



Ned Lamont
GOVERNOR
STATE OF CONNECTICUT

October 1, 2020

The Honorable Joe Aresimowicz, Speaker of the House
The Honorable Martin M. Looney, President Pro Tempore, State Senate
The Honorable Matthew Ritter, House of Representatives Majority Leader
The Honorable Bob Duff, Senate Majority Leader
The Honorable Themis Klarides, House of Representatives Minority Leader
The Honorable Leonard Fasano, Senate Republican President Pro Tempore
Legislative Office Building
Hartford, CT 06106

Dear Legislative Leaders:

Given that the Comptroller has certified a General Fund shortfall in excess of ten percent, I am obligated to take steps to mitigate the extent of the deficit. To that end, please find attached a deficit mitigation plan which I recommend the state undertake as soon as possible.

The deficit mitigation plan contains the following elements: rescissions under my authority pursuant to Section 4-85 of the Connecticut General Statutes, cost reductions from hiring restrictions, and minor changes in revenue policy and appropriation reductions requiring implementing legislation. It is important that we take steps to mitigate the projected shortfall as early in the fiscal year as we can, recognizing the balance required in the midst of a public health pandemic.

Shortfalls are also forecast in the Special Transportation Fund and in the Tourism Fund. The Office of Policy and Management projects a \$66 million shortfall in the Transportation Fund, further depleting the fund balance and underscoring the need to take action to stabilize the fund's finances over the long term. If left unaddressed, the fund balance could be exhausted during the next biennium, undermining the state of repair of our state's roadways and rendering it impossible to engage in any improvements that will help make the state more efficient and economically competitive. The Tourism Fund faces an astounding 31 percent shortfall this year, and the Office of Policy and Management estimates the fund will end FY 2021 with a negative fund balance of \$11 million—nearly equal to the annual level of spending authorized in the budget for that fund.

Clearly, the November consensus revenue forecast will provide important signals about key revenue sources for the General Fund, Special Transportation Fund, and Tourism Fund. We all fervently hope that economic activity and resulting revenues will continue to improve throughout the year and lessen our budgetary tasks in the coming months. However, the attached plan represents a prudent effort at addressing our fiscal challenges once we have updated consensus revenue estimates in November and evaluate additional federal action.

As noted above, I am implementing rescissions pursuant to Section 4-85 of the Connecticut General Statutes. A list of these rescissions is included in the attached plan and will also be sent to you under separate cover in the manner required by statute.

Thank you for your prompt consideration of this plan. While difficult choices are required, I believe we all can agree that our constituents, our taxpayers, our creditors, and our employees all expect that we will address our current year problem and turn our attention to the greater challenge we face in the upcoming biennium.

Sincerely,



Ned Lamont
Governor

Attachment – FY 2021 Deficit Mitigation Plan

cc: Paul Mounds Jr., Chief of Staff, Office of Governor Ned Lamont
Melissa McCaw, Secretary, Office of Policy and Management
Kevin Lembo, Comptroller
Sen. Catherine Osten, Co-Chair, Appropriations Committee
Sen. Paul Formica, Ranking Member, Appropriations Committee
Rep. Toni Walker, Co-Chair, Appropriations Committee
Rep. Gail Lavielle, Ranking Member, Appropriations Committee
Sen. John Fonfara, Co-Chair, Finance, Revenue and Bonding Committee
Sen. Kevin Witkos, Ranking Member, Finance, Revenue and Bonding Committee
Rep. Jason Rojas, Co-Chair, Finance, Revenue and Bonding Committee
Rep. Christopher Davis, Ranking Member, Finance, Revenue and Bonding Committee
Neil Ayers, Director, Office of Fiscal Analysis
Agency Heads

FY 2021 General Fund Deficit Mitigation Plan

| | | <u>Amount (in millions)</u> |
|----------------------------------|---|---------------------------------|
| 1. | Projected General Fund Deficit (OPM as of 9/21/20) | \$ (2,024.9) |
| | | Impact on Balance |
| <u>Proposed Mitigation Items</u> | | |
| 2. | Rescissions pursuant to CGS Sec. 4-85 (see list) | \$ 25.3 |
| 3. | Savings due to hiring restrictions | \$ 30.0 |
| 4. | Reimburse certain public health and safety costs from Coronavirus Relief Fund | \$ 100.0 |
| 5. | Revenue items (legislation required) | |
| 6. | Suspend transfer to Regional Performance Incentive Account eff. 12/1/20 | \$ 5.0 |
| 7. | Maintain Current 10% Corporation Tax Surcharge for IY 2021 | \$ 22.5 |
| 8. | Delay and Extend the Elimination of the Capital Base tax for IY 2021 | \$ 5.7 |
| 9. | Deappropriations (legislation required) | |
| 10. | OPM - Private Providers (balance after rescission) | \$ 3.7 |
| 11. | OPM - MRDA (balance after rescission) | \$ 0.2 |
| 12. | DOL - Workforce Training Authority (balance after rescission) | \$ 0.3 |
| 13. | DOL - Workforce Innovation Opportunity Act (appropriation exceeds federal award by \$2.3M) | \$ 2.3 |
| 14. | SDE - Magnet Schools. Deappropriate anticipated lapse in account (amount beyond lapse recognized in OPM 9/21/20 est.) | \$ 3.0 |
| 15. | DDS - ID Partnership (balance after rescission) | \$ 0.4 |
| 16. | DDS - Emergency Placements (balance after rescission) | \$ 0.7 |
| 17. | Other actions requiring legislation | |
| 18. | DSS - Implement Third Party Liability Prompt Pay Requirement to Adjudicate Health Care Claims | \$ 1.0 |
| 19. | This proposal requires insurers to act in a timely manner on requests to reimburse for services covered under HUSKY Health for which they may be legally liable. This proposal is consistent with prompt payment standards that are common practice in the health insurance industry and will result in additional recoveries that will reduce state Medicaid funding requirements. | |
| 20. | Subtotal, Mitigation Items | \$ 200.1 |
| 21. | Use of Budget Reserve Fund pursuant to CGS Sec. 4-30a contingent upon updated consensus revenue forecast and evaluation of additional rescissions | \$ 1,825.0 |
| 22. | Total, Mitigation Items and Use of Reserves | \$ 2,025.1 |
| 23. | Projected General Fund Balance after Mitigation | \$ 0.2 |

October 1, 2020 Rescissions Pursuant to CGS Sec. 4-85

| Agency and Appropriation | Rescission Amount |
|---|-----------------------|
| Agricultural Experiment Station | \$ (64,452) |
| Other Expenses | \$ (4,325) |
| Personal Services | \$ (60,127) |
| Attorney General | \$ (306,806) |
| Other Expenses | \$ (5,100) |
| Personal Services | \$ (301,706) |
| Commission on Human Rights and Opportunities | \$ (65,718) |
| Other Expenses | \$ (1,450) |
| Personal Services | \$ (64,268) |
| Department of Administrative Services | \$ (1,676,689) |
| IT Services | \$ (500,000) |
| Loss Control Risk Management | \$ (4,631) |
| Other Expenses | \$ (155,908) |
| Personal Services | \$ (482,825) |
| Refunds Of Collections | \$ (1,072) |
| Rents and Moving | \$ (528,578) |
| Surety Bonds for State Officials and Employees | \$ (3,675) |
| Department of Aging and Disability Services | \$ (129,299) |
| Employment Opportunities – Blind & Disabled | \$ (51,100) |
| Other Expenses | \$ (7,113) |
| Personal Services | \$ (71,086) |
| Department of Agriculture | \$ (40,856) |
| Other Expenses | \$ (4,005) |
| Personal Services | \$ (36,851) |
| Department of Children and Families | \$ (245,801) |
| Other Expenses | \$ (145,801) |
| Personal Services | \$ (100,000) |
| Department of Consumer Protection | \$ (145,847) |
| Other Expenses | \$ (5,742) |
| Personal Services | \$ (140,105) |
| Department of Correction | \$ (347,983) |
| Other Expenses | \$ (347,983) |
| Department of Developmental Services | \$ (3,619,355) |
| Behavioral Services Program | \$ (1,128,598) |
| Emergency Placements | \$ (281,500) |
| ID Partnership Initiatives | \$ (76,450) |
| Other Expenses | \$ (75,347) |
| Personal Services | \$ (2,057,460) |
| Department of Economic and Community Development | \$ (81,052) |
| Hartford 2000 | \$ (1,000) |
| Other Expenses | \$ (3,322) |
| Personal Services | \$ (76,730) |
| Department of Education | \$ (182,523) |

October 1, 2020 Rescissions Pursuant to CGS Sec. 4-85

| Agency and Appropriation | Rescission Amount |
|---|-----------------------|
| Other Expenses | \$ (15,177) |
| Personal Services | \$ (167,346) |
| Department of Emergency Services and Public Protection | \$ (1,375,977) |
| Criminal Justice Information System | \$ (134,230) |
| Fleet Purchase | \$ (100,000) |
| Other Expenses | \$ (141,747) |
| Personal Services | \$ (1,000,000) |
| Department of Energy and Environmental Protection | \$ (1,091,612) |
| Clean Air | \$ (48,915) |
| Dam Maintenance | \$ (480) |
| Emergency Spill Response | \$ (51,288) |
| Environmental Conservation | \$ (175,043) |
| Environmental Quality | \$ (57,978) |
| Fish Hatcheries | \$ (46,049) |
| Laboratory Fees | \$ (6,450) |
| Other Expenses | \$ (10,000) |
| Personal Services | \$ (622,706) |
| Solid Waste Management | \$ (71,420) |
| Underground Storage Tank | \$ (1,283) |
| Department of Housing | \$ (19,358) |
| Other Expenses | \$ (824) |
| Personal Services | \$ (18,534) |
| Department of Mental Health and Addiction Services | \$ (2,135,782) |
| Personal Services | \$ (2,135,782) |
| Department of Public Health | \$ (401,561) |
| Other Expenses | \$ (38,091) |
| Personal Services | \$ (363,470) |
| Department of Revenue Services | \$ (1,171,713) |
| Other Expenses | \$ (50,000) |
| Personal Services | \$ (1,121,713) |
| Department of Social Services | \$ (2,409,910) |
| Food Stamp Training Expenses | \$ (491) |
| Other Expenses | \$ (1,108,317) |
| Personal Services | \$ (1,296,368) |
| Refunds Of Collections | \$ (4,734) |
| Department of Veterans Affairs | \$ (212,675) |
| Other Expenses | \$ (14,516) |
| Personal Services | \$ (198,159) |
| Division of Criminal Justice | \$ (475,066) |
| Other Expenses | \$ (11,971) |
| Personal Services | \$ (463,095) |
| Governor's Office | \$ (30,596) |
| National Governors' Association | \$ (5,330) |

October 1, 2020 Rescissions Pursuant to CGS Sec. 4-85

| Agency and Appropriation | Rescission Amount |
|--|---------------------|
| New England Governors' Conference | \$ (3,719) |
| Personal Services | \$ (21,547) |
| Labor Department | \$ (154,580) |
| CETC Workforce | \$ (28,399) |
| Other Expenses | \$ (5,075) |
| Personal Services | \$ (96,106) |
| Workforce Training Authority | \$ (25,000) |
| Lieutenant Governor's Office | \$ (6,482) |
| Personal Services | \$ (6,482) |
| Military Department | \$ (39,510) |
| Other Expenses | \$ (10,856) |
| Personal Services | \$ (28,654) |
| Office of Early Childhood | \$ (91,861) |
| Other Expenses | \$ (2,295) |
| Personal Services | \$ (89,566) |
| Office of Governmental Accountability | \$ (6,025) |
| Board of Firearms Permit Examiners | \$ (741) |
| Contracting Standards Board | \$ (1,039) |
| Judicial Review Council | \$ (550) |
| Judicial Selection Commission | \$ (471) |
| Office of the Child Advocate | \$ (378) |
| Office of the Victim Advocate | \$ (1,232) |
| Other Expenses | \$ (1,614) |
| Office of Health Strategy | \$ (45,112) |
| Other Expenses | \$ (25,000) |
| Personal Services | \$ (20,112) |
| Office of Higher Education | \$ (15,935) |
| Other Expenses | \$ (832) |
| Personal Services | \$ (15,103) |
| Office of Policy and Management | \$ (496,010) |
| Automated Budget System and Data Base Link | \$ (1,338) |
| MRDA | \$ (25,000) |
| Other Expenses | \$ (5,943) |
| Personal Services | \$ (113,792) |
| Private Providers | \$ (300,000) |
| Project Longevity | \$ (49,937) |
| Office of the Chief Medical Examiner | \$ (7,211) |
| Other Expenses | \$ (7,211) |
| Psychiatric Security Review Board | \$ (3,123) |
| Other Expenses | \$ (125) |
| Personal Services | \$ (2,998) |
| Secretary of the State | \$ (74,727) |
| Commercial Recording Division | \$ (38,431) |

October 1, 2020 Rescissions Pursuant to CGS Sec. 4-85

| Agency and Appropriation | Rescission Amount |
|-----------------------------------|------------------------|
| Other Expenses | \$ (8,033) |
| Personal Services | \$ (28,263) |
| State Comptroller | \$ (265,852) |
| Other Expenses | \$ (25,996) |
| Personal Services | \$ (239,856) |
| State Library | \$ (53,749) |
| Other Expenses | \$ (2,109) |
| Personal Services | \$ (51,640) |
| State Treasurer | \$ (30,149) |
| Other Expenses | \$ (625) |
| Personal Services | \$ (29,524) |
| Teachers' Retirement Board | \$ (19,952) |
| Other Expenses | \$ (2,724) |
| Personal Services | \$ (17,228) |
| Judicial Branch | \$ (5,500,000) |
| Judicial Branch Rescission | \$ (5,500,000) |
| Legislative Branch | \$ (2,250,000) |
| Legislative Branch Rescission | \$ (2,250,000) |
| Grand Total | \$ (25,290,909) |