How We Balance the Budget

1) **Annualize Some Gubernatorial Holdbacks.** Holdbacks imposed on sensitive issues were not annualized.

2) **Across the Board Reductions of 5 – 7 % to Specified Accounts.** Cuts were withheld from most vital or vulnerable services.

3) **Make Managerial and Overtime Reductions Mandatory.** These savings were included in the bipartisan budget. However, Governor Malloy refused to implement these savings. This plan would make the agreed to reductions mandatory.

4) **Codify Reductions to Other Expenses Already Agreed to by Governor.** These savings were included in the bipartisan budget and separately were agreed to by the governor in earlier negotiations with Democrats last year. However, the governor has since failed to fully implement these reductions to save a total $52.5 million. Therefore, this budget would directly reduce OE expenses by agency so that this agreement can be upheld. This does not impact services.

5) **Further Reduce the Size of Government through Privatization & Other Policies**
   - Convert services to nonprofit providers
     - Move some DMV services to private sector. Example, allow car dealers to perform car registrations
     - DMHASS Privatization
       - Recommended by Department: Close 20 detox beds at CT Valley Hospital and privatize these beds through general hospitals and community not for profits. Enhances access by making beds available across the state. Savings of $4,971,316by relocating staff to vacancies.
       - Recommended by Department: Closing 15 geriatric beds at CT Valley Hospital and instead privatizing this care by placing patients in long term services and supports in the community. Savings achieved by relocating staff to vacancies & overtime reductions. Savings of $3,100,261
       - Recommended by Governor: Convert 10 Group Homes from Public to Private Operation. Savings of $1,000,000 in FY 2019.
   - Do not expand size of DCF which was bipartisanly rejected by the legislature
   - Eliminate selected managerial positions (allows for no more than one deputy commissioner of any agency, eliminates politically appointed executive assistants, allows for only one executive secretary per agency, and consolidates legislative and communications functions for executive branch agencies under the office of the governor).

6) **Post 2027 SEBAC Savings.** Limited to savings from eliminating COLAs unless legislatively directed and eliminating overtime from calculation of final average salary (only impacts those retiring after 2027). This results in savings beginning in FY 2019 of $61.7 million.

7) **Reduce Unfunded Liabilities by Paying More into State Employee & Teacher Retirement Funds.** Under the state's volatility cap, we recommend spelling out exactly how to use state revenue that exceeds the defined cap. We recommend directing 1/3 of funds above the cap toward the state employees retirement fund, 1/3 of funds above the cap minus $8 million to the teachers retirement fund (the $8 million deduction will be put towards retired teachers health fund), with the remaining 1/3 of funds above the cap to the state's rainy day fund. These additional contributions will result in a reduction of the fund's massive unfunded liabilities. With this commitment, state actuaries estimate an immediate savings of $40 million in ARC payments as a result of the new defined commitment to pay off unfunded debt. The total savings of this policy over the next five years is estimated to be over $200 million.

Revenue Changes

- Some items in the enacted budget we recognize cannot be achieved at this point. Therefore, we have to first reflect what cannot be achieved in the enacted budget to better estimate what revenue we are actually working with. We propose the following:
    - Eliminate the $17.8 million carry forward from FY 2018 into FY 2019 (which must be used in FY 18 deficit mitigation).
    - The following were compromise proposals included in the bipartisan budget that the governor is counting on for funding. However OPM has never identified these fee increases or expenditures. Therefore, we are choosing not to implement these policies which OPM has failed to define.
        - Eliminate the requirement to increase tax expenditures by $10 million.
        - Eliminate $20 million in fee increases.

- This plan also accepts the following revenue rebalancing:
    - Reflect an additional $6 million in new revenue projected by OFA (result of a positive projection of withholding of $53 million and negative reduction to corporate tax of $47 million. Results in a net increase of $6 million).
    - Increase the unitary tax cap to $3.5 million for non-manufacturers. Applies to mostly big box retailers (Walmart, Target, etc.). The governor recommended to completely uncap the increase in tax liability for all non-manufacturers.
    - Eliminate single payer tax exemption for co-generation facilities (this was a special tax exemption created for one facility in a district).

- This plan also reduces the 10% corporate tax surcharge to 8%, in accordance with the governor.

Other Noteworthy Policy & Budgetary Changes

Medicare Savings Program

- Under current law, if nothing is done to change MSP beginning July 1, 2018 then 59,960 people will lose MSP coverage and 31,613 will see a reduced benefit.
- This plan proposes to change income limits for eligibility to restore coverage for 158,099 people. This will cost the state $73.2 million over the existing budget for FY 2019.

Transportation

- Enacts Prioritize Progress
- Balances the STF (Special Transportation Fund) so that the fund will be fully funded and transportation projects can move forward without relying on tolls or new taxes.
- Results in surpluses in the STF in each of the next 5 years.
- Includes $20.6 million savings in debt service for Prioritize Progress
- Eliminates funding for expanding the CTfastrak to UConn so that these funds can be used to enhance current infrastructure.
- Provides protections for local transit districts so that they do not incur reductions in FY 2019.

DETAILS

Prioritize Progress

- Prioritize Progress is a capital infrastructure program.
- Over the next five years it provides almost $1 billion more than the Governor's plan for transportation capital infrastructure improvement projects.
- The main premise of Prioritize Progress is that it uses general obligation (GO) bonds paid for with general fund (GF) debt service in lieu of special transportation obligation (STO) bonds paid for with special transportation fund (STF) debt service. It operates under the bonding cap.
- Reducing the Governor annual STO bond issuance reduces STF debt service by $20.65 million in FY 2019 alone.
- Over the next 30 years Prioritize Progress provides $21.9 billion of state funds for transportation. When coupled with the potential federal match, the total increases to $64.9 billion.
- Republicans believe that transportation infrastructure improvement projects are vital to the State of Connecticut's safety and economic growth. That is why we are comfortable prioritizing transportation improvement projects as compared to political handouts.
- Prioritizing transportation according to our plan allows the state to afford transportation infrastructure improvement projects all while fully funding our commitment to local schools, higher education constituent units, and municipal aid. It also operates under the bond cap and therefore does not bond any more than the state already plans and budgets for.

Special Transportation Fund

- This budget creates a positive balance in the STF and surpluses over the next 5 years of $16.1 million in FY 2019, $42.5 million in FY 2020, $71.8 million FY 2021, $124.7 million in FY 2022, and $71.8 million in FY 2023.
- Accelerates moving sales tax from car sales at dealerships from the General Fund to the STF by one year (begins in FY 2020). This ensures transportation related revenue will be dedicated to transportation needs.

Other Transportation Related Changes

- Transit district protection – Require that the DOT Commissioner fund transit districts at the same level that they were funded in FY 2017. Legislatively state that any reductions in expenditures from the Bus Operations account that need to occur in FY 2019 in order to live within the recommended appropriation in FY 2019 under the Department of Transportation come from the operation of CTfastrak.
- DOT does not have ability to raise bus or rail fares in FY 2019 (the 1% currently in statute can go into effect).

Municipal Aid & Education Funding

- Fully funds Educational Cost Sharing Grants at FY 2019 enacted levels ($85.6 million more than the current year).
- Rejects governor's proposed education cuts including proposal to zero out towns with enacted grand list over $200,000.
- Increases municipal aid $63 million more than the governor.
- Flat funds Excess Cost Grants from FY 2017.
- Does not shift teacher pension costs onto towns and cities.
- Increases Vocational Agriculture per pupil grant by $500.
- Maintains Charter/Magnet per pupil grant which was recently increased to $250 per slot.
- State assumes cost of Renters Rebate, therefore reducing cost on towns/cities and protects program.

Hartford

- Amend law that gives OPM unilateral authority to enter into contract assistance with communities.
- The bipartisan budget granted $40 million to Hartford over the next two years. However, the contract agreed to by Gov. Malloy and the City of Hartford provides $48 million to Hartford over the next two years. Therefore, this plan reduces grants to Hartford by $8 million so that actual aid provided to Hartford is kept at the $40 million agreed to in the budget.
- Contains language to reduce Hartford's statutory grants in FY 2020 and beyond by the value of the debt services assistance that the city receives pursuant to the contract entered into by OPM.

Higher Education

- Provides $6.2 million in additional funding for community colleges
- Protects Roberta Willis Scholarship for existing students and those entering public schools. Stops new scholarships for students attending private schools.
- UCONN and UCONN health center
    - Reduces UCONN budget by $63.2 million (this results in a total biennial reduction to UCONN of $120.3 million. Original Republican budget that passed last year would have resulted in a $151.5 million reduction in funding. Therefore, this reduction is $31.2 million less than what was originally proposed and passed by the legislature).
    - To achieve savings recommends following changes:
        - Requires professors to teach one additional course
        - Maintains language to require UCONN Health to begin privatization process
        - Removes enhanced Medicaid and fringe benefit reimbursements to UConn Heath Center (which does not pay hospital tax)
        - Eliminates Medicaid Payments for Graduate Medical Education. Hospitals will still receive $90 million in indirect payments.

    (NOTE: It currently costs $298,000 in taxpayer funding for each student to attend UConn Health Center Medical School, on top of the annual tuition charges these students pay. Clearly, there is a need to reduce these costs.)