75 million loss protection fund will support a loan portfolio in excess of \$400 million when fully leveraged by participating banks. There will be fair access to all banks, regardless of size, on a first come first served basis. An important component of the program is the assurance that the banks disburse the loans as quickly as prudently possible, with an immediate impact on the creation and preservation of Connecticut jobs. If for some reason the Connecticut banking industry cannot participate in the program, the Department of Economic and Community Development (DECD) will issue direct loans. The Commissioners of DECD and Banking, as well as the Connecticut Bankers Association will oversee the program and provide monthly updates to the Governor. Appropriate steps will be taken to ensure diversification of the loan portfolio, selection of credit risks and maximum growth of the loan portfolio in relation to the loss protection fund of \$75 million.

The remaining \$25 million will be targeted to smaller businesses whose credit needs are less than \$500,000 and will have no lending floor. Banking institutions tend to shy away from this sector, leaving an unfulfilled need in the market. This program will help businesses of 100 employees or less, and eligibility will include modest credit requests from sole proprietorships and small partnerships and corporations, and commitments to create or maintain jobs. The Commissioner of DECD will oversee this program.

### **Job Creation Tax Credit**

In recognition of the importance of jobs to state residents, families, and businesses, the Governor is proposing to enhance the Jobs Creation Tax Credit Program. The existing jobs creation tax credit program does not provide a benefit to encourage the creation of jobs by small businesses, which is where the creation and growth of jobs is most likely to occur. Small businesses which include those with 25 or less employees will be eligible for the expanded and simplified credit. The credit may be used for three years, beginning in income year 2010, and will be worth \$2,500 per new job created. Significantly, the credit will not only be available to corporations, but also to pass-through entities which are typical of today's business enterprises. In order to safeguard the state budget, the credit will be subject to the existing annual cap of \$10 million for the Jobs Creation Tax Credit program.

### **Renewable Energy Sales Tax Exemption**

To further bolster job creation, the Governor is proposing an enhanced sales tax exemption for green energy type industries in order to encourage the research and production of such equipment in the state. These enhanced exemptions will provide a better climate which will encourage development of those jobs and create our energy systems of the future.

### **Loan Forgiveness Program - Maintaining talented graduates for a vibrant workforce**

The only constant in the global economy is that it is ever evolving. Connecticut - and its workforce - must be able to adapt and meet the demands and challenges of this new economic reality.

Another challenge facing our state is the so called "brain drain", where we have seen some of our most talented college graduates leave our state once they have earned their degrees.

In order to meet the workforce demands of the global economy, and to encourage those who are educated here to remain in Connecticut, the Governor is proposing a Loan Forgiveness Program. This program, aimed at those who earn degrees in “green” technology, life sciences or health related information technology, will forgive a portion of school loans if – and only if – that person remains in the state after graduation and works in one of the three fields mentioned.

The program will work as follows: A person graduating from a Connecticut school with a bachelor’s degree in one of the three target fields who works and lives in the state for at least two years will have 5% of any school loans forgiven. After three years, the forgiveness increases to 10%, after four years, 15% and 20% after five years. The maximum amount that can be forgiven in any one year would be \$2,500, with a cumulative maximum of \$10,000.

An individual graduating from a Connecticut school with an associate’s degree in one of the three target fields who works and lives in the state for at least two years will have 5% of any school loans forgiven. After three years, the forgiveness increases to 10%. The maximum amount that can be forgiven in any one year would be \$2,500, with a cumulative maximum of \$5,000.

The Department of Higher Education will operate the program. A total of \$6 million annually will be available to forgive the loans. Up to \$3 million from the Energy Conservation and Load Management Fund and up to \$3 million from the Connecticut Health and Educational Facilities Authority (“CHEFA”) will be used as “seed money” to initiate the program.

With this new program, Connecticut can ensure that it fosters a highly competitive workforce that will meet the demands of the global economy.

## **EDUCATION**

In the midst of the most serious economic recession of a generation, Governor Rell’s proposed midterm FY2010-2011 budget sustains her historical commitment to Connecticut’s children. With strategic investments in the Education Cost Sharing grant, school choice and school readiness programs and student financial aid, Governor Rell has dedicated funding to improve educational outcomes for Connecticut students. Additionally, if Governor Rell is successful in getting \$192.7 million in federal Race to the Top Funding (RTTT), significant resources will be available to transform Connecticut’s education system.

Since Governor Rell first took elective office, education, particularly the manner in which local education is financed, has been of paramount concern to her. In 2007, Governor Rell proposed a sweeping set of education finance reforms designed to propel education funding into the 21<sup>st</sup> century. Her recommendations, which included the revamping of the Education Cost Sharing (ECS) grant, resulted in an unprecedented investment of state resources in education. From 2005, when Governor Rell took office, and through FY2008-2009, ECS funding increased by \$326 million, or 21%. In FY2009-2010 and FY2010-2011, Governor Rell made the strategic decision to sustain this \$1.9 billion education investment by using federal American Recovery and Reinvestment Act of 2009 (ARRA) funding to ensure that no community received less in FY2009-2010 and FY2010-2011 than they had received in FY2008-2009 ECS funding.

In addition to the ECS grant, Governor Rell has maintained her pledge to fund innovative education options. These options, which include schools of choice, such as magnet and charter schools, are particularly important to minority students and their parents. Despite considerable funding for public schools to eradicate the substantial achievement gap between white and African-American and Hispanic students, the gap remains stubbornly significant. In recent educational assessments, however, there are glimmers of hope for students in magnet and charter schools.

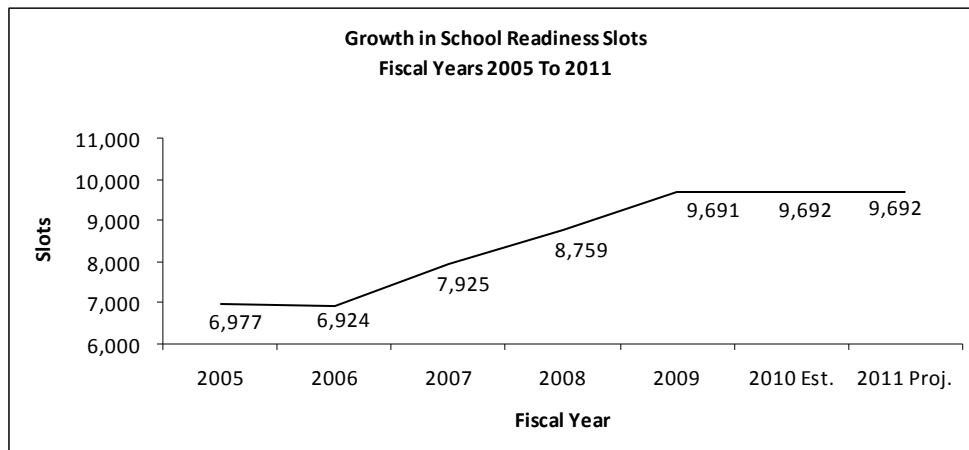
Recent data demonstrates that African-American students in Regional Education Service Center (RESC) magnet schools do better than their peers who attend non-magnet schools. In fact, the Capitol Region Education Council (CREC), which operates about a dozen magnet schools as part of the state’s efforts to desegregate Hartford schools, is far above the statewide average, with about 60% of African-American students meeting goals on state standardized tests. For Hispanic students, CREC schools also exceed the statewide academic performance average, with over 51% meeting goals on the statewide exams.

Studies further indicate that minority students in charter schools perform better on the state standardized tests than their peers in traditional public schools. Most charter schools are in cities (four each in Bridgeport and Hartford, three in New Haven, two in Stamford and six others scattered throughout the state) as are most of 61 magnet schools (17 in New Haven, 10 in Hartford, 3 in Waterbury and two each in Bloomfield, New London and Stamford plus three towns with one magnet school each) and 22 RESC operated schools.

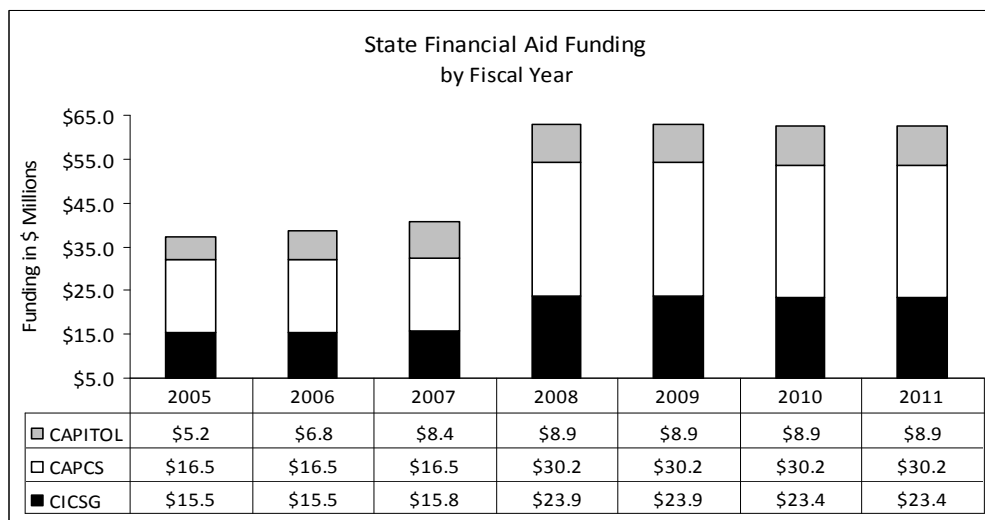
Magnet schools and charter schools are two education options which are recommended for significant increases in FY2010-2011. Over 4,000 new school choice slots will be available in FY2009-2010; an additional 2,254 will be funded in FY2010-2011. By the end of the biennium, it is estimated that over 31,000 Connecticut students will be in schools of choice. Governor Rell is including \$26.5 million in additional funding for FY2010-2011 for these school choice seats.

In addition to the schools of choice that Governor Rell has so generously supported, her FY2010-2011 budget also maintains her longstanding commitment to increase the number of disadvantaged students in quality preschool programs. When Governor Rell took office in 2005, the School Readiness program (for quality preschool slots in the state's poorest and most academically challenged schools and districts) had stagnated at about 6,000 slots statewide. This represented about one-third of the statewide need for quality preschool slots for disadvantaged students. Under Governor Rell's direction, the state began to rapidly increase the number of quality preschool spaces available to disadvantaged students. Over a very short time, the number of preschool slots skyrocketed from around 7,000 to 10,000, over a 40% increase.

The importance of this initiative should not be underestimated. On-going research suggests that children's early education affects their life-long learning capabilities, suggesting that it is imperative to continue this important investment of state resources. For children coming from homes where they face many barriers to academic success factors including poverty, lack of maternal education, and paucity of English language speakers preschool offers them the opportunity to catch up to their peers who do not have the same educational hurdles to climb. Ensuring disadvantaged students with a quality preschool experience is an important part of making them ready for the school experience.



At the other end of the educational continuum, Governor Rell, in her proposed FY2010-2011 budget, maintained funding for state supported financial aid for students attending college. All of these programs are need driven, although the Capitol Scholarship program has an academic component to it, as well.



Too often, college is beyond the economic means of state families. From 2005 when Governor Rell took office until now, state financial aid grew by over \$25 million, or 68%. By devoting significant financial resources to state financial aid, Governor Rell has made an economic investment in the education of thousands of students in the state.

### **Race to the Top**

As a final note, if the federal Department of Education approves Connecticut's Race to the Top application, and the state receives the \$192.7 million over four years, Governor Rell will have the opportunity to make transformational educational progress towards:

- Adopting 21<sup>st</sup> century academic standards so all students graduate with a college ready high school diploma;
- Designing a data system that students, parents and teachers can use to monitor student academic growth;
- Creating a world class education workforce that is effective and creative; and
- Improving the state's most academically challenged schools so the achievement gap is significantly reduced.

### **HEALTH AND HUMAN SERVICES**

Given the financial challenges faced by Connecticut state government and the service needs of its citizens, the Governor has recommended a series of changes aimed at improving efficiency, restructuring services and reducing expenditures.

#### **Social Services**

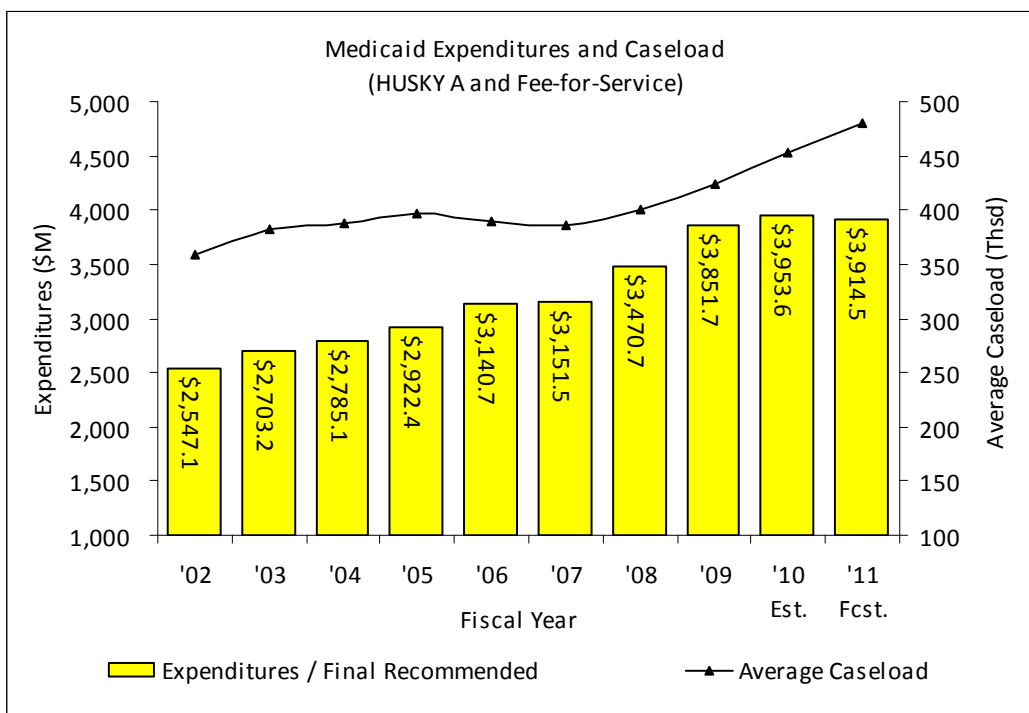
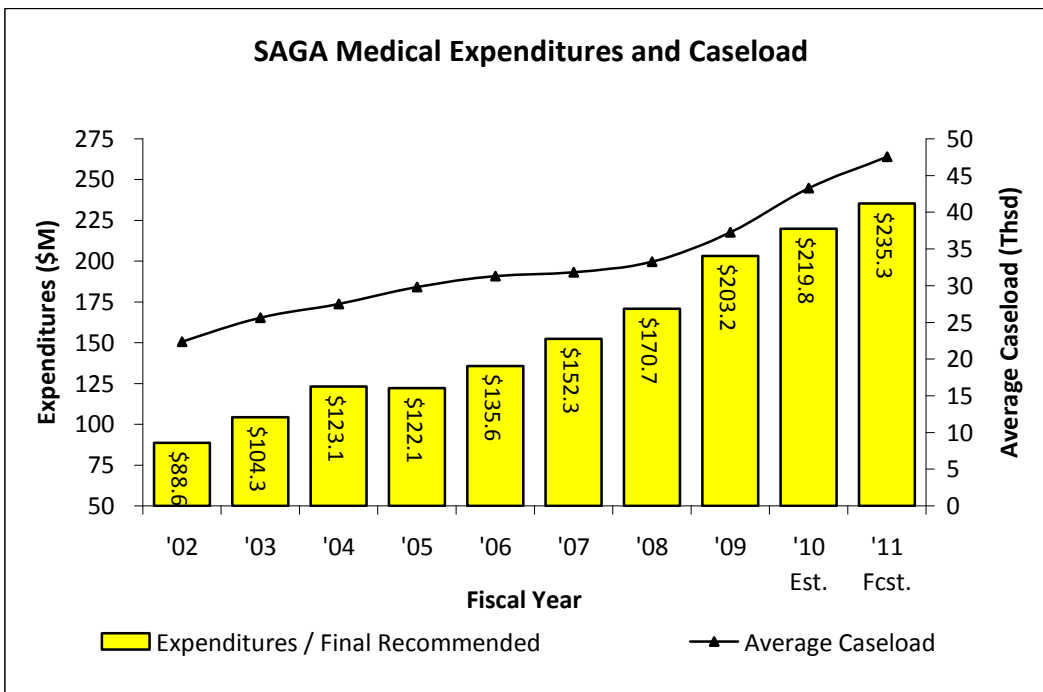
To ensure that the state's limited resources are spent efficiently, the Governor proposes to restructure the provision of medical services under the Department of Social Services (DSS). With administrative costs presently budgeted at more than \$185 million over the biennium, it is time to reconsider Connecticut's current Medicaid managed care model. To address this, the Governor proposes to move the current managed care system to a non-risk arrangement under an administrative services organization (ASO), resulting in FY2010-2011 savings of \$28.8 million. Similarly, the Governor proposes to achieve savings of \$2.3 million in FY2010-2011 by reducing administrative costs under the State Administered General Assistance (SAGA) program by processing all provider payments in-house at a significantly lower cost. This restructuring will not impact the ability of Medicaid and SAGA clients to receive the necessary medical care.

Under the Governor's budget, non-emergency transportation options under Medicaid will be expanded to include stretcher van service for those individuals who are medically stable but must lie flat during transport. The new stretcher van rate will be roughly one-fifth the cost of the non-emergency ambulance rate. This change is consistent with a number of other states that have recognized the economic value of stretcher vans and will result in savings of \$5.9 million in FY2010-2011.

In order to ensure funding for core services, the Governor is proposing to eliminate or restructure certain services for savings of \$20.5 million in FY2010-2011. Savings initiatives include eliminating coverage of most over-the-counter drugs to the extent allowed under federal law (\$7.7 million), requiring that all mental health prescriptions be subject to the preferred drug list (\$1.0 million), and narrowing the vision care benefit for adults under Medicaid (\$4.6 million), all of which are optional services under Medicaid rules, as well as removing vision and most non-emergency medical transportation services under SAGA for a savings of \$1.4 million. In addition, the Governor is proposing to reduce discretionary funding for federally qualified health centers (FQHCs), including funding that was added last biennium to cover the cost of FQHC enhancements (\$4.1 million) and reducing FQHC payments under SAGA to 90% of Medicaid rates (\$1.7 million). Under federal Medicaid rules, DSS is required to reimburse FQHCs at their full allowable cost; they are the only providers that are paid in this manner.

In light of the rising cost of health care, the Governor's budget also reflects additional cost-sharing under a number of DSS' programs, which will result in savings of \$16.4 million in FY2010-2011. Recognizing that a total of 45 states impose co-payments under their Medicaid programs, the Governor is proposing nominal co-pays of up to \$3.00 per service under Medicaid, the sum of which are not to exceed 5% of family income on allowable medical services, excluding hospital inpatient, emergency room, home health, laboratory and transportation services for a savings of \$9.0 million; co-pays for pharmacy services will be capped at \$20 per month. Consistent with federal rules, the following populations will be exempt from the cost sharing requirement: children under age 18; individuals at or below 100% of the federal poverty level; Supplemental Security Income (SSI) recipients; pregnant women; women being treated for breast or cervical cancer; and persons in institutional settings. In addition, dually eligible clients under Medicare Part D will be responsible for paying up to \$20 per month in Medicare co-pays for Part D-covered drugs, an increase of \$5

over the current monthly cap, for a savings of \$1.1 million. The Governor is also proposing to increase the premium amounts under HUSKY B for individuals with income between 236% and 300% of the federal poverty level, which would save \$1.4 million. In addition, the cost sharing requirements under HUSKY B will be adjusted to remain consistent with the co-pay requirements for state employees, resulting in savings of \$710,000. Similar to Medicaid, the maximum annual aggregate cost-sharing requirements under HUSKY B cannot exceed 5% of the family's gross annual income. The Governor is also proposing to scale back premium assistance under the Charter Oak Health Plan to clients who are enrolled in the program as of June 30, 2010, for a savings of \$4.2 million.



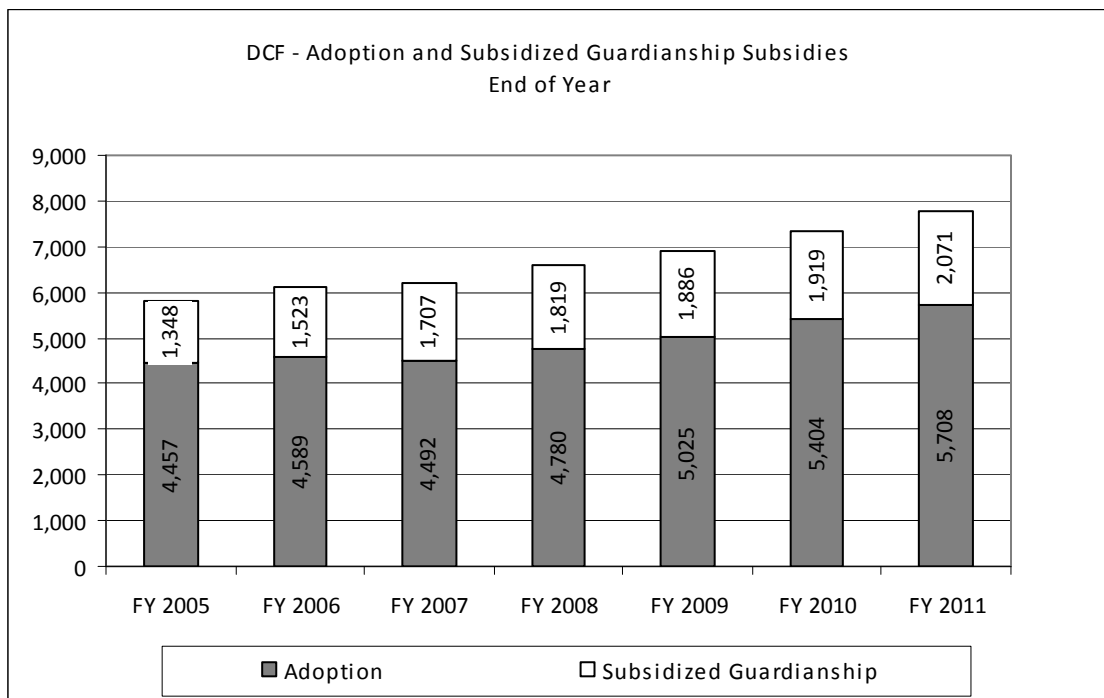
## Children and Families

The Governor's budget for the Department of Children and Families (DCF) recommends continued support for permanent homes for our most vulnerable children. Funds are maintained to support a net increase of over 400 subsidized adoptions and subsidized guardianships in FY2010-2011.

The budget includes funds to implement requirements of federal legislation promoting education stability for children and youth in foster care. When a new foster care placement occurs, provisions of the "Fostering Connections to Success and Increasing Adoption Act of 2008" require states to allow the child to continue attending his or her original school as long as it is in the child's best interest. As a result, the Governor's budget adds \$2.9 million to pay for transportation of the child to his/her home district.

The Governor's budget also includes funding to implement legislative changes in the maximum age for juvenile court jurisdiction, which under current law, increases from age 15 to age 16 starting January 1, 2010, and raises the age to 17 as of July 1, 2012. The budget provides funds in DCF to meet the anticipated service needs of 16 year olds who will now be considered juveniles in the judicial system and who are in need of the full range of services in addition to the continuum of care in DCF - from the Connecticut Juvenile Training School to community programs. It is anticipated that the number of DCF's juvenile justice clients will double when the "raise the age" initiative is fully implemented.

Recommendations are included for FY2010-2011 which will save money by aligning funding with service needs and by reducing spending on lower priority programs.



## Labor

Recognizing the need to provide skilled job training to Connecticut's workforce, the Governor's budget maintains funding for 21<sup>st</sup> Century Jobs, the Incumbent Worker Training Program, the Apprenticeship Program, and the Connecticut Career Resource Network. The 21<sup>st</sup> Century Jobs program will sustain Connecticut's high growth occupations and economically vital industries and will assist workers in obtaining skills to start or move up the career ladder. This program provides demand-driven skill training resources for business and their employees in order to promote job growth, job retention and job creation. The Incumbent Worker Training program provides training for workers to keep them and their firms competitive. Funding for the Apprenticeship Program will allow the agency to continue to identify qualified employers who are willing to sponsor apprentice employees. These apprenticeship placements are long term in nature, usually from one to four years, and provide the apprenticeship employee on the job training



experience necessary to create a skilled workforce. The Connecticut Career Resource Network is the primary source of Connecticut-specific career information used by the education community: teachers, guidance counselors, students and their parents, as well as by the workforce investment system. It has provided the information needed to help learners, from youth to adults, make informed decisions about their career choice and preparation. Funding is also maintained for Jobs First Employment Services, a program which provides employment services for individuals who receive Temporary Family Assistance from the Department of Social Services. Taken together, these programs provide a framework for job search, placement, training, and re-training in order to meet the state's workforce needs and ensure that Connecticut residents can gain, maintain, and retain employment.

Due to the state's projected budget deficit, the Governor's budget suspends the funding for programs such as Opportunity Industrial Centers, Individual Development Accounts, STRIDE, and STRIVE. While funding for the Connecticut Youth Employment Program is also suspended, it is anticipated federal funding may be available through forthcoming legislation.

### **Developmental Services**

The budget provides \$7.6 million to annualize the conversion of seventeen group homes from public to private operation anticipated to begin in spring 2010. These conversions were made possible through the FY2008-2009 retirement incentive plan. The annualized savings from conversions is expected to be between \$3.6 and \$3.9 million per year. An additional \$5.9 million will be saved in the Employment and Day Services account through the annualization of the FY2009-2010 changes in employment and day attendance reimbursement rates without impacting the number of clients receiving services.

Savings of \$6.8 million will be realized in the Personal Services account through a variety of management strategies including strict management of overtime, gradual attrition in the workforce, and the closure of two buildings at Southbury Training School made possible by reducing client census.

In order to mitigate cost increases in the Birth to Three program, the Governor is proposing to change the practice that currently allows providers to retain 10% of insurance billings on top of what the state pays for services. Instead, these funds will be utilized to offset program costs.

### **Mental Health and Addiction Services**

Additional funding of \$6.1 million is recommended for the Department of Mental Health and Addiction Services to address funding needs in the Professional Services (\$2.1 million) and General Assistance Managed Care (\$4 million) accounts. These accounts are all experiencing deficiencies in FY2009-2010.

To support the expected closure of Cedarcrest Hospital in spring 2010, \$5.9 million is recommended to annualize the cost of 40 community placements and the development of alternative care beds.

Research activities at the Connecticut Mental Health Center will be suspended saving \$1.2 million.

### **MUNICIPAL AID**

The FY2010-2011 municipal aid recommendation of \$2.8 billion is \$13.9 million more than the FY2009-2010 estimated expenditure level. Although there is an \$18.2 million increase in education formula grants, it is somewhat offset by a \$4.3 million minor reduction in non-education formula grants. For the non-education formula grants, most were recommended for the same level of funding in both FY2009-2010 and FY2010-2011. There were minor recalibrations in the State Owned PILOT, Machinery and Equipment grant and miscellaneous grants. For the education formula grants, most of the growth (\$25 million) is in the magnet school grant due to *Sheff* magnet school rate and enrollment increases. This increase is offset by modest adjustments in the Education Cost Sharing (ECS), transportation and miscellaneous grants. Overall, this funding level represents Governor Rell's ongoing commitment to municipal aid.

<b>Summary Of Local Aid</b>				
<b>ESTIMATED FORMULA GRANTS TO MUNICIPALITIES</b>				
<b>(In Millions)</b>				
GRANT	FY 2009	FY 2010	FY 2011	Change FY 10 to FY11
State Owned PILOT	76.0	76.5	77.4	0.9
College & Hospital PILOT	115.4	115.4	115.4	0.0
Pequot Grant	86.3	61.8	61.8	0.0
Town Aid Road Grant	22.0	30.0	30.0	0.0
LoCIP	30.0	30.0	30.0	0.0
Miscellaneous General Grants	21.4	20.7	19.9	-0.8
Machinery & Equipment	57.3	57.3	52.9	-4.4
Subtotal - General Government	408.4	391.7	387.4	-4.3
Public School Transportation	48.0	48.0	43.2	-4.8
Non-Public School Transportation	4.0	4.0	3.6	-0.4
Adult Education	19.6	20.6	20.6	0.0
Education Cost Sharing	1,882.9	1,889.6	1,889.2	-0.4
Magnet Schools	128.6	148.1	173.1	25.0
Special Education - Student Based	140.0	120.5	120.5	0.0
Miscellaneous Education Grants	146.5	147.1	145.9	-1.2
Subtotal - Education	2,369.6	2,377.9	2,396.1	18.2
Total - Formula Grants	2,778.0	2,769.6	2,783.5	13.9

### **\$10 Million Municipal Capital Loan Fund**

Governor Rell also knows that municipalities can save taxpayer dollars by sharing services and expenses. To that end she is proposing to create a \$10 million capital investment fund which would allow municipalities that share services to jointly acquire capital equipment such as snow plows or data processing equipment. The state would subsidize up to 25% of these cooperative ventures up to \$250,000 per project. This one time investment can incentivize long term savings through municipal cooperation.

### **CAPITAL INVESTMENTS**

C.G.S. Section 2-27b requires that the State Treasurer compute the aggregate amount of state general obligation (GO) bond indebtedness each January 1 and July 1 and certify that the aggregate amount of indebtedness does not exceed 90% of the debt limit as prescribed in C.G.S. Section 3-21. The debt limit is 1.6 times General Fund tax receipts.

When the 90% threshold is exceeded, the Governor is required to recommend unallocated GO bond authorizations for cancellation to bring indebtedness below the 90% limit. Due to continued weak tax receipts, estimated general fund tax revenue for FY2010-2011 is projected to cause indebtedness to exceed the 90% limit by \$242 million on July 1, 2010 if up to date revenue projections are adopted.

Therefore, Governor Rell is recommending the cancellation of \$389 million of previously enacted GO bond authorizations. Many of these authorizations have remained unused for some time or are no longer affordable or essential in the current fiscal environment. The recommended cancellations will allow important capital projects and programs like local school construction, the small town economic assistance program, the local capital improvement program, clean water projects, higher education capital investments and economic development programs to continue when they are most needed.

The Governor is proposing three new capital investments financed from GO bonds. The most important is the \$100 million Jobs Creation Loan Pool described above.

The second investment provides \$21 million to construct a new data center for the Department of Information Technology. The new facility will provide long-term budget savings by replacing expensive leased space which is at capacity.

Third is the \$10 million for grants to municipalities to help purchase shared equipment described above.

Additionally, the Governor is proposing an increase in Special Tax Obligation Bonds for the Department of Transportation of \$4.825 million to finance additional environmental remediation at its facilities.

## **ENERGY**

### **Consumer Programs**

In response to concerns about high prices for home heating oil, two consumer programs have been initiated. The Furnace Replacement Rebate Program has provided rebates of up to \$500 to residents that have replaced older, inefficient furnaces/boilers with new energy efficient models. To date over 9,000 households have received rebates under this program. The Energy Audit Subsidy Program provided an opportunity for oil-heated households to participate in the utility-sponsored Home Energy Solutions. This unique partnership allowed households to receive the electric benefits and have their home heating equipment cleaned and “tuned up” for optimal energy efficiency.

### **State Government Initiatives**

The purchasing of government’s energy needs has been a priority area. While low price is a valued goal, price stability in times of rapid price changes is equally valued. Under OPM leadership, state government agencies now cooperate in their purchase of natural gas and electricity requirements for state facilities. This combined purchasing power has allowed us to most recently acquire an electric contract that ensures budget certainty until 2013. An added bonus is that clean, renewable energy resources are providing for about one-third of the electricity used in most facilities at no additional charge.

Under the Demand Response Initiative, 73 energy efficiency projects have been undertaken or approved at various state agencies. These projects have a projected cost of \$3.1 million and will provide an annual energy savings of \$1.3 million. Funding for these energy conservation projects is derived from the state’s participation in ISO-New England programs aimed at curtailing individual consumer usage during peak or other critical times. This revenue stream is re-invested into energy projects at participating state agencies. At the present time nine state agencies and all of the state’s higher education institutions are participating in this initiative.

In an effort to enhance the decision-making process and direct limited resources to projects that will provide the greatest benefit, OPM has undertaken an upgrade to its tracking of energy usage and costs at state facilities. When completed (by end of the current fiscal year), the Building Energy Evaluation System (BEES) will integrate energy invoice data (usage and cost) with building structure data (square footage, employees, etc.) This integration of data will allow for more complete analyses to be performed in determining which buildings are most in need of energy projects, or which energy projects can be replicated across many similar types of buildings. BEES will also allow agencies access, via the web, to reports on their building energy use and cost.

Recent legislation allows for the manufacturers of new or innovative energy saving technologies to test their product in a state facility. This “test bed program” will allow for demonstration and verification of the energy savings potential of the technology. Technologies that have positive results will then be made available to all state agencies under existing procurement practices. Any cost associated with the demonstration is borne by the manufacturer. OPM is in the process of testing four technologies in collaboration with UCONN, the Community Colleges, the Department of Correction and the Department of Environmental Protection.

## **TRANSPORTATION**

Restoring Connecticut’s transportation system has been a priority in each of Governor Rell’s recommended budgets and this year’s recommended mid-term adjustments are no exception. Measures recommended by the Governor and adopted by the General Assembly last have preserved the fiscal health of the Transportation Fund allowing the continuation of the bus and rail initiatives adopted over the last five years.

As Governor Rell has stated, “If we want Connecticut to stay competitive and provide for the quality of life we enjoy, an effective and efficient transportation system will be key.”

The last year has seen significant progress on a number of important initiatives:

- Planning for the extension of Shore Line East service from Old Saybrook to New London was completed and service is scheduled to begin later this month;
- The State Bond Commission approved \$26 million for track work needed in order to institute commuter rail service between New Haven, Hartford and Springfield, an initiative which the Governor has said is “not only important for commuters, but for the opportunities it brings to the communities up and down the line.” The state also sought and received a \$40 million federal grant that will be used for additional track work and other improvements;
- The State Bond Commission also approved over \$100 million in funding for the new West Haven rail station;
- The first prototypes of the new M-8 rail cars for the New Haven Line and Shore Line East arrived and are undergoing testing. Deliveries will continue throughout the next fiscal year; and
- Additional funding was authorized for the New Haven rail maintenance complex. Bids for the centerpiece of that project, the Component Change Out Facility, were lower than expected, a construction contract has been awarded and construction has begun.

Governor Rell’s proposed budget also includes \$1.6 million to continue the weekday service between Old Saybrook and New London and to extend it to the weekend.

### **Drivers License Security**

The Department of Motor Vehicles (DMV) has made great strides in enhancing security with regard to issuance of state Driver’s Licenses and Non-License Identification Cards. The Department’s efforts also have worked toward compliance with the REAL ID Act (RIA) of 2005. The RIA is a federal law passed in response to the terrorist attacks of 9/11 in which fraudulent identification documents were utilized. The law standardizes certain security, authentication, and issuance measures for state driver’s licenses and identification cards. The current compliance date for RIA is May 10, 2011.

Based on compliance criteria, all license renewals after May 1, 2011 must be treated as new applications. DMV will need to be more stringent with its background check and the applicant will need to provide proof of identity regardless of how long the applicant might have been a licensed driver. The DMV will require more staffing in order to adequately handle the increase in transaction time due to verification. As a result, the Governor’s Midterm Adjustments include funding in the amount of \$250,000 in order to fill twenty Motor Vehicle License Examiner positions on April 1, 2011. This start date allows for hiring and training of new staff in order to achieve compliance by May 10, 2011.

### **CONCLUSION**

Though this year and next year will be among the most financially challenging in many decades, through prudent management and strategic planning, Governor Rell seeks to position Connecticut so it can maximize opportunities for growth and vitality in the 21<sup>st</sup> century. Working together, we are sure to achieve success.