

Proposed Budget '24 – '25 Biennium



**BUILDING
GROWTH &
OPPORTUNITY** **24**
25

**GOVERNOR
LAMONT'S
BUDGET**
STATE OF CONNECTICUT

INTRODUCTION

The Governor's budget is about inclusive opportunity.

For the first time in over a generation, Connecticut has enjoyed strong economic and population growth.

More taxpayers, a growing economy, and bipartisan fiscal discipline have resulted in four consecutive budget surpluses – soon to be five.

Through broad-based middle-class tax relief, support for business and industry, and investments in housing, workforce, K-12 and higher education, public safety, and the social services safety net, the Governor's budget is focused on equitably building a better future for the state.



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BUDGET OVERVIEW



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PROPOSED BUDGET FOR FY 2024 AND FY 2025

Appropriated Funds Of The State (in millions)

	Adopted FY 2023	Recommended FY 2024	Change Over Prior Year	Recommended FY 2025	Change Over Prior Year
General Fund	\$ 22,089.2	\$ 22,035.0	-0.2%	\$ 22,392.7	1.6%
Special Transportation Fund	1,826.2	2,149.1	17.7%	2,244.0	4.4%
Municipal Revenue Sharing Fund	N/A	598.6	N/A	598.6	0.0%
Banking Fund	29.7	33.7	13.3%	34.1	1.3%
Insurance Fund	123.2	136.7	11.0%	139.4	2.0%
Consumer Counsel and Public Utility Control Fund	32.7	37.1	13.4%	37.6	1.4%
Workers' Compensation Fund	27.3	28.8	5.8%	29.1	1.0%
Mashantucket Pequot & Mohegan Fund ^(see note)	51.5	-	-100.0%	-	0.0%
Criminal Injuries Compensation Fund	2.9	2.9	0.0%	2.9	0.0%
Tourism Fund	13.4	13.8	2.6%	13.8	0.0%
Cannabis Social Equity and Innovation Fund	N/A	5.8	N/A	10.2	75.9%
Cannabis Prevention and Recovery Services Fund	N/A	2.4	N/A	3.4	42.4%
Grand Total	\$ 24,196.0	\$ 25,043.8	3.5%	\$ 25,505.9	1.8%

Note: Mashantucket Pequot & Mohegan Fund proposed for consolidation into Municipal Revenue Sharing Fund.

Totals may not add due to rounding.



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GOVERNOR'S BUDGET PLAN – GENERAL FUND

(In millions)

	Estimated FY 2023*	Recommended FY 2024	Recommended FY 2025
Total Recommended Budget			
Revenues	\$ 23,224.5	\$ 22,379.9	\$ 22,793.3
Appropriations	21,881.8	22,035.0	22,392.7
Surplus / (Deficit)	\$ 1,342.7	\$ 344.9	\$ 400.6
Proposed Revisions to FY 2023 Budget			
Eliminate Reliance on ARPA for Revenue	(314.9)		
Fund Retirement of 2013 GAAP Bonds	(211.7)		
Revised FY 2023 Balance	\$ 816.1		
Revenue Cap		98.50%	98.25%
Revenue Unavailable Due to Cap		(335.7)	(398.9)
Available Revenue less Appropriations		\$ 9.2	\$ 1.7

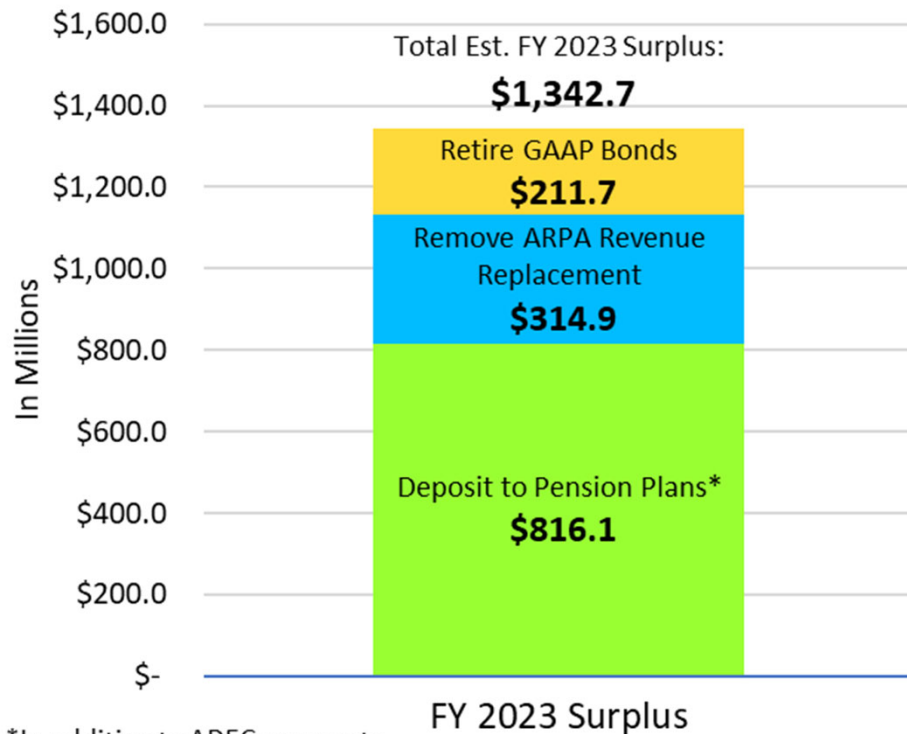
* FY 2023 estimated expenditures include change in continuing appropriations.



RECOMMENDED USE OF FY 2023 SURPLUS

Governor's Recommended Use of FY 2023 Surplus

As of January 20, 2023



*In addition to ADEC payments

- The estimated FY 2023 surplus is \$1,342.7 million
- Appropriate \$211.7 million in FY 2023 to retire the GAAP bonds
 - Results in annual debt service savings of \$58.4 million annually in FY 2025 – FY 2028; and
 - Results in an annual revenue gain of \$120.8 million in FY 2024 – FY 2028
- Eliminate the use of \$314.9 million of ARPA funds for revenue replacement so it can be used for other priorities
- Deposit the balance of \$816.1 million into the pension funds
 - This would result in an annual ADEC savings of approx. \$69.4 million per year over 25 years
 - When combined with the expected volatility cap deposit, total ADEC savings of \$200.3 million are budgeted in FY 2025



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BUDGET RESERVE FUND

Budget Reserve Fund (in millions)

	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
Starting Balance	\$ 7,420.9	\$ 5,976.9	\$ 4,757.8
Starting Balance as % of Current Year Budget	33.9%	27.1%	21.2%
Deposit to SERS/TRS pursuant to CGS 4-30a	\$(4,107.6)	\$(2,671.7)	\$ (1,398.9)
Volatility Cap Deposit	\$ 1,847.5	\$ 1,107.6	\$ 1,096.0
Deposit Resulting from Revenue Cap and Balanced Operations	<u>816.1</u>	<u>344.9</u>	<u>400.6</u>
Proj. Balance 6/30	\$ 5,976.9	\$ 4,757.8	\$ 4,855.5
Ending Balance as % of Ensuing Year Budget	27.1%	21.2%	N/A

Note: FY 2023 as of OPM 1/20/23 estimate with Governor's proposed policy changes.



GENERAL FUND REVENUE PROPOSALS



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RECOMMENDED FY 2024 – FY 2025 GENERAL FUND REVENUES

Governor's Proposed Tax Relief for FY 2024 - FY 2025 Biennial Budget

(In millions)

<u>Policy</u>	<u>FY 2024</u>	<u>FY 2025</u>
1. Personal Income Tax Rates - Reduce 5% to 4.5% & 3% to 2%	\$(193.6)	\$(435.8)
2. Earned Income Tax Credit - Increase From 30.5% to 40%	(44.6)	(44.6)
3. Restore Pass-Through Entity Tax Credit From 87.5% to 93.01%	(27.0)	(60.0)
4. Human Capital Tax Credit - Increase From 5% to 10%; 25% for Child Care	<u>(2.1)</u>	<u>(3.5)</u>
5. Total Proposed Tax Relief	\$(267.3)	\$(543.9)

When the above measures are combined with previously enacted relief under the Lamont Administration, tax relief totals \$553.2 million in FY 2024 and \$899.6 million in FY 2025



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PROVIDE A MIDDLE-CLASS INCOME TAX CUT

- Reduce the two lowest Personal Income Tax (PIT) marginal rates effective 1/1/2024:
 - Reduce the 5.0% rate to 4.5%
 - Reduce the 3.0% rate to 2.0%
- Residents currently pay a 3% rate on their first \$10K (\$20K joint) of AGI and a 5% rate on income from \$10K to \$50K (\$100K joint)
- Approximately 1.1 million filers, or 63.2%, of the total 1.7 million filers would benefit

Impact in Millions

<u>Governor's Proposals</u>	Fiscal <u>2024</u>	Fiscal <u>2025</u>	Fiscal <u>2026</u>
1. PIT - Reduce 5% Rate to 4.5% & 3% to 2.0% (Withholding)	\$ (174.2)	\$ (392.2)	\$ (404.0)
2. PIT - Reduce 5% Rate to 4.5% & 3% to 2.0% (E&F)	<u>(19.4)</u>	<u>(43.6)</u>	<u>(44.9)</u>
3. Total PIT Impact:	\$ (193.5)	\$ (435.8)	\$ (448.9)
4. Volatility Cap Impact - Transfer Decrease/(Increase)	<u>19.4</u>	<u>43.6</u>	<u>44.9</u>
5. Total General Fund Impact:	\$ (174.2)	\$ (392.2)	\$ (404.0)



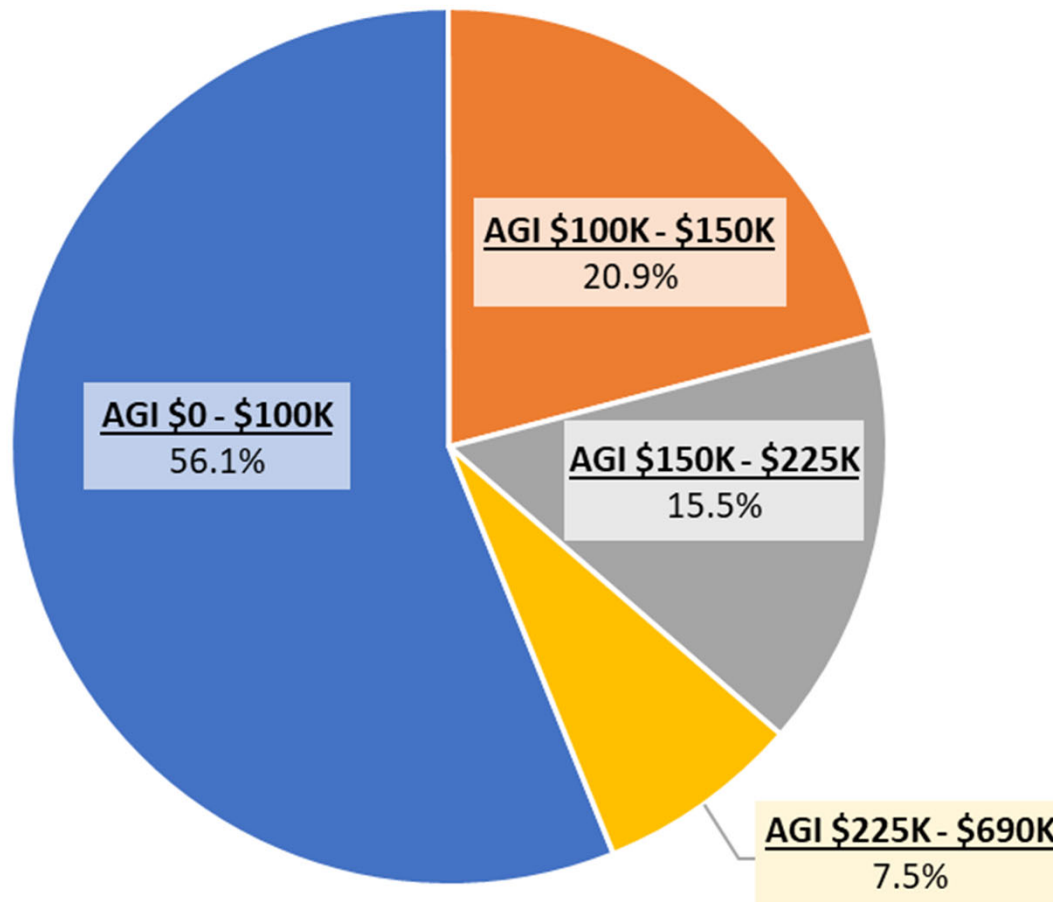
INCREASE THE EARNED INCOME TAX CREDIT

- Increase the Earned Income Tax Credit (EITC) from 30.5% to 40% permanently
- This increase will benefit approximately 211,000 recipients
- Represents a 31% increase in the benefit
- The Governor's budget dedicates \$44.6 million annually to increase the EITC.
- At 40%, CT will have the 5th highest EITC rate in the nation behind:
 - Maryland – 50%
 - California – 45%
 - Minnesota – 23% to 45%
 - South Carolina – 41.67%
 - District of Columbia – 40%
- The average rate of the 30 jurisdictions that have an EITC is 22%



PROVIDE A MIDDLE CLASS INCOME TAX CUT

Attribution of PIT Tax Cut & Increased EITC
by Adjusted Gross Income Level



Between the middle-class income tax cut and the increased EITC, families of 4 making up to \$50,000 will pay no state income tax



RESTORE PASS-THROUGH ENTITY TAX CREDIT

- Return pass-through entity tax (PET) credit to 93.01% and make tax optional
 - This proposal will make the tax and credit revenue neutral again (as when the PE Tax was first enacted in 2018)
 - Because the tax and credit will be revenue-neutral, this proposal will provide businesses with the option to decide whether the federal tax savings are worth the administrative costs of paying the tax at the entity level rather than at the individual level
- These proposals are advantageous to both large and small businesses
- Approximately 123,000 entities would benefit

Impact (In Millions)

<u>Governor's Proposals</u>	Fiscal <u>2024</u>	Fiscal <u>2025</u>	Fiscal <u>2026</u>
1. PIT WH/Refunds - Restore PET Credit from 87.5% to 93.01%	\$ (5.4)	\$ (12.0)	\$ (12.0)
2. PIT E&F - Restore PET Credit from 87.5% to 93.01%	<u>(21.6)</u>	<u>(48.0)</u>	<u>(48.0)</u>
3. Sub Total Annual Impact	\$ (27.0)	\$ (60.0)	\$ (60.0)
4. Volatility Cap Impact - Transfer Decrease/(Increase)	<u>21.6</u>	<u>48.0</u>	<u>48.0</u>
5. Total General Fund Impact:	\$ (5.4)	\$ (12.0)	\$ (12.0)



EXPAND HUMAN CAPITAL INVESTMENT TAX CREDIT

- Governor's proposal:
 - Increase the value of the tax credit for childcare subsidies and development of a childcare center from 5% to 25% of expenses
 - Increase the value of the entire tax credit from 5% to 10% of qualifying expenses
 - Increase the limit at which the childcare subsidy and childcare center development components of the tax credit can be claimed from 50.01% to 70% of tax liability
- This tax credit can be issued to and claimed by firms for expenses paid for:
 - Job training
 - Work education programs
 - Worker training and education provided by institutions of higher education
 - Donations or capital contributions to institutions of higher education
 - Planning, site preparation, construction, renovation or acquisition of facilities for the purpose of establishing a childcare center to be used primarily by the children of employees
 - Subsidies to employees for childcare
- Estimated revenue loss of approximately \$2.1 million in FY 2024 and \$3.5 million annually in FY 2025 and thereafter



OTHER REVENUE PROPOSALS

- **Corporation Tax Surcharge**
 - Maintain the 10% Corporation Tax surcharge for income years 2023, 2024, & 2025
 - Firms with gross income under \$100 million are exempt
 - This proposal would generate:
 - \$80 million in FY 2024; \$50 million in FY 2025; \$20 million in FY 2026
- **Revise Angel Investor Tax Credit**
 - Repeal the expansion of the Angel Investor Tax Credit to cannabis businesses given the overwhelming interest in entities seeking to be part of the cannabis market
 - Investors are eligible for a 40% income tax credit for investments in cannabis firms
 - Savings of \$12.5 million in FY 2024 and \$15 million annually from FY 2025 through FY 2028, inclusive
- **Revise Estate Tax Filing Deadline**
 - Match the federal timeline for when the Estate Tax must be filed by changing the filing deadline from 6 months to 9 months following the death of a person
 - This would enhance compliance as the federal tax return is needed in order to complete the CT return
 - Prior to 2009, the state conformed to the federal due date. Due to budget shortfalls in 2009, the state decoupled from the federal due date to create a one-time revenue acceleration
 - This is not a tax cut; it would result in a one-time revenue shift of approximately \$38.0 million in FY 2024



OTHER REVENUE PROPOSALS (Continued)

- GAAP Deficit & GAAP Bonds
 - Utilize \$211.7 million of the FY 2023 surplus to refund outstanding GAAP bonds prior to maturity
 - Those bonds carry a coupon interest rate of 5%
 - Budget savings would be in two components:
 - Debt service savings of \$58.4 million annually from FY 2025 – FY 2028
 - Revenue gain of \$120.8 million per year from FY 2024 – FY 2028
- Tobacco & Health Trust Fund
 - Modify the General Fund revenue intercept from \$12.0 million to \$6.0 million annually
- Eliminate the transfer of iLottery Online Draw Games revenue to the Debt Free Community College Account (DFCCA) – Retain revenue in the General Fund
 - The state would continue its commitment to fund debt free college out of the General Fund via appropriations for Pledge to Advance CT (PACT) scholarships



GENERAL FUND EXPENDITURE PROPOSALS



RECOMMENDED FY 2024 – FY 2025

GENERAL FUND CHANGES

Current Services Adjustments (In millions)

	FY 2024	FY 2025
Transfer PILOT Funding to Municipal Revenue Sharing Fund	\$ (379.4)	\$ (379.4)
State Employee Wage Increases	214.3	308.8
Retiree Healthcare and OPEB - Medicare Advantage Savings	(126.8)	(62.9)
State Employee Healthcare	(0.7)	42.6
State Employees' Retirement System - Per Actuarial Valuation	(75.9)	(151.7)
Teachers' Retirement System - Per Actuarial Valuation	(23.5)	(19.0)
Sheff Transportation	16.6	16.6
ECS Formula Increase - Statutory	45.4	90.7
Other Statutory Municipal Aid Increases	27.2	27.2
Change in Accruals / 27th Payroll	77.0	108.0
Debt Service Increases	33.6	141.3
Private Provider Cost of Living Increases	44.1	74.1
Expand HUSKY B Coverage to Undocumented Children	10.2	14.5
Covered CT Growth	11.7	22.7
Statutory DSS Provider Rate Increases	42.2	71.0
Other Changes to Medicaid - Net	128.0	176.5
Caseload Increases (DSS, DMHAS, DDS)	23.8	23.8
Change in Lapses	73.5	73.5
All Other Changes - Net	28.6	41.0
Total Current Services Adjustments	\$ 169.9	\$ 619.3



RECOMMENDED FY 2024 – FY 2025

GENERAL FUND CHANGES

Policy Proposals (In millions)

	FY 2024	FY 2025
Retire 2013 GAAP Bonds	\$ -	\$ (58.4)
Maintain Treatment of Bond Premium	(20.0)	(60.0)
Revise Accounting Method for Higher Education Fringe Benefits	(85.0)	(85.0)
Transfer Municipal Revenue Sharing and Stabilization to MRSF	(74.7)	(74.7)
Remove Statutory Provider Rate Increases	(42.2)	(70.7)
Remove Statutory Municipal Aid Increases	(27.2)	(27.2)
Reflect Turnover and Historical Staffing Levels	(35.0)	(65.0)
Add Agency-Based Option for Personal Care Attendants	(12.3)	3.1
Fund Regulatory Costs for Cannabis	8.4	8.4
Fund PACT and Guided Pathways	15.0	21.5
Increase Care4Kids Rates	14.2	53.3
Increase School Readiness and Child Day Care Rates	-	15.5
Provide One-time Funding for Youth Employment	10.0	-
Increase Funding for Roberta Willis Scholarship	4.0	4.0
Provide Additional Support to CRDA	4.5	4.5
Rebase Rates for Residential Care Homes	5.2	5.2
All Other Changes - Net	11.3	9.7
Total Policy Options	\$ (223.8)	\$ (315.8)



EDUCATION, WORKFORCE AND ECONOMIC DEVELOPMENT



HOUSING SUPPORT

- Expands statewide affordable housing investments by providing \$300 million in each year of the biennium through the GO capital budget including \$100 million to create workforce housing
 - Approximately double the level during the current biennium
- \$2 million in ARPA funding is provided to subsidize housing and provide flexible assistance to help individuals, families and youth overcome financial barriers and expedite solutions to homelessness
- \$2.16 million in FY 2024 and \$2.33 million in FY 2025 to support inflationary cost increases in the Congregate Facilities Operations Costs and Elderly Congregate Rent Subsidy accounts



CAPITAL BUDGET HOUSING HIGHLIGHTS

- Affordable Housing
 - \$50 million annually for the Housing Trust Fund
 - \$100 million annually for flexible housing
 - Provides funding for new housing development and maintenance of properties in the State-Sponsored Housing Portfolio
 - Expected to add 2,200 new housing units annually
- Workforce Development Housing
 - \$100 million annually
 - Expected to provide an additional 2,000 units of housing
 - Focus on those with a household income of 60%-120% area median income (AMI)
- Time-To-Own
 - \$50 million annually
 - Provides forgivable down-payment assistance ranging from \$18,750 - \$50,000
 - Expected to assist the purchase of 1,250 homes annually
 - Focused on households making less than 80% of the average median income



K-12 EDUCATION

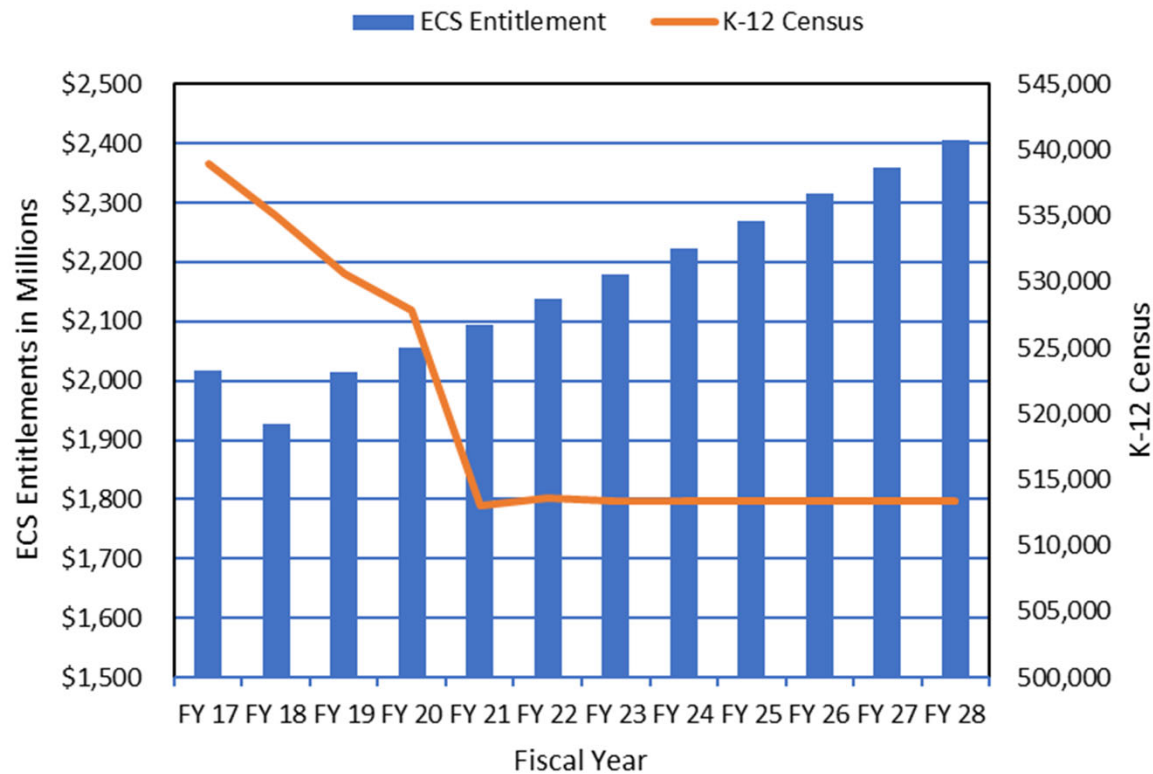
- Continues phase-in of the ECS formula by providing \$46 million in FY 2024 and \$91 million in FY 2025
- Provides funding of \$18.4 million in FY 2024 and \$21.7 million in FY 2025 to continue implementing the Sheff settlement and to fund the new Sheff transportation contract
- \$20.5 million in new ARPA investments including:
 - \$3.5 million to increase dual enrollment
 - \$7 million to continue to support the Learner Engagement and Attendance Program (LEAP)
 - \$10 million for the State Department of Education for education workforce development to support districts with staffing issues including addressing the paraprofessional shortage and to provide professional support necessary to address academic recovery



K-12 EDUCATION

- The statewide K-12 census has declined by approximately 25,000 students since FY 2017, while ECS entitlements have increased by almost \$161 million and are projected to increase by another \$227 million by FY 2028

ECS Entitlement Growth and K-12 Census Decline Since FY 2017



EARLY CHILDHOOD

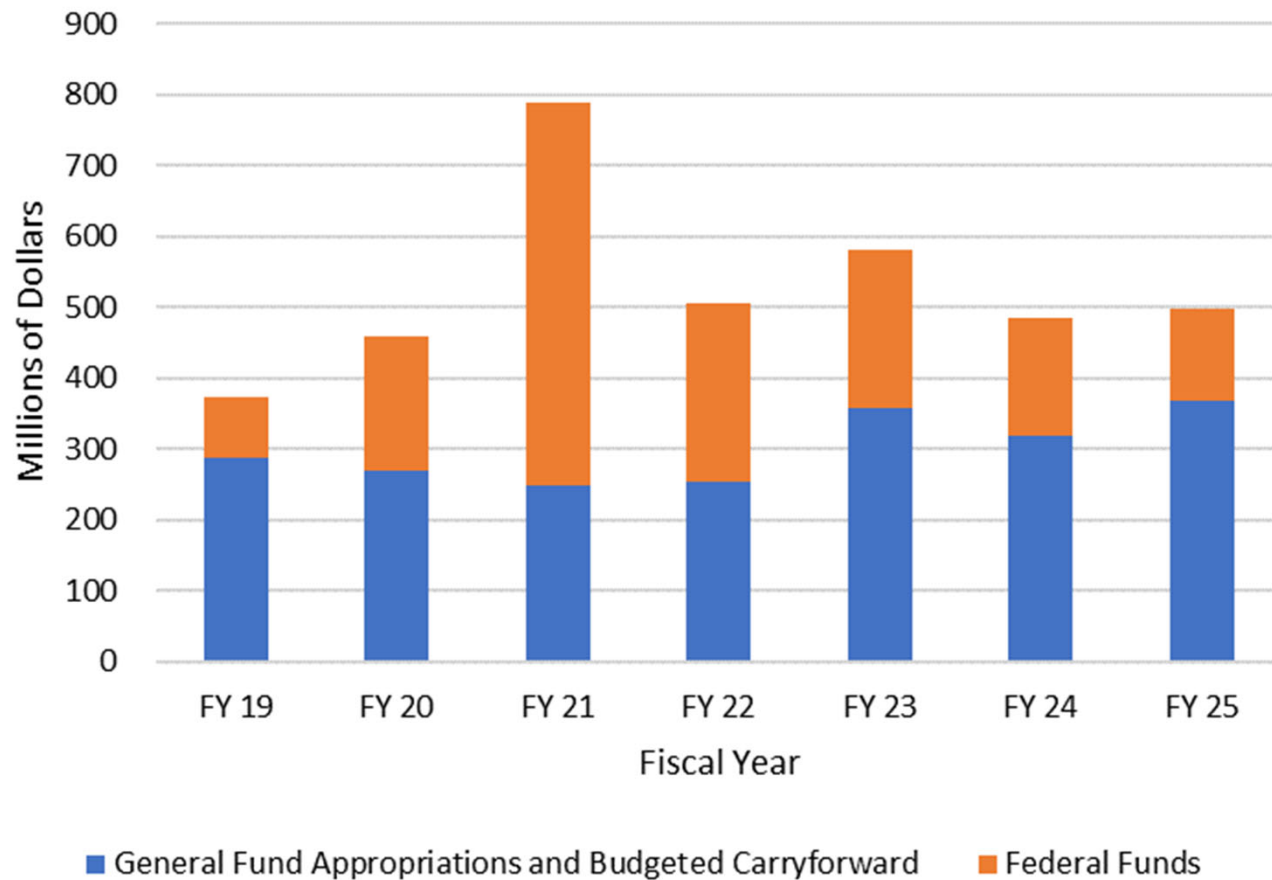
- \$14.2 million in FY 2024 and \$53.3 million in FY 2025 to support recommended increase in the Care4Kids program of 10% per year for licensed providers and 5% per year for unlicensed providers
- \$15.5 million in FY 2025 to increase rates for pre-k slots at school readiness and child day care contract providers from \$8,976 to \$10,500
- \$35 million in ARPA to support additional enrollment in Care4Kids as the state transitions to a sustainable level of enrollment through an enrollment management strategy
- \$250,000 annually and one position to support the work of the Parent Cabinet
- By FY 2025, General Fund support for OEC will be approximately \$115 million higher than in FY 2022



EARLY CHILDHOOD

As demonstrated below, OEC's all-funds budget will, by FY 2025, be approximately 33.2% higher than in FY 2019 and approximately equal to FY 2022 levels, despite the projected decline in federal resources for childcare

OEC All Funds Budget FY 2019 Through FY 2025



GROWING THE WORKFORCE

- Provides approximately \$30 million in FY 2024 and \$9 million in FY 2025 in additional support for the workforce development initiatives:
 - \$10 million in ARPA funds will be used by the State Department of Education for education workforce development to support districts with staffing issues including addressing the paraprofessional shortage
 - \$8.65 million in FY 2024 and \$8.9 million in FY 2025 is provided in the Special Transportation Fund to support the expansion of bus services specifically to support workforce transportation
 - \$1 million in ARPA funds for the Department of Administrative Services to expand the Healthcare Workforce Recruitment campaign to out-of-state markets
 - Additional \$10 million in General Fund support to the Department of Labor's CT Youth Employment Program to provide job opportunities and work experiences for economically disadvantaged youth from ages 14-21
- Moves the Office of Workforce Strategy (OWS) from under the Governor's Office to a stand-alone, separately budgeted agency
 - \$748,864 in FY 2024 and \$764,379 in FY 2025 is provided to OWS to fully fund current staff and one new position



TOURISM, MARKETING, AND ECONOMIC DEVELOPMENT

- \$219,088 in the Tourism Fund in both FY 2024 and FY 2025 to expand statewide marketing support
- \$150,000 in the Tourism Fund in both FY 2024 and FY 2025 for the Greater Hartford Community Foundation for economic development outreach during the Travelers Championship
- \$525,263 and three positions in the General Fund in both FY 2024 and FY 2025 to support the administration of the Community Investment Fund for the Dept. of Economic and Community Development (DECD)
- \$192,006 in FY 2024 and \$197,766 in FY 2025 and two positions in the General Fund to support bonded grant projects in DECD, including Urban Act projects
- \$600,000 and three positions in each fiscal year in DECD for the Municipal Regional Development Authority to provide more capacity to undertake development projects outside the capitol region
- \$4.45 million in FY 2024 and \$4.59 million in FY 2025 for the Capital Region Development Authority to provide support to various venues' due to recurring revenue shortfalls



HIGHER EDUCATION INITIATIVES



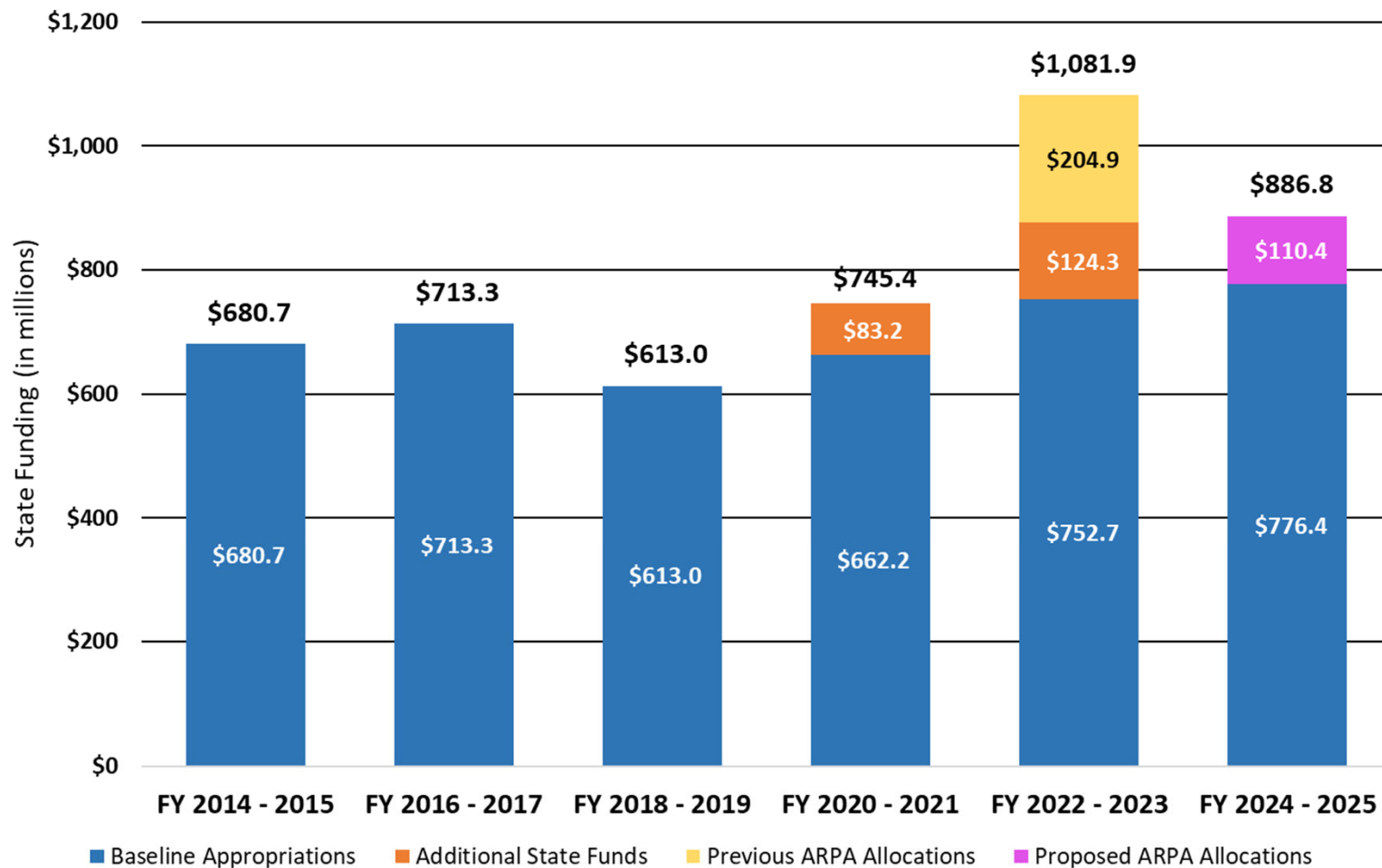
HIGHER EDUCATION

- Restructures fringe benefit funding to higher education to ameliorate high fringe rates to position the institutions to be more competitive at securing research grants
 - Block grants are adjusted to make this proposal net-neutral to the General Fund and to higher education units
- Combines UConn and UConn Health into a single budgeted agency with one block grant from the General Fund to emphasize a “one UConn” policy to highlight partnership between academic, research, and clinical components within UConn
- Provides temporary one-time operating support of \$256.8 million over FY 2024 and FY 2025 to enable time to develop and transition to a sustainable level of state support
- PACT & Guided Pathways: Sustains current level of funding for PACT (debt-free college) and Guided Pathways programs at CT State Community College
 - \$15 million is provided from the General Fund for PACT in FY 2024 and FY 2025
 - \$6.5 million is provided from ARPA in FY 2024 and from the General Fund in FY 2025 for Guided Pathways
- Increases annual funding for Roberta B. Willis Scholarships by \$4 million

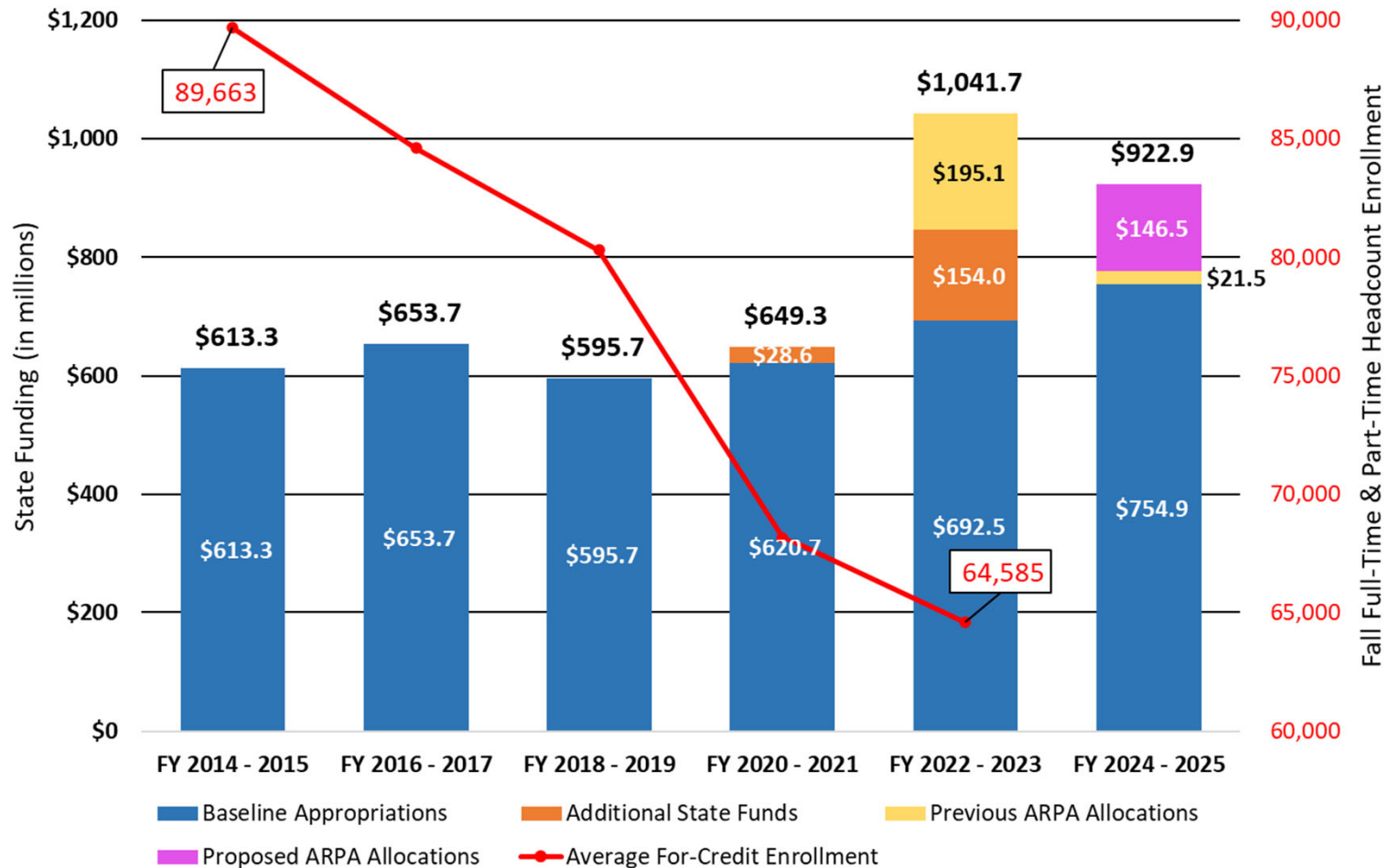


UConn AND UConn HEALTH

UConn & UConn Health - State Funding Per Biennium
 (Excludes proposed fringe benefit methodology change for comparability across biennial budgets)



CSCU - State Funding & Enrollment Per Biennium
 (Excludes proposed fringe benefit methodology change for comparability across biennial budgets)



HEALTH AND HUMAN SERVICES INITIATIVES



HEALTH EQUITY AND AFFORDABILITY

Through a combination of General Fund and ARPA, there are many initiatives that address health equity, health care affordability and avoid loss of health care coverage as a result of the unwinding of the public health emergency

- Minimize health care disruptions by:
 - Providing targeted outreach to individuals with serious chronic health conditions who are losing Medicaid coverage (\$1 million, ARPA)
 - Increasing support for Covered CT, which provides zero-cost, Medicaid-like coverage for individuals just over income limits for Medicaid (\$11.7 million in FY 2024, \$22.7 million in FY 2025)
 - Providing 2 months of premium payments for individuals eligible for federal subsidies under Access Health CT (\$10 million, ARPA)
- Erase up to \$2 billion in medical debt that disproportionately impacts Black and Latino families (\$20 million, ARPA)
- Improve prescription drug affordability by facilitating participation in a multistate consortium to negotiate discounts on prescription drugs



HEALTH EQUITY AND AFFORDABILITY

- Provide significant investments in the Office of Health Strategy to further benchmarking initiatives and other affordability activities (\$3.8 million and 11 positions beginning in FY 2024)
- Support for out-of-state individuals seeking abortions and contraceptives (including transportation/lodging) in Connecticut (\$2 million in FY 2024)
- Provide specialized wheelchairs for state parks to promote accessibility to public parks, trails and beaches (\$500,000, ARPA)



IMPROVING HEALTH OUTCOMES

- Funding of \$2.66 million over the biennium to support two adjustments to the Connecticut Prescription Monitoring and Reporting System (CPMRS), which will improve quality of patient care, reduce prescription abuse including opioid use disorder and overdose, and inform health care decision making
 - Funding for ongoing maintenance and operations of the Statewide Gateway
 - Funding an expansion to collect prescription information for any legend drug or medical device and any non-legend drug or medical device that are dispensed
- Add periodontal coverage for Medicaid members with certain conditions (\$0.7 million in FY 2024, \$1.0 million in FY 2025)
- Add one position in the Department of Public Health to study infant deaths and produce recommendations to improve health disparities as they pertain to maternal care



STRENGTHENING THE SOCIAL SAFETY NET

- Increase earned income disregard under Temporary Family Assistance (TFA), allowing families to keep more of their employment earnings without impacting eligibility (\$1.2 million in FY 2024, \$3.1 million in FY 2025)
- Double asset limits under TFA and State Administered General Assistance to \$6,000 and \$500, respectively (\$900,000 in FY 2024, \$3.7 million in FY 2025)
- Provide funding to community action agencies to distribute flexible client support funds for individuals and families facing immediate economic hardship (for example, food, housing, and transportation costs) (\$10 million, ARPA)
- Support anticipated costs of federally-required 988 Suicide & Crisis Lifeline (\$2.2 million in FY 2024, \$3.1 million in FY 2025)
- Annualize expansion of Family First prevention programs under Department of Children and Families (\$377,500 in FY 2024 and FY 2025)
- Establish nursing home specialized unit infrastructure fund to encourage in-state development of additional specialized services (bariatric, vent, dialysis beds) (\$4 million, ARPA)



STRENGTHENING THE SOCIAL SAFETY NET

- Stabilize and strengthen residential care homes (RCHs) through a rebasing of rates to current costs using 2022 cost reports, the most recently audited rate year (\$5.2 million in FY 2024 and FY 2025)
- Provide capital funding to RCHs that are grandfathered into outdated health and safety codes to encourage compliance with current codes (\$5 million, ARPA)
- Allow retroactive eligibility for State Supplement to help residents with the costs of care and help stabilize payments for RCHs and rated housing facilities (\$0.4 million in FY 2024, \$0.5 million in FY 2025)
- Add agency-based Personal Care Attendant (PCA) services as an option to allow individuals that choose not to self-direct to benefit from these services while remaining independent at home (savings of \$12.3 million in FY 2024, cost of \$3.1 million in FY 2025)
- Provide capital grants for mobile vans for the free clinics operating in Connecticut that provide mobile health care (\$500,000, ARPA)
- Add one position at the Office of Policy and Management to review the continuum of autism services across state agencies and school districts, identify gaps, and coordinate services



HUMAN SERVICES CASELOAD GROWTH

Department of Developmental Services

- \$44.0 million over the biennium will support:
 - Day services for over 900 age outs and high school graduates over the biennium (\$7.3 million in FY 2024 and \$17.5 million in FY 2025)
 - Residential supports for over 188 age outs and Money Follows the Person (MFP) transitions over the biennium (\$5.8 million in FY 2024 and \$13.4 million)

Department of Mental Health and Addiction Services

- \$18.8 million over the biennium will support:
 - 10 discharges from CVH / Whiting over the biennium (\$2.8 million annualized)
 - 6 residential beds and 1 supervised apartment placement in the Young Adult Services program over the biennium (\$1.5 million annualized)
 - 30 transitions each year under MFP (\$1.9 million over the biennium)
 - Annualization of prior year caseload



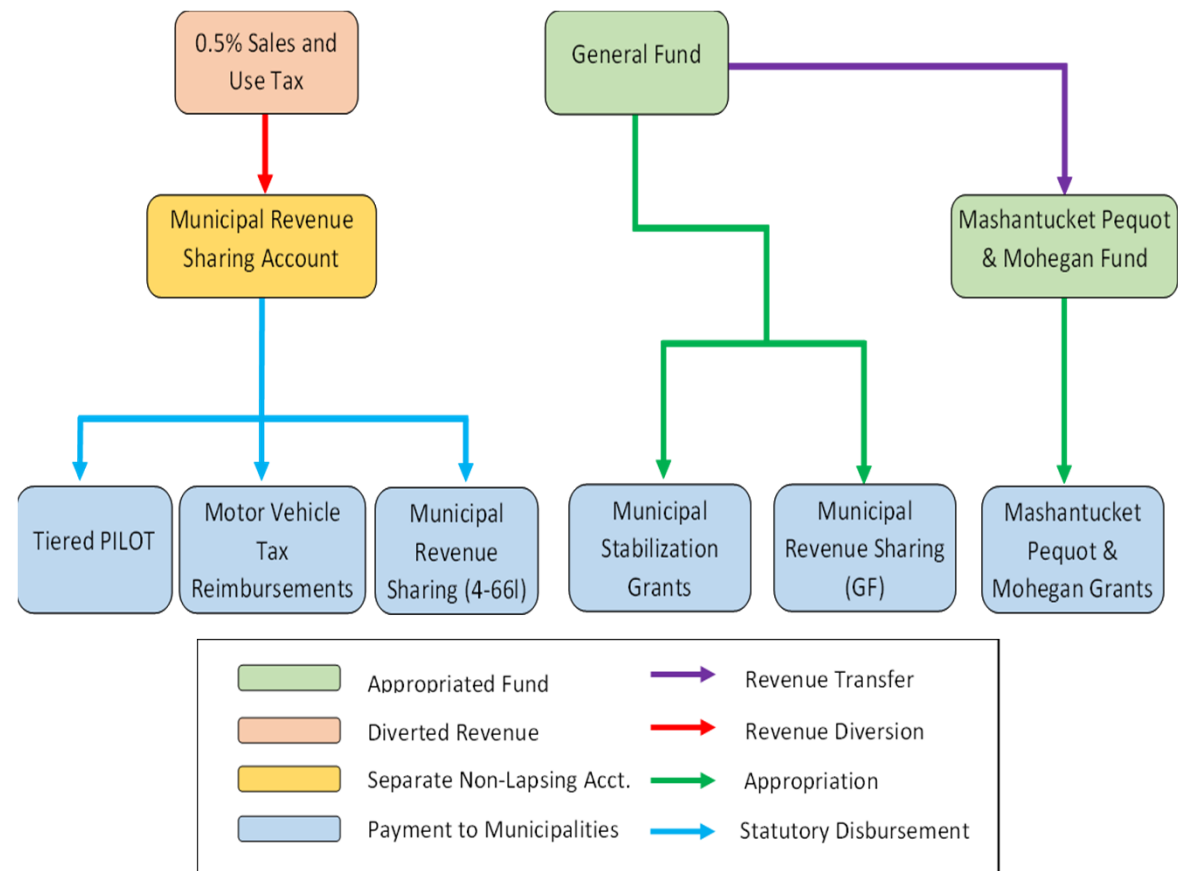
MUNICIPAL AID



MUNICIPAL AID

- Municipal grant programs are currently funded from multiple interconnected tranches of state resources
- The current scheme is overly complex and lacks transparency
- Payments from Municipal Revenue Sharing Account (MRSA) must await accrual of revenues

Municipal Aid Programs (Current Statute)



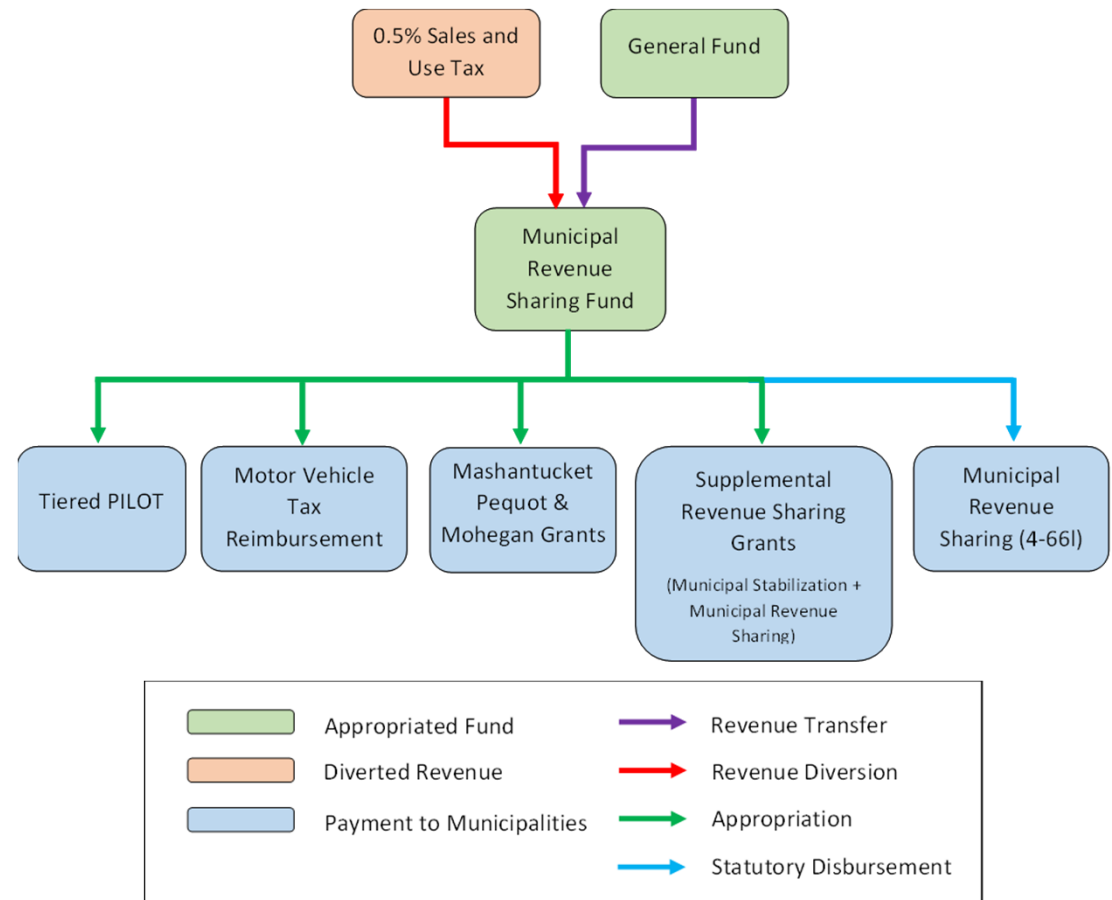
Note that schematic does not include bond-funded municipal aid



MUNICIPAL AID

- The budget redirects funds into the Municipal Revenue Sharing Fund:
 - Sales tax diversion of 0.5% previously deposited in MRSA
 - \$51.5 million previously transferred to the Mashantucket Pequot and Mohegan Fund
 - \$94.2 million from other General Fund resources

Municipal Aid Programs (Proposed)



MUNICIPAL AID

Municipal Revenue Sharing Fund (in millions)

	FY 2024	FY 2025
	Rec.	Rec.
<u>Revenue & Transfers</u>		
1. 0.5% Sales Tax Diversion	\$ 453.3	\$ 464.2
2. Transfer from General Fund*	74.7	74.7
3. Additional General Fund Transfer	19.5	8.6
4. Transfer from Mashantucket Pequot and Mohegan Fund	51.5	51.5
5. <u>Net Revenue & Transfers</u>	<u>599.0</u>	<u>599.0</u>
<u>Appropriations</u>		
6. Tiered PILOT	317.1	317.1
7. Motor Vehicle Tax	155.3	155.3
8. Supplemental Revenue Sharing Grants	74.7	74.7
9. Mashantucket Pequot and Mohegan Grants	51.5	51.5
10. <u>Total Expenditures</u>	<u>598.6</u>	<u>598.6</u>
11. <u>Surplus / (Deficit)</u>	<u>0.4</u>	<u>0.4</u>

* Prior appropriations for the Municipal Stabilization and Municipal Revenue Sharing payment lists



CRIMINAL JUSTICE AND PUBLIC SAFETY



PUBLIC SAFETY AND CRIMINAL JUSTICE

Filling the gap in federal Victims of Crime Act (VOCA) funding for victim services in Connecticut

- \$13.1 million in ARPA in FY 2024 as requested by the Judicial Branch
 - Builds on FY 2023's \$14.8 million ARPA allocation

Applying a public health approach to stopping gun violence

- Invests \$3.3 million over the biennium:
 - \$2.5 million in ARPA in FY 2024 for grants to community programs
 - \$800,000 total in state funds over the biennium for DPH personnel administering the statewide program and operating expenses
- DPH — with input from the Commission on Community Gun Violence Intervention and Prevention — oversees a new statewide community violence intervention program that provides grants to reduce gun violence and evaluates outcomes



PUBLIC SAFETY AND CRIMINAL JUSTICE

Recruiting and retaining state troopers

- Funds agreement providing competitive compensation, including higher base pay and benefits, wellness stipend and increased funding for college tuition reimbursement
- Maintains increased funding to support three substantial trooper training classes with 255 new troopers projected to graduate and be deployed over the biennium

Increasing law enforcement effectiveness with high standards and real-time data

- Launches a new training management software program for the Police Officer Standards and Training Council (POST-C)
- Creates and funds a Division Director within POST-C to manage police officer certification and police department accreditation
- Adds a Data Scientist position to the Commissioner's office to provide a comprehensive review of real-time data across all DESPP's six divisions in partnership with external stakeholders



OTHER JUDICIAL INITIATIVES

Judicial Department

- \$7.1 million to raise judges' compensation 5.5% in FY 2024 and 4.0% in FY 2025
- \$8.04 million to annualize private provider COLAs
- \$350,000 for more effective monitoring utilizing GPS
- \$109,000 to annualize the cost of the Family Violence Education Program
- \$1.25 million in ARPA to invest in technology and security enhancements, including capital support for the new Office of Protective Intelligence
- \$350,000 in ARPA for State Supreme Court livestream capabilities

Division of Criminal Justice

- \$249,085 annually for body cameras for inspectors who investigate and prepare criminal cases under prosecution
- \$367,000 annually for expansion of the Early Screening and Intervention (ESI) program
 - Prosecutors and social workers identify people with low-level charges who are appropriate for diversion into services



PUBLIC SAFETY AND CRIMINAL JUSTICE

Right sizing the correction system to match current population levels

- \$6.5 million in reduced annual operating costs after closing the Willard facility
 - follows a sustained decrease in correction population and crime over the last decade

Continued implementation of Clean Slate laws

- \$1.5 million in ARPA for IT system upgrades for automated criminal record erasure pursuant to law
- Establishes DOC erasure unit (four staff) for paper record management and continued processing of erasures in its electronic case management system

Phone calls and electronic messaging from people in jails/prisons without charge

- For safety and security, 15 correction officers in the department's security division to review communications (\$888,011 in General Fund)
 - Comparing July 2021 to July 2022, the number of monthly calls made and the commensurate minutes nearly tripled



ENVIRONMENT



ENVIRONMENT AND ENERGY LEADERSHIP

Department of Energy and Environmental Protection

- Green Infrastructure for stormwater management (\$5 million ARPA)
- Responding to black bears
 - Additional wildlife biologist to inform decision making on wildlife management and unlock federal funding under the Pittman-Robertson Act
- Environmental justice expansion
 - Staffing to specifically focus on environmental justice and to facilitate the development of inclusive, fair, and equitable policies (\$129,000 annually)
- Climate equity urban forestry (\$500,000 ARPA funding)
- Establish a new Parks Division Central Region
 - A new supervisor will allow the agency to operate more efficiently, ensure the state's largest and most popular parks have a management structure readily available and accessible, and offer greater support to staff and, ultimately, the public

Department of Agriculture

- Cultch oyster bed management and support (2 years, \$200,000 total in ARPA funding)



Solid Waste Management and the Future of MIRA

- To address a solid waste crisis emerging from the July 1, 2022 closure of the Materials Innovation and Recycling Authority waste to energy facility (MIRA WTE) and rising tipping fees, the Governor proposes a legislative package for waste reduction and a temporary Connecticut Waste Authority (CWA) to oversee MIRA's wind down
- 2 positions at DAS and operational support for consultant services related to environmental assessments, hazardous building material assessments, and redevelopment of the former MIRA WTE Hartford site (funded utilizing portion of former MIRA reserves)
- An increase in the solid waste assessment will support municipal programs to reduce waste and could contribute to future infrastructure investments for waste management
- The legislative package also includes waste diversions, organics management, and engaging packaging producers



Bureau of Energy and Technology Policy within DEEP (PUC Fund)

- Provide funding for 9 positions to support the Bipartisan Infrastructure Law and the federal Inflation Reduction Act: transmission (2 positions), buildings (6 positions), and broadband (1 position) issues
- Positions seek to capture federal funding opportunities and additionally focus on unlocking clean, and alternative energy, including Canadian hydropower and offshore wind to improve reliability, efficiency, and consumer cost

Department of Administrative Services

- Capital Area System capital needs and planning study for modernization, alternative energy, and required upgrades to the state-owned facility (\$2 million ARPA)



OTHER INITIATIVES AND PROPOSALS



ENHANCING GOVERNMENT OPERATIONS

Protecting Connecticut Residents - Banking and Insurance

- \$1.0 million and 5 positions to establish the Financial Protection and Innovation Team at the Department of Banking to analyze, regulate, and oversee protection measures in highly specialized areas of the banking industry such as cannabis banking, cryptocurrency, cybersecurity, with more enforcement focus on Fair Credit, Truth-in-Lending, and other consumer protection laws
- \$1.77 million and 10 positions to expand the Department of Insurance to address emerging market complexities (technology, big data, and predictive analytics to reshape the insurance marketplace, annually)

Information Technology Optimization

- 283 positions are realigned to the Bureau of Information Technology Solutions (BITS) at the Department of Administrative Service from the Departments of Children and Families, Developmental Services, Social Services, Labor, Mental Health and Addiction Services, Transportation, Motor Vehicles and the Office of Health Strategy
- Funding to remain at agencies



CANNABIS

A safe and equitable adult-use cannabis market

- \$10.1 million in FY 2024 and \$10.3 million in FY 2025 in GF and the Special Transportation Fund for 10 agencies to regulate and administer the cannabis market
- Brings the two funds below on budget, using the same structure as other appropriated industry funds, including those for insurance and banking

Cannabis Social Equity and Innovation Fund (SEIF)

- Aligns the Social Equity Council's budgeted appropriations with its estimated revenue levels over the biennium:
 - \$5.8 million in FY 2024 and \$10.2 million in FY 2025 to support the SEC's funded positions and statutorily required functions, including community reinvestment
 - Ensures the one-time revenues deposited into the SEIF until June 30, 2023 will be utilized by the SEC as one-time funds for workforce development, community reinvestment, and other activities based on a plan to be developed by the SEC

Cannabis Prevention and Recovery Services Fund

- \$5.8 million to DMHAS over the biennium for three positions and for media campaigns, secret shopper programs, and grants to local prevention entities



SPECIAL TRANSPORTATION FUND INITIATIVES



SPECIAL TRANSPORTATION FUND BALANCE

(In millions)

	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
Beginning Balance	\$ 397.8	\$ 635.5	\$ 866.0
Revenues	2,052.5	2,379.6	2,347.4
Expenditures	<u>1,814.7</u>	<u>2,149.1</u>	<u>2,244.0</u>
Operating Surplus / (Deficit)	\$ 237.8	\$ 230.5	\$ 103.4
Revenue Cap		98.50%	98.25%
Revenue Unavailable Due To Cap		<u>(35.7)</u>	<u>(41.1)</u>
Expenditures Less Available Revenue		\$ 194.8	\$ 62.3
Ending Balance	\$ 635.5	\$ 866.0	\$ 969.4



DEPARTMENT OF TRANSPORTATION

- \$4.6 million annually for 206 positions to support federal Infrastructure Investment & Jobs Act
- \$525,000 in FY 2024 and \$575,000 in FY 2025 for the CT Work Zone Safety Awareness Program
- \$60 million in each year to fund Town Aid Road grants from STF
 - Frees up debt service for projects and other capital needs and reduces borrowing costs



SUPPORTING AND EXPANDING TRANSIT

- \$8.7 million in FY 2024, \$8.9 million in FY 2025 to expand bus services to support workforce transportation
- Service levels are back at pre-pandemic levels
- Ridership exceeds pre-pandemic levels, in part due to the fare-free program which ends on April 1, 2023, and new routes being added during the FY 2022-2023 biennium
- The expansion will enable riders to rely on bus service for employment seven days a week, provide greater access for second or third shift jobs, and focus on expanding access to large business and employment hubs
- Expanded networks:
 - Greater Bridgeport Transit
 - Valley Transit District
 - Southeast Area Transit
 - Housatonic Area Transit
 - CTtransit Waterbury
 - Windham Region Transit
 - CTtransit New Britain/Bristol
 - CTtransit New Haven
 - CTtransit Meriden
 - CTtransit Stamford



SUPPORTING RAIL TRANSIT

- Governor's budget supports rail with an additional \$44.5 million in FY 2024 and \$56.2 million in FY 2025
- Funds schedules and routes to match demands and evolving patterns of use
 - New Haven Line
 - Ridership remains at 68% of pre-pandemic usage
 - Funding proposed to support 86% service levels
 - Hartford Line
 - Ridership remains at 81% of pre-pandemic usage
 - Funding proposed to support 100% service levels
 - Shore Line East (SLE)
 - Ridership remains at 30% of pre-pandemic usage
 - Funding proposed to support 44% service levels
 - Since FY 2016 SLE has seen an average annual ridership decline of 16%
 - Average ridership 448/day, estimated 250 users daily
 - Current state subsidy per passenger trip is \$102- nearly double Hartford Line, and compared to less than \$10 on New Haven Line



AMERICAN RESCUE PLAN ACT STATE FISCAL RECOVERY FUNDS



PROPOSED NEW ALLOCATIONS OF ARPA-CSFRF

ARPA-CSFRF Investments by Theme	Proposed Total	% of Total
Higher Education Support	\$256,900,000	59.20%
Human Services	\$35,750,000	8.24%
Childcare	\$35,000,000	8.07%
Government Services	\$21,086,000	4.86%
Economic Assistance	\$20,000,000	4.61%
Behavioral Health	\$18,717,067	4.31%
Judicial	\$14,775,000	3.40%
Workforce Development	\$11,000,000	2.53%
Education	\$10,500,000	2.42%
Environmental Leadership	\$6,200,000	1.43%
Criminal Justice	\$4,000,000	0.92%
Grand Total	\$433,928,067	100.00%

- **\$117.37 million remains in the InvestCT allocation**
- Eliminates \$314.9 million of FY 2023 revenue replacement and reallocates \$119 million ARPA-CSFRF to support new investments
- Investments are described throughout this presentation



CAPITAL BUDGET PROPOSALS



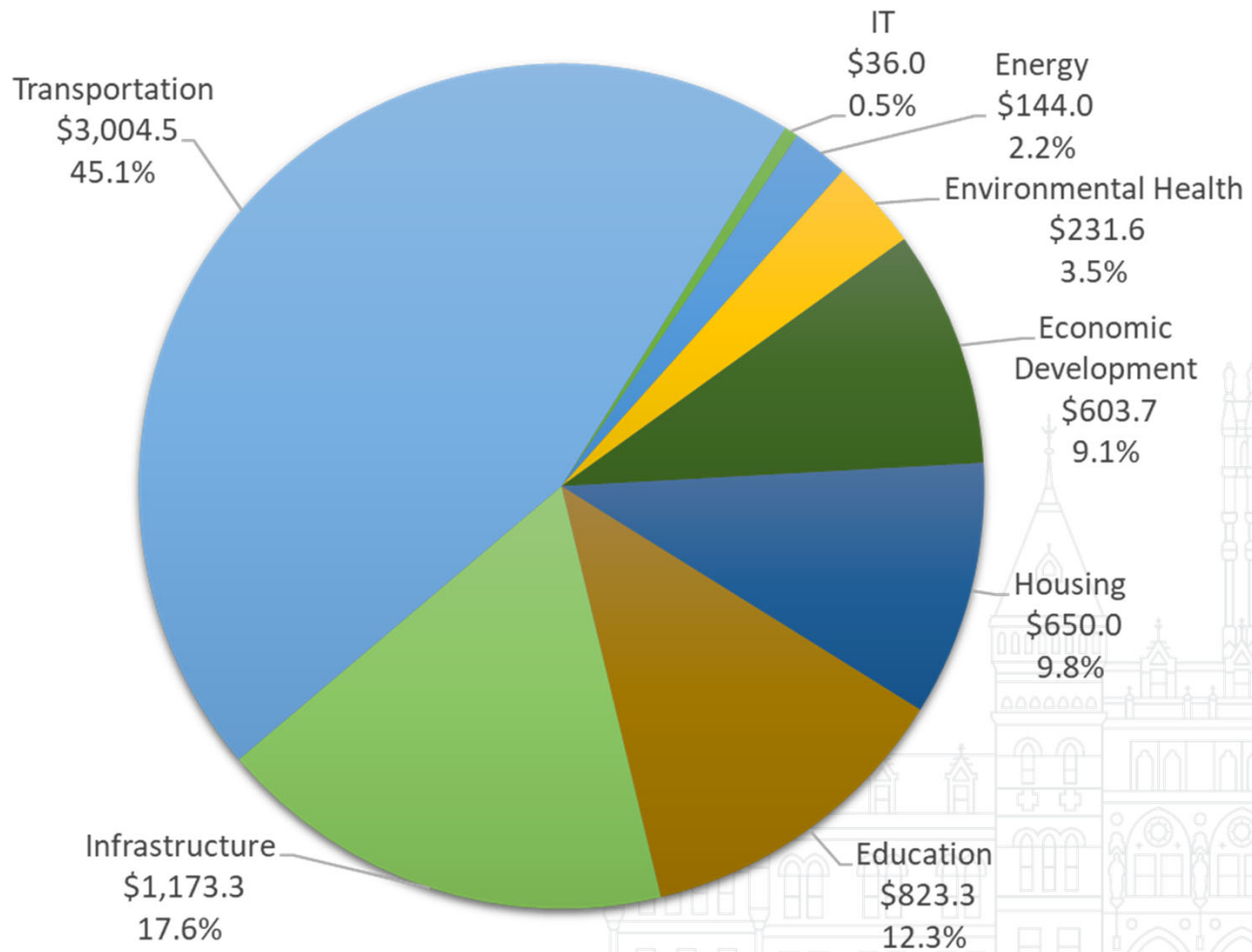
SUMMARY OF CAPITAL BUDGET RECOMMENDATIONS

- The Governor is prioritizing the following areas:
 - Housing affordability and development
 - Energy efficiency
 - Electric vehicles and charging infrastructure
 - Modernizing the state's IT infrastructure
 - Economic and workforce development
 - Maximizing state matching dollars for the Infrastructure Investment and Jobs Act (IIJA)
- New General Obligation (GO) bond authorizations
 - \$1.404 billion in FY 2024
 - \$1.657 billion in FY 2025
- Special Tax Obligation (STO) bond authorizations to keep our transportation infrastructure in a state of good repair
 - \$1.511 billion in FY 2024
 - \$1.494 billion in FY 2025



CAPITAL BUDGET RECOMMENDATION THEMES

Total FY 2024-2025 Recommendation
In millions



CAPITAL BUDGET HIGHLIGHTS

- Housing
 - \$600 million to address the housing shortage
 - \$200 million for workforce development housing
 - \$100 million for the Time-To-Own program
 - \$300 million for various affordable and mixed-use housing
- Energy and Environmental Health
 - \$55 million for electric vehicles and electric charging infrastructure
 - \$231.6 million for environmental health programs including hazardous waste remediation, water pollution control, and clean water funding
 - \$40 million for improving energy efficiency in state buildings
- Economic Development
 - \$50 million for the CT Small Business Boost Fund to leverage non-state resources
 - \$50 million for Brownfield Remediation
 - \$24 million for the Manufacturing Innovation Fund to assist in manufacturing workforce development



CAPITAL BUDGET HIGHLIGHTS (Continued)

- Education
 - \$253.3 million for state colleges and universities
 - \$250 million in FY 2025 for school construction
 - Adequate prior authorizations are available to support FY 2024
 - \$300 million for school air quality improvements
- Transportation
 - \$836.3 million to match an estimated \$1.5 billion in federal transportation infrastructure dollars for large scale projects along the state's rail lines and highways
 - \$2.2 billion to support the state's highways, transit lines, bridges, and municipal transportation projects



CONCLUSION



THE GOVERNOR'S BUDGET 2024-2025 BIENNIUM

The Governor's budget focuses on:

- Broad-based, middle-class tax relief;
- Creation of additional housing units and making homeownership possible for thousands of families;
- Training the workforce for the jobs employers need to fill today and in the future;
- Investing in K-12 education and childcare;
- Providing sustainable support for higher education;
- Strengthening the social safety net; and
- Ensuring equity for all state residents

The Governor's budget for FY 2024 and FY 2025:

- Is balanced without gimmicks
- Complies with all caps (spending, revenue, volatility, debt)

