



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

OFFICE OF THE SECRETARY

Date: August 1, 2019

To: Agency Heads

From: Melissa McCaw, Secretary 

Re: FY 2021 – Midterm Budget Adjustments

Both Governor Lamont and I want to sincerely thank you for your hard work and dedication during this first year of this new administration and especially the 2019 legislative session. Although the budget was passed only a few short weeks ago and implementation of the FY 2020 budget is just underway, we must also focus our attention on the development of adjustments to the second year of the budget biennium, FY 2021. Both state statute (C.G.S. §4-77) and prudence dictate that agencies submit recommended adjustments to the budget for the second year of the biennium to OPM not later than September 1.

As in previous years, we are also requiring that agencies submit policy revisions in addition to any technical adjustments to the FY 2021 budget. Technical adjustments should be submitted if legislation passed during the 2019 session would require changes in resources that are unrecognized by the enacted budget for FY 2021, for revised estimates of court-ordered or entitlement spending, for realignment of funding between accounts, and similar technical (non-policy) changes to the enacted budget. Additionally, one of Governor Lamont's key priorities is achieving greater efficiencies in government operations. To the greatest extent possible, please identify opportunities to operate more efficiently where technical adjustments would traditionally require new funding. I challenge you to think creatively about how to incorporate new policy requirements into a revised operational model to reduce the need for new funding.

As you move this through this development process, it is imperative you seek to balance the needs of your agency with the entirety of the state's budget. The State currently has a balanced budget for the biennium and the ability to maintain this balance will be predicated on achievement of revenue and expenditure assumptions, which we will continue to monitor throughout budget development. Your partnership and leadership in exercising fiscal discipline and prudently managing the budgets of your respective agencies and programs is key.

Over the last two fiscal years, our state has had relatively large operating surpluses due to strong revenue performance and spending controls. However, we cannot simply hope the economy will continue to grow and our revenue collections will exceed expectations to wash over problems with our spending or permit large-scale expenditure increases. Just as we have done to stabilize our major pension systems, address our state's borrowing, and build the largest Budget Reserve Fund in state history, we need to establish sound practices and spending plans that are as mindful of the future as they are the present. As you may have seen, one significant highlight of the FY 2020-FY 2021 budget is that there were not any tax rate increases. This is an important principle as the

Governor is focused on growing our state, instilling confidence and ensuring Connecticut is a place where existing and new businesses and families can thrive. In doing so, we must remain committed to limiting expenditure growth where feasible, maximizing efficiencies, and coming up with new ideas to improve our financial situation with more predictability and stability while continuing to deliver high quality services to the this state's residents.

In order for this office to provide Governor Lamont with a full array of options for maintaining budget balance in FY 2021, agencies are asked to submit reduction options totaling one percent of the agency's budget, excluding entitlements and formula-based municipal aid. Agencies are also strongly encouraged to submit proposals to restructure programs or improve efficiency. Selected agencies may be asked to participate in a more intensive and interactive process for developing policy-related adjustments during the fall; these agencies will be contacted directly regarding discussion topics and meeting schedules. As always, revisions requiring legislative action are acceptable and agencies should be prepared to identify relevant statutory changes that would support such adjustments.

You will be receiving more detailed instructions and submission deadlines as separate communications from my office. Once again, it is important that we approach the State's budget with fiscal restraint and such consideration should be weighed as you draft technical adjustments and options for midterm FY2021 Budget. The Governor and I thank you for your efforts and look forward to working with you to ensure that the citizens of the state continue to receive the highest quality services at the best possible cost.

xc: Governor Lamont
Lieutenant Governor Bysiewicz
Agency Fiscal Officers
Neil Ayers, Office of Fiscal Analysis