



Republican FY 2018/2019 Budget Summary Updated September 2017

No New Taxes & Reduces Taxes

No increase or expansion of the sales tax
No secondary home tax
No cell phone tax
No increase to the cigarette tax
No new tax on nonprescription drugs
No new restaurant sales tax
No increase to the pistol permit fee

No increase to the hotel tax
No new fantasy sports tax
No income tax increase
Restores funding for the state's property tax credit in its entirety to all families and individuals
Eliminates Social Security income tax and phases out tax on pension income for middle class families

Increases Education Funding

Increases education funding and includes a new ECS formula to fairly distribute aid as well as a council to analyze and make any necessary changes to the new formula within the next year.

Municipal Support and Mandate Relief

Flat funds or increases funding for all municipalities over the biennium. Stabilizes municipal aid and does not ask towns and cities to pay for teacher retirement costs. Also includes significant municipal mandate relief.

Funds Core Social Services

Restores funding for core social services and programs that benefit people most in need. Fully funds day and employment services for individuals with intellectual and developmental disabilities, reopens Care4Kids, etc.

Prioritizes Transportation

Prioritizes the state's transportation needs and stabilizes funding without tolls or new taxes. Implements the Republican Prioritize Progress transportation funding plan and stabilizes the state's Special Transportation Plan.

Supports Seniors

Lowers taxes for retirees by eliminating tax on social security for middle class families and phases out pension income tax for those with incomes below a specified threshold. Helps seniors age in place by restoring and increasing funding for core programs and supports such as Meals on Wheels, the personal needs allowance, non ADA dial a ride, and the CT Home Care Program.

Funds State Parks & Tourism

Enhances funding for state parks/tourism without raising taxes by implementing a new Passport to Parks program and dedicating a portion of the current hotel occupancy tax to a new Marketing, Culture & Tourism account.

Reduces Size of Government

Implements 10% reductions to certain agency accounts, overtime savings of 10%, a hiring freeze on non-24-hour non-union positions, and makes cuts to the legislature such as reducing the number of legislative committees.

Includes Structural Changes

Changes include a spending cap, bonding cap, municipal mandate relief, and other long term savings. Implements pension reform beginning in 2027 after the recently approved SEBAC contract ends.

Budget Summary

General Reductions

Recommends rolling forward the FY 2017 holdbacks except for core services that this budget seeks to protect such as grants for mental health and substance abuse, early childhood programs for low income citizens, and youth service bureau funding. Implements 10% reductions to certain agency accounts.

Education

This budget includes a fully revised Education Cost Sharing Formula that takes into account factors regarding CCJEF and Meskill court decisions, enrollment, poverty and wealth. This budget dedicates \$33.6 million more to education in FY 2018 and \$136.6 million more in FY 2019. Once fully implemented, the state will be spending \$678.7 million more on education funding under this proposal, which also allows for a committee to study and revise the new formula if deemed necessary within the next year. In 2018 all towns and cities will either be held harmless or gain more ECS funding.

Municipal Aid

- Flat funds or increases funding for all municipalities over the biennium
- Does not require municipalities to assume any costs associated with teachers' retirement.
- Recommends mandate relief to help towns manage their budgets and identify savings for local taxpayers.
- Preserves or increases Education Cost Sharing base grants to municipalities (detailed below)
- Recommends eliminating the general revenue sharing and car tax portions of the Municipal Revenue Sharing Account (0.5% of the sales tax going to municipalities).

Transportation

- Implements "Prioritize Progress" to provide \$62 billion to transportation over 30 years without new taxes or tolls.
- Does not sweep any funding from the Special Transportation Fund.
- Contains multiple policy changes to make the Special Transportation Fund solvent and prevent it from entering deficiency. Will move transportation related revenue into the STF to make solvent through 2022 and beyond.

Tax Reductions

- Exempts all Social Security as of January 1, 2017 for single income tax filers with an Adjusted Gross Income (AGI) below \$75,000 and for joint filers with an AGI below \$100,000.
- Phases out the tax on pension income for tax filers with an Adjusted Gross Income (AGI) below \$75,000 and for joint filers with an AGI below \$100,000 beginning in 2019.
- Phases in federal exemption of estate tax as governor does
- Lowers lifetime cap on gift and estate tax beginning in 2020 as governor does

Changes to Other Tax Proposals

- Does not raise or expand the sales tax
- Does not have a restaurant tax
- Does not increase cigarette tax, hotel tax or tax on digital downloads
- Does not tax nonprescription drugs
- Rejects proposed pistol permit fee increase
- Restores the \$200 property tax credit for ALL qualifying families and individuals. (approximately 874,000 middle class and working poor families).

Social Services

- Provides required funding to reopen programs under Care4Kids
- Fully funds day and employment services for individuals with Intellectual and Developmental Disabilities
- Restores funding for core social services, including but not limited to:
 - Meals on Wheels (increases funding)
 - mental health and substance abuse treatment
 - SAGA, a lifeline for many of CT's residents who are disabled and unable to work
 - School based health clinics, rape crisis, community health services, family resource centers
 - Does not annualize holdbacks for domestic violence shelters and services for those with disabilities, employment opportunities for blind and deaf
 - Restores funding for regional mental health boards and restores mental health services
 - Does not reduce burial benefits for the indigent

Seniors

- Rejects cuts to the CT Home Care Program
- Restores the personal needs allowance
- Social Security income tax exemption and phases in pension income tax exemption
- Restores full Meals on Wheels funding
- Restores funding for non ADA dial a ride and adds more funding
- Phases in Social Security income tax exemption for middle income households

Veterans

Restores funding for veterans' headstones and burial expenses

Hospitals

- Does not allow municipalities to tax local hospitals and preserves the small hospital pool.
- Accept the hospital settlement agreed to by the Connecticut Hospital Association
- Phases out the hospital tax over time beginning in FY 2020.
- Increase Medicaid rates which protects hospitals from changes on the federal level

Parks

In an effort to stabilize the state's protection and administration of our natural resources, this budget recommends the establishment of a new Environmental Conservation Account funded with a \$5 annual State Parks Pass. This fee will be assessed on motor vehicle registrations. In return, all cars with a Connecticut license plate will be allowed access to state parks and forests without a parking fee. This will allow DEEP to operate in a more business-like fashion.

Tourism

Acknowledging the multiplier effect that tourism has on our economy, the budget proposes to transfer 1.5% of the **current** hotel occupancy tax to a new Marketing, Culture and Tourism account. This is not a new tax as Democrats have proposed. All current tourism appropriations made from the General Fund are eliminated and all future funding will be made from the new account on a competitive basis. This results in a tourism funding increase and more stability.

Funding is also provided to maintain Connecticut's rest stops making our state more attractive to visitors.

Reduces Size of Government

- Requires that state agencies shall have no more than one deputy commissioner and have no more than one executive secretary.
- Implements overtime savings of 10%
- Hiring freeze on non-24-hour non-union positions
- Legislatives savings: cuts legislative franking, reduces legislative committees, and reduces sessional staff.
- Implements 10% reductions to certain agency accounts.

Public Safety

- Increases funding for Fire Training Schools
- Provides funding for resident troopers at 85% where the governor eliminates funding
- Preserves funding for Cold Case and Shooting Taskforce
- Provides additional funds to the Chief Medical Examiner beyond the governor's proposal

Labor

This budget proposal includes the savings from the SEBAC deal since it has already been passed by the legislature. Republicans originally proposed an alternative path to labor savings that would have achieved greater savings and allowed us to restore more funding to key programs. But since Democrats approved the labor deal our hands are now tied and the state is locked in to the SEBAC deal. Since the SEBAC deal was approved, our budget was also modified to remove the savings that could no longer be achieved such as savings associated with moving services to nonprofit providers.

The budget also implements pension reform beginning after the SEBAC deal ends in 2027 to achieve \$270 million in savings over the biennium from the following changes to state employee benefits: requiring workers to pay the national average towards their retirement benefit, eliminating COLAs until the fund balance of the state employee retirement system is deemed healthy by national standards, eliminating overtime from calculation of final average salary, ceasing the current practice which allows higher paid employees to receive a larger portion of their final average salary as lower paid employees, commonly referred to as a break point.

New Education Cost Sharing Formula

- Creates council to analyze education funding to make recommendations for the General Assembly to enact changes to the funding formula presented below if they so choose. Increased funding to towns as outlined below will be effective immediately upon passage. If another formula is not developed by the council within a year the following new formula will go into effect for future years.
 - Fully functioning formula that factors in current enrollment
 - Contains foundation grant of \$9,638 based on academic research on the cost of educating a child in CT
 - Provides a weight of 30% for students that receive free and reduced priced lunch. Contains an additional weight of 5% for those communities that have more than 75% of its population eligible for free and reduced priced lunch
 - Provides a weight of 15% for English language learners
 - Provides an additional 3%-6% for communities that have a *Public Investment Community Index* (PIC) over 300 which costs \$9.4 million (For the top 5 towns, we provide an additional 6%, for the next 5 towns, we provide an additional 5%, for the following 5 towns, we provide an additional 4%, and for the last 4, we provide an additional 3%).The PIC index measures the relative wealth and need of Connecticut town's by ranking them in descending order by their cumulative point allocations for (a) per capita income, (b) adjusted equalized net grand list per capita, (c) equalized mill rate, (d) per capita aid to children receiving Temporary Family Assistance benefits, (e) unemployment rate
 - The proposal weights net equalized grand list at 70% and median household income at 30%
 - When the proposed ECS formula is fully implemented, the state will be spending \$678.7 million more on ECS
 - This proposal recommends flat funding municipalities that would have received a reduction in ECS funding as a result of the formula (primary driver, enrollment declines) in FY 2018. It then would phase in reductions to municipalities over a 10 year period beginning in FY 2019.
 - For a municipality that is due to receive an increase due to the formula, this proposal recommends phasing in the increase over a 10 year period beginning in FY 2018 with towns seeing 5% of their new full funding under the formula in FY 2018 and 15% of their full funding in FY 2019. Thereafter towns would receive 10% increases annually until 2028 at which point they would be fully funded under the new formula.
 - **The budget provides an increase of funding of \$33.6 million in FY 2018 and \$136.6 million in FY 2019**

Special Education

- Similar to the Governor, this proposal seeks to transfer the portion of the ECS grant that is attributed to special education (approximately 22%) and combines the \$447 million with the current excess cost account and an additional \$10 million creating a combined pool of \$597.6 million
- The distribution of these funds will range from 2.5% to 52% and will be distributed based on the equalized net grand list of municipalities similar to the Governor
- Unlike excess cost, the distribution of these monies will be based on previous years' expenditures rather than a town waiting until the expenditure of a child hits 4.5 times of their per pupil average.