

CONNECTICUT

FY 2014 – FY 2015 Biennium
GOVERNOR'S BUDGET



DANNEL P. MALLOY, GOVERNOR
February 6, 2013

Introduction

The Governor's budget proposal for the biennium is balanced, under the spending cap, and provides tax relief to Connecticut families

The Governor's recommended budget builds on the priorities of the last two years:

- Jobs and the economy
- Education
- Continued support for municipalities
- Maintaining the safety net
- Smaller and more streamlined state government
- Smart investments in the state's infrastructure
- Transparency and accountability through Generally Accepted Accounting Principles (GAAP)

Budget Overview



Governor Malloy's Recommended Budget

(in millions)

	Recommended <u>FY 2014</u>	Recommended <u>FY 2015</u>
General Fund	\$ 20,110.6	\$ 20,888.5
Special Transportation Fund	1,256.8	1,324.0
Banking Fund	25.6	22.3
Insurance Fund	29.8	31.0
Consumer Counsel and Public Utility Fund	24.4	25.4
Workers Compensation Fund	21.7	22.2
Mashantucket Pequot & Mohegan Fund	5.4	5.4
Soldiers, Sailors & Marines' Fund	-	-
Regional Market Operating Fund	0.9	0.9
Criminal Injuries Compensation Fund	3.4	2.8
Grand Total	<u>\$ 21,478.6</u>	<u>\$ 22,322.4</u>

Totals may not add due to rounding.

Governor Malloy's Recommended Budget

(In millions)

	Estimated <u>2012-13</u>	Recommended <u>2013-14</u>	Recommended <u>2014-15</u>
<u>General Fund</u>			
Total Recommended Budget			
Revenues	\$ 18,979.5	\$ 20,117.3	\$ 20,896.6
Appropriations	<u>19,043.9</u>	<u>20,110.6</u>	<u>20,888.5</u>
Surplus/(Deficit)	\$ (64.4)	\$ 6.7	\$ 8.1
Proposed Adjustments			
Expenditure Reductions / Fund Transfers	<u>\$ 64.4</u>	<u>\$ -</u>	<u>\$ -</u>
Total Changes	\$ 64.4	\$ -	\$ -
Revised Surplus/(Deficit)	\$ -	\$ 6.7	\$ 8.1
Budget Reserve Fund Deposit	<u>-</u>	<u>(6.7)</u>	<u>(8.1)</u>
Projected Balance 6/30	\$ -	\$ -	\$ -
<u>Special Transportation Fund</u>			
Beginning Balance	\$ 145.8	\$ 158.6	\$ 163.7
Revenues	<u>1,227.7</u>	<u>1,261.9</u>	<u>1,343.0</u>
Total Available Resources	1,373.5	1,420.5	1,506.7
Recommended Appropriations	<u>1,214.9</u>	<u>1,256.8</u>	<u>1,324.0</u>
Surplus/(Deficit)	\$ 12.8	\$ 5.1	\$ 19.0
Projected Fund Balance 6/30	\$ 158.6	\$ 163.7	\$ 182.7

Summary of Expenditure Growth

(in millions)

Fiscal Year 2013-14

	Estimated Expenditures <u>2012-13</u>	Net Adjustments <u>2013-14</u>	Recommended Appropriation <u>2013-14</u>	% Growth Over <u>2012-13</u>
General Fund	\$ 19,043.9	\$ 1,066.7	\$ 20,110.6	5.6%
Special Transportation Fund	1,214.9	41.9	1,256.8	3.4%
Mashantucket Pequot & Mohegan Fund	61.8	(56.5)	5.4	-91.3%
All Other Funds	<u>108.5</u>	<u>(2.7)</u>	<u>105.8</u>	<u>-2.5%</u>
Total	\$ 20,429.1	\$ 1,049.5	\$ 21,478.6	5.1%

Fiscal Year 2014-15

	Recommended Appropriation <u>2013-14</u>	Net Adjustments <u>2014-15</u>	Recommended Appropriation <u>2014-15</u>	% Growth Over <u>2013-14</u>
General Fund	\$ 20,110.6	\$ 777.9	\$ 20,888.5	3.9%
Special Transportation Fund	1,256.8	67.2	1,324.0	5.3%
Mashantucket Pequot & Mohegan Fund	5.4	-	5.4	0.0%
All Other Funds	<u>105.8</u>	<u>(1.2)</u>	<u>104.6</u>	<u>-1.1%</u>
Total	\$ 21,478.6	\$ 843.9	\$ 22,322.4	3.9%

Budget Growth Rates

Annual Percentage Rate

Fiscal Years	Total All Funds
FY '96 - FY '05	4.8%
FY '06 - FY '11	4.5%
FY '12 - FY '15 (rec.)	3.8%

Closing the Current Services Budget Gap

Current Services versus Proposed Budget (in millions)

	Fiscal Year 2014			Fiscal Year 2015		
	<u>Current Services</u>	<u>Policy Changes</u>	<u>Proposed Budget</u>	<u>Current Services</u>	<u>Policy Changes</u>	<u>Proposed Budget</u>
<u>General Fund</u>						
Revenues	\$ 19,655.3	\$ 462.0	\$ 20,117.3	\$ 20,773.6	\$ 123.0	\$ 20,896.6
Expenditures	<u>20,936.8</u>	<u>(826.2)</u>	<u>20,110.6</u>	<u>21,954.4</u>	<u>(1,065.9)</u>	<u>20,888.5</u>
Surplus/(Deficit)	\$ (1,281.5)	\$ 1,288.2	\$ 6.7	\$ (1,180.8)	\$ 1,188.9	\$ 8.1

Significant Changes in FY 2014 Budget Compared to FY 2013 Expenditures - General Fund

(in millions)

Significant Changes FY 2014 Budget Compared To FY 2013 Expenditures General Fund (in Millions)

Estimated FY 2013 Expenditures	\$	19,043.9
Honoring Commitments:		
Human Services Caseload/Affordable Care Act Changes	\$	381.8
Pensions and OPEB		467.8
Personal Services		125.3
Generally Accepted Accounting Principles		83.4
Policy Changes		
Education	\$	68.0
Municipal Aid Moved into General Fund		47.6
Bioscience Initiative		11.9
Net Other Changes	\$	(119.1)
FY 2014 Expenditures per Governor's Budget	\$	20,110.6

Estimates of FY 2014 Expenditures

November 2010 Projections vs. February 2013 Estimates

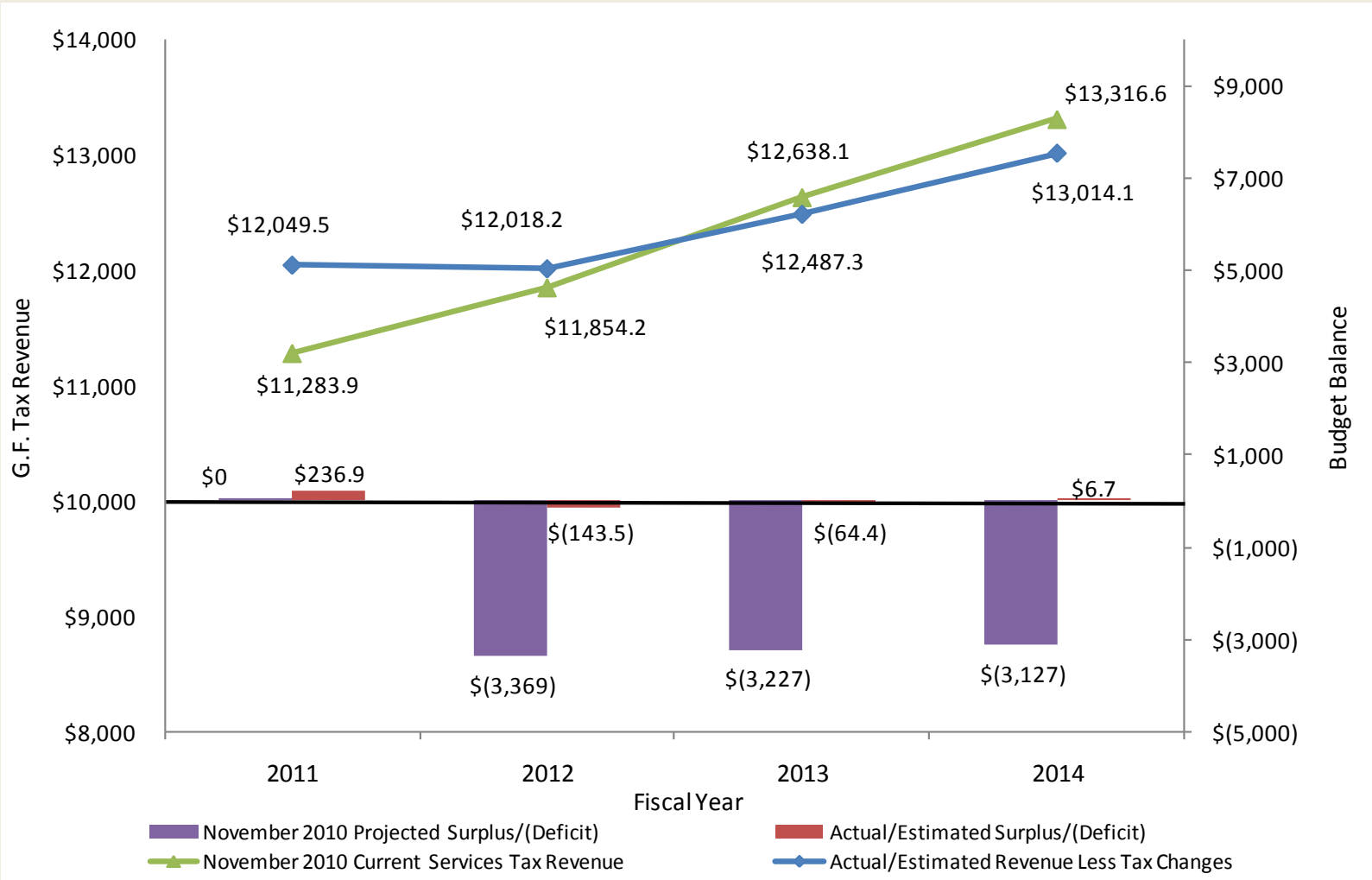
(in millions)

	November 2010 Est.	Governor's Recommended Budget		Recommended vs. Nov. 2010 Est.
		Current Services	Recommended	
Medicaid	\$ 5,154.0	\$ 5,339.1	\$ 5,068.8	\$ (85.2)
Retired State Employee and Teacher Retirement and Healthcare*	2,329.7	2,633.8	2,596.3	266.6
State Employee Healthcare*	691.7	572.0	567.0	(124.7)
Education Cost Sharing	1,942.3	2,017.6	2,140.2	197.9
Debt Service	2,019.5	1,950.8	1,780.8	(238.7)
Statewide Personal Services	2,596.8	2,225.4	2,219.0	(377.8)
Other	6,614.3	6,198.2	5,738.5	(875.8)
Total General Fund	\$ 21,348.3	\$ 20,936.8	\$ 20,110.6	\$ (1,237.7)

*Governor's budget amounts are prior to transfers

Revenue & Balance

November 2010 Projections vs. February 2013 Estimates
(in millions)

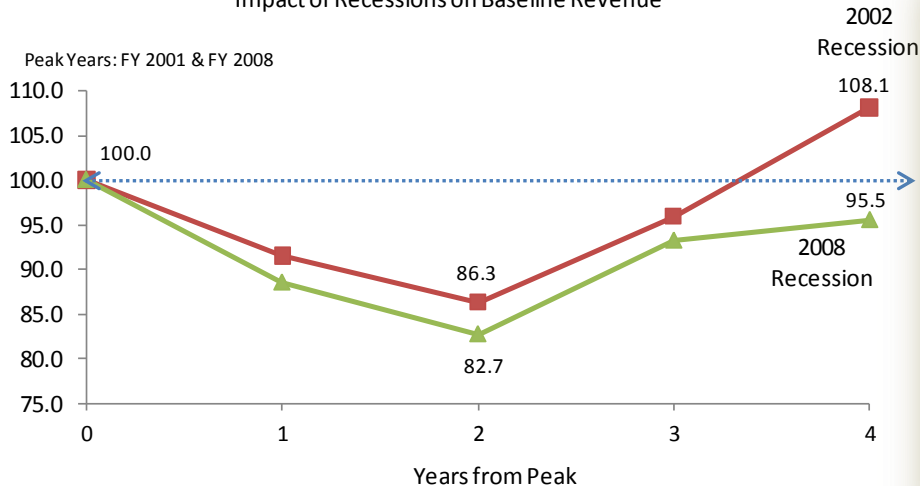


Slow Economic Recovery

If this recovery had been similar to the 2003 recovery, Income Tax revenue would be \$650 million higher, while Sales Tax revenue would be \$75 million higher

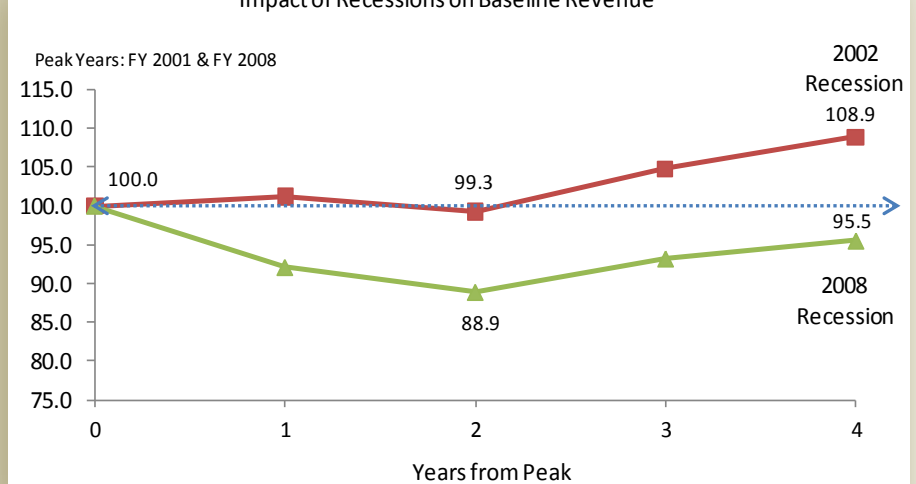
Personal Income Tax

Impact of Recessions on Baseline Revenue



Sales Tax

Impact of Recessions on Baseline Revenue

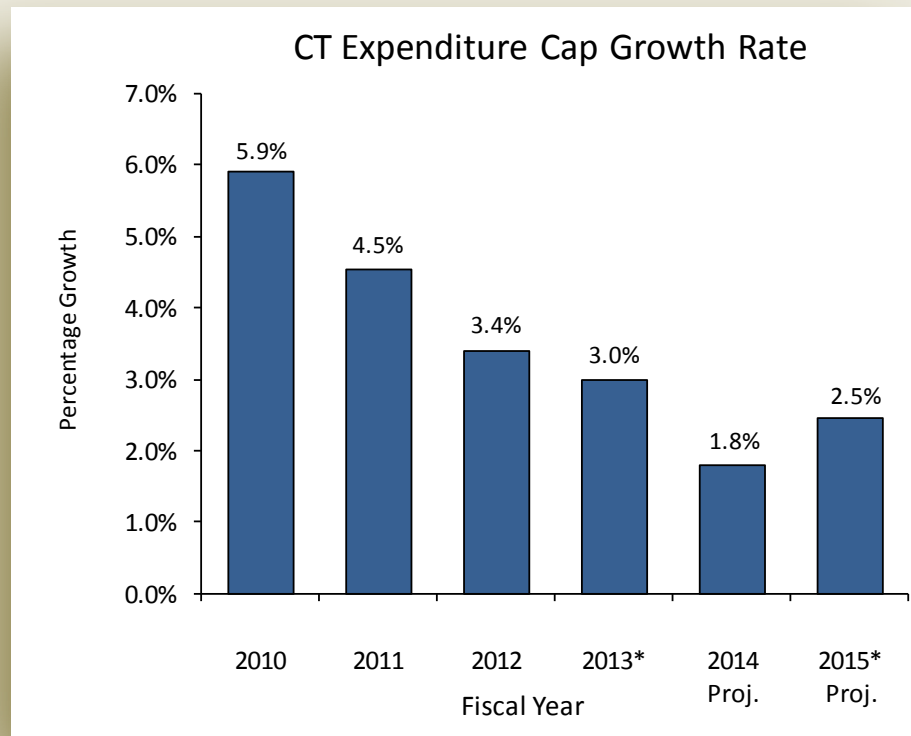


- By setting peak years to an index value of 100 and removing the impact of tax changes, ready comparisons can be made about subsequent performance
- For the two most recent recessions, revenue peaked in FY 2001 and FY 2008, respectively
- Unlike the prior recession, Income Tax and Sales Tax revenues have yet to exceed their previous peak

Spending Cap

The Governor's Budget Proposal is \$1.4 million below the spending cap in FY 2014 and \$91 million below the spending cap in FY 2015. The spending cap provides for the following exemptions:

1. Debt service or other evidence of indebtedness
 - The Governor is proposing that the unfunded past service liability of TRS and SERS be defined as evidences of indebtedness
2. Grants to distressed municipalities
3. Expenditures pursuant to the rainy day fund
4. Federal mandates or court orders in their first year
 - The Governor is proposing that all new 100% federally funded programs also be exempted in their first year similar to federal mandates and court orders



*inflation is the limiting factor in these years

Out-year Balance and Spending Cap

Expenditure Cap Financial Summary of Funds (in millions)

	Recommended		Projected		
	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
<u>Expenditure Cap Results</u>					
Total All Appropriated Funds	\$ 21,478.6	\$ 22,322.4	\$ 23,603.7	\$ 24,644.6	\$ 25,744.1
Allowed Appropriations per Cap	<u>21,479.9</u>	<u>22,413.4</u>	<u>23,358.6</u>	<u>24,400.6</u>	<u>25,508.7</u>
Over/(Under) the Cap	\$ (1.4)	\$ (91.0)	\$ 245.1	\$ 244.0	\$ 235.4

Revenues and the Expenditure Cap

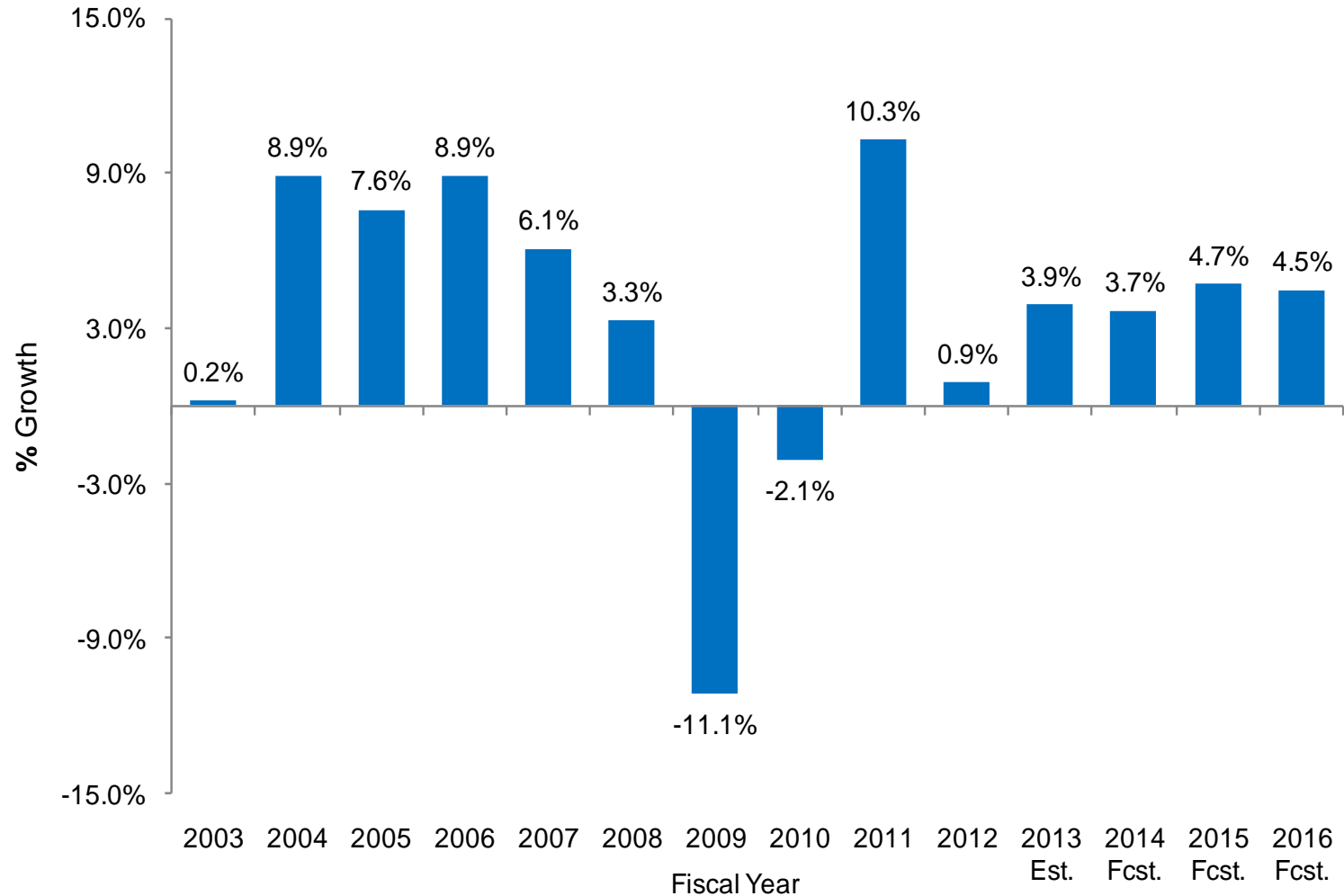
Revenues - All Funds	\$ 22,972.9	\$ 23,848.2	\$ 24,831.2
Allowed Appropriations per Cap	<u>23,358.6</u>	<u>24,400.6</u>	<u>25,508.7</u>
Revenues Less Allowed Approps.	\$ (385.7)	\$ (552.4)	\$ (677.5)

Revenue



General Fund Revenue

Economic Growth Rates (underlying growth prior to tax changes/transfers)



Governor Malloy's Revenue Proposals

General Fund (In Millions)

<u>Proposal</u>	<u>Fiscal 2014</u>	<u>Fiscal 2015</u>
1. Tax Cut - Clothing Exemption	-	(55.5)
2. Maintain 2013 Tax Rates	139.4	169.0
3. Increase Energy Competitiveness	80.0	(5.0)
4. Municipal Aid - Reconfigure Funding	222.0	227.5
5. Expenditure Cuts - Federal Revenue Impact	(165.9)	(280.8)
6. Transfers	122.2	17.5
7. Other Changes	64.3	50.3
Total-General Fund	<u><u>\$ 462.0</u></u>	<u><u>\$ 123.0</u></u>

Other Revenue Initiatives

- **Tax Amnesty**
 - \$25 million in revenue in FY 2014
 - \$1.83 million for implementation by the Department of Revenue Services
- **Savings for Energy Consumers**
 - Energy Auction
 - Convert about 800,000 electric ratepayers to an electric rate below their current standard offer
 - Savings to these ratepayers of approximately \$65 per year
 - The state would auction the right to provide the lower standard offer pricing
 - \$80 million in General Fund revenue in FY 2014
 - \$500 incentive payment to customers who currently are near, but unconnected to, main lines to convert to natural gas supplies

Earned Income Tax Credit Changes

Earned Income Tax Credit Changes In Connecticut

Income Year	Credit Level	Estimated Maximum CT Credit
2012	30.0%	\$ 1,767
2013	25.0%	\$ 1,473
2014	27.5%	\$ 1,620
2015	30.0%	\$ 1,767

Neighboring states with an EITC Tax Year 2012

State	Percent of Federal EITC	Refundable
Massachusetts	15%	Yes
New York	30%	Yes
Rhode Island	25%	Partial

Sales Tax Cut

Clothing Exemption

- Governor Malloy is proposing to reinstate the clothing exemption
- Starting July 1, 2014: Exemption applies to articles of clothing and footwear costing less than \$25. Will save taxpayers \$55.5 million
- Starting July 1, 2015: Exemption applies to articles of clothing and footwear costing less than \$50. Will save taxpayers \$143.3 million
- Will make local retailers more competitive with neighboring states

Jobs and the Economy



Jobs & Economic Development

- Expands Urban Reinvestment Tax Credit Program
- Continues Small Business Express Program
- Preserves state-wide tourism and marketing program
- Maintains support for arts and cultural events and organizations
- Establishes Arts Council



Bioscience Innovation

- The Bioscience Innovation Act will provide \$200 million over ten years to:
 - Ramp up the bioscience industry statewide
 - Attract and invest in more companies in this sector
- This program will be administered by Connecticut Innovations, and will fill in gaps in the marketplace, rather than duplicate current public funding
- As Bioscience Connecticut construction transforms the UConn Health Center, funding of \$11.9 million in FY 2014 and \$16.8 million in FY 2015 is recommended for 37 additional clinical scientist faculty and researchers over the biennium

Next Generation Connecticut

Expand science, technology, engineering and math (STEM) disciplines at UConn:

- Invest \$1,540 million in Capital Funds and \$147 million in Operating Funds
- Fuel Connecticut's economy with new technologies, patents, and highly skilled graduates; and increase STEM-based job which are critical to our economic development strategy
- Drive innovation, enhance job creation and economic growth
- Hire 259 new faculty (200 will be in STEM)
- Enroll an additional 6,580 students
- Construct STEM facilities and create a premiere STEM Honors Program
- Increase Digital Media and Risk Management Programs at Stamford

Capital Investments to Create Jobs

Significant capital investments over the biennium include:

- \$200 million for Economic Development and Manufacturing Assistance
- \$100 million for the Small Business Express Program
- \$40 million for brownfield redevelopment
- \$221 million for affordable and supportive housing
- \$997 million for construction of clean water infrastructure
- \$1.3 billion for construction of transportation infrastructure
- \$140 million for Urban Act and Small Town Economic Assistance Program (STEAP) projects
- Increase the Urban Reinvestment Act Tax Credit by \$150 million
- For every \$1 million of construction, an estimated 21 direct and indirect jobs are created

Education



Education Reform

Total Additional Funding for Education Initiatives

(in millions)

	<u>FY 2014</u>	<u>FY 2015</u>
Education Cost Sharing (ECS)	\$50.8	\$101.5
Magnet School Enrollment Increases	\$28.1	\$43.9
Open Choice Enrollment Increases	\$12.9	\$18.5
Talent Development	\$16.0	\$16.0
State Charter School Existing Enrollment Increases	\$6.5	\$15.4
Commissioner's Network	\$3.3	\$10.8
Four New State Charter Schools	\$1.8	\$8.4
New or Replicated Schools (local charter schools)	<u>\$0.1</u>	<u>\$0.7</u>
Total Increases, Education Initiatives	\$119.5	\$215.2

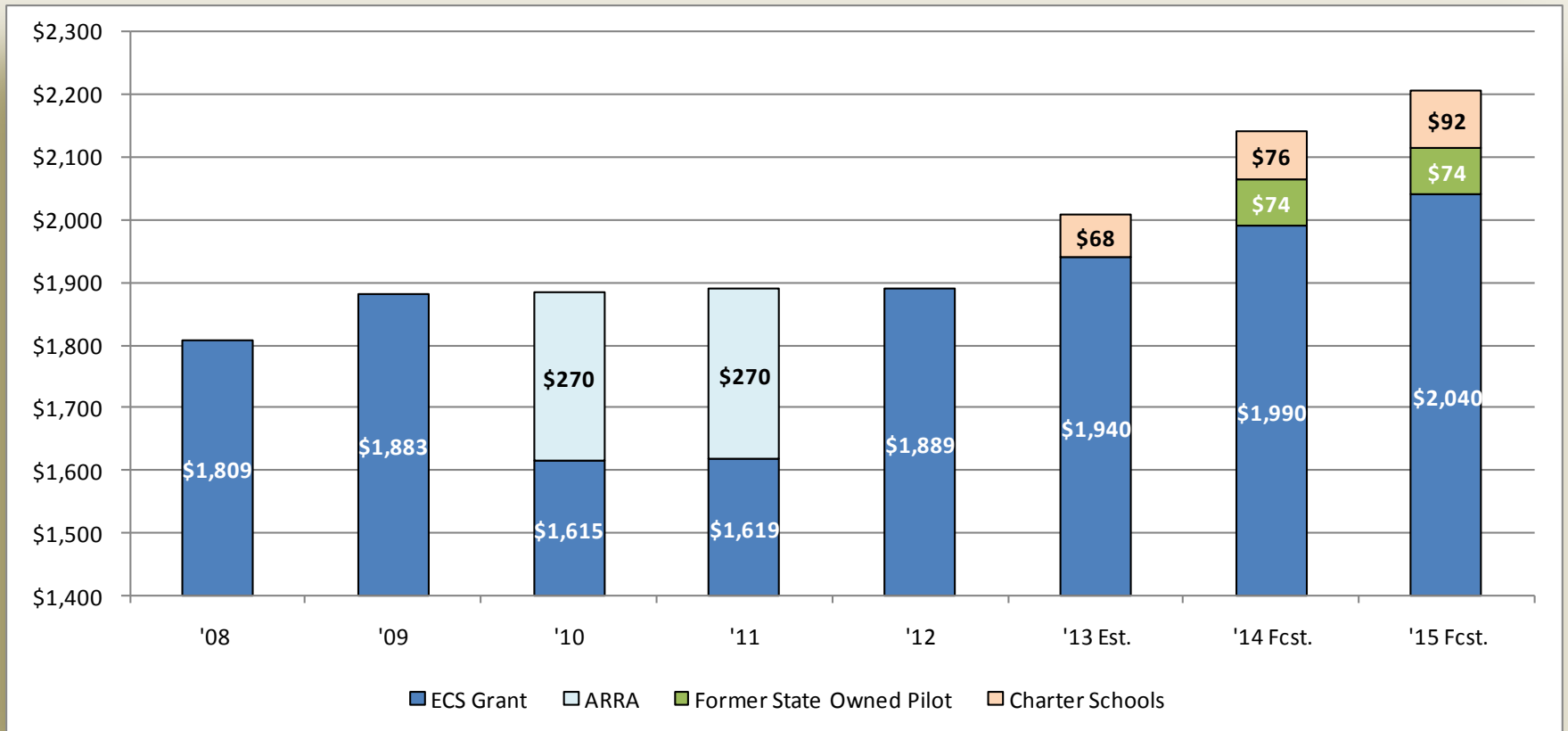
Note: Total does not reflect reductions in other Department of Education accounts

Education Cost Sharing Grant Changes

- Implements the recommendations of the ECS Task Force pursuant to PA 11-48
- No town will receive less ECS aid in 2014 or 2015 than it did in 2013. 117 towns get more ECS funding through the new formula
- Free and Reduced Priced Lunch (FRPL) eligibility weighted at 30% will replace Title I poverty
- For most wealthy communities, the minimum aid ratio will be reduced from 9% to 2%. The minimum aid ratio for Alliance Districts will be 10%
- More frequently updated income data will be used vs. census data every 10 years
- The foundation is increased from \$9,867 to \$11,754, a 19% increase

Education Reform

Education Cost Sharing Grant (ECS) (in millions)



FYs 2010 and 2011 include ARRA; FY 2013 includes ECS and charter schools; FY 2014 and FY 2015 include ECS, and charter schools and the former State Owned Pilot grant

School Choice

State Charter Schools:

- New funding of \$1.8 million in FY 2014 will allow SDE to approve one new State Charter School
- New funding of \$8.4 million in FY 2015 will allow another three new State Charter Schools to open

Local Charter Schools:

- Funding for innovative school programs administered by local districts under existing collective bargaining agreements
- New funding of \$110,000 in FY 2014 will allow two new Local Charter Schools to open
- New funding of \$710,000 in FY 2015 will allow another three schools

Open Choice Program:

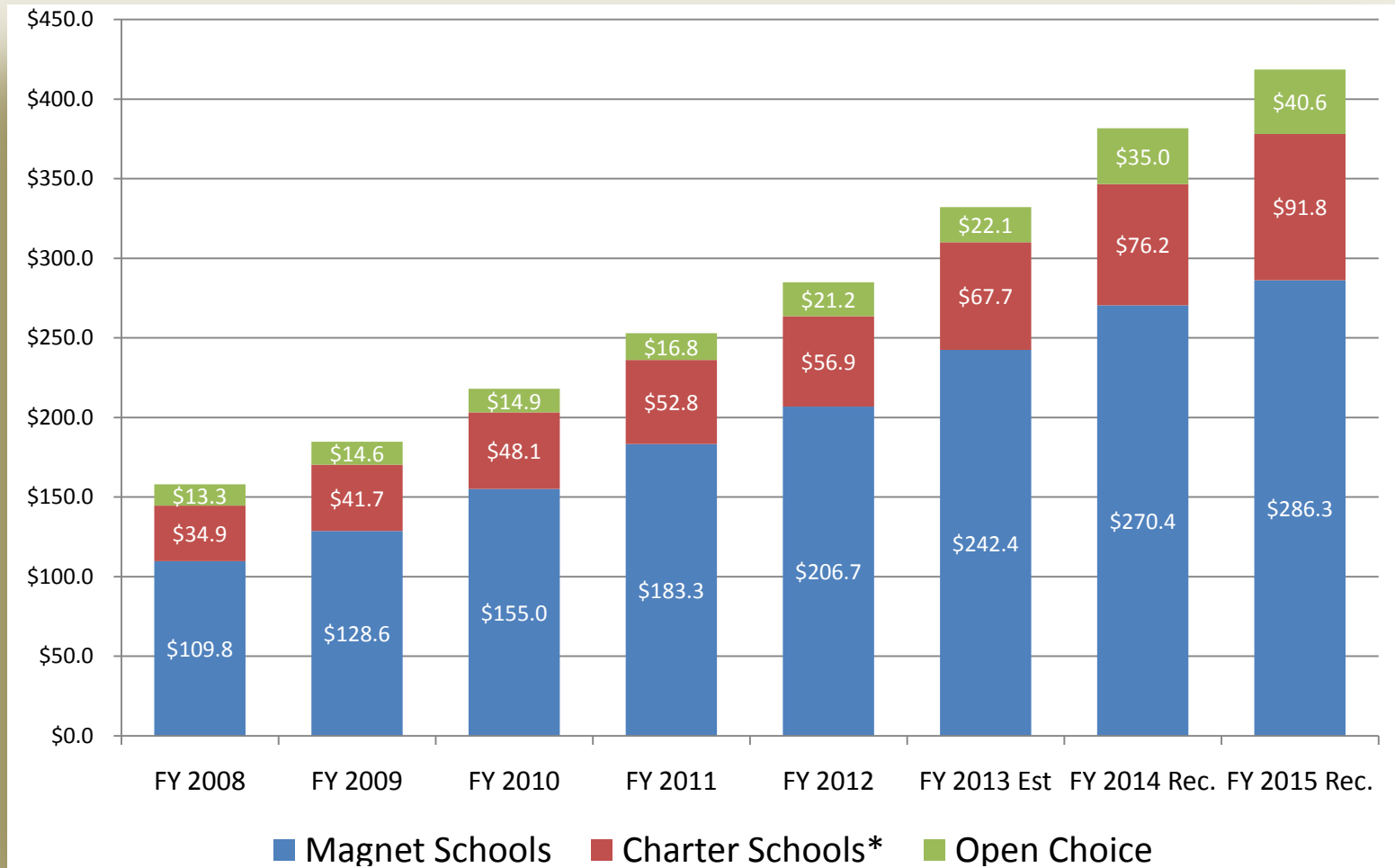
- Funding is increased to add 784 new seats in FY 2014 and 525 new seats in FY 2015

Magnet School Program:

- Funding is increased to add 10,445 new seats over the biennium, with approximately 2,860 of those seats in new schools to open in the biennium

Increased Funding for School Choice Options

(in millions)



* Charter School Funding is integrated into ECS

Other Education Initiatives

Early Childhood:

- Public Act 11-181 called for the establishment of a coordinated system of early care and education and child development
- The Governor proposes creation of the Office of Early Childhood
- This new office will coordinate educational opportunities and early childhood programs to better serve children birth to age 5

Commissioner's Network:

- There are currently four schools in the Commissioner's Network: High School in Community, New Haven; James J. Curiale School, Bridgeport; John B. Stanton School, Norwich; and Thirman Milner School, Hartford
- For FY 2014, at least eight new schools, in addition to the current 4 schools are added
- For FY 2015, at least nine more schools are added for a total of 21 schools in the Network

Create Governor's Scholarship Program

- Combine funding from:
 - Capitol Scholarship
 - Connecticut Independent College Student Grant
 - Connecticut Aid for Public College Students grant
 - Connecticut Aid to Charter Oak Students grant
- This program will:
 - help needy Connecticut students
 - recognize and encourage academic achievement
 - provide funds for merit and need-based aid
- Students who are already receiving scholarships under the former programs would continue to do so for FY 2014, with new students receiving Governor's Scholarships beginning in FY 2014

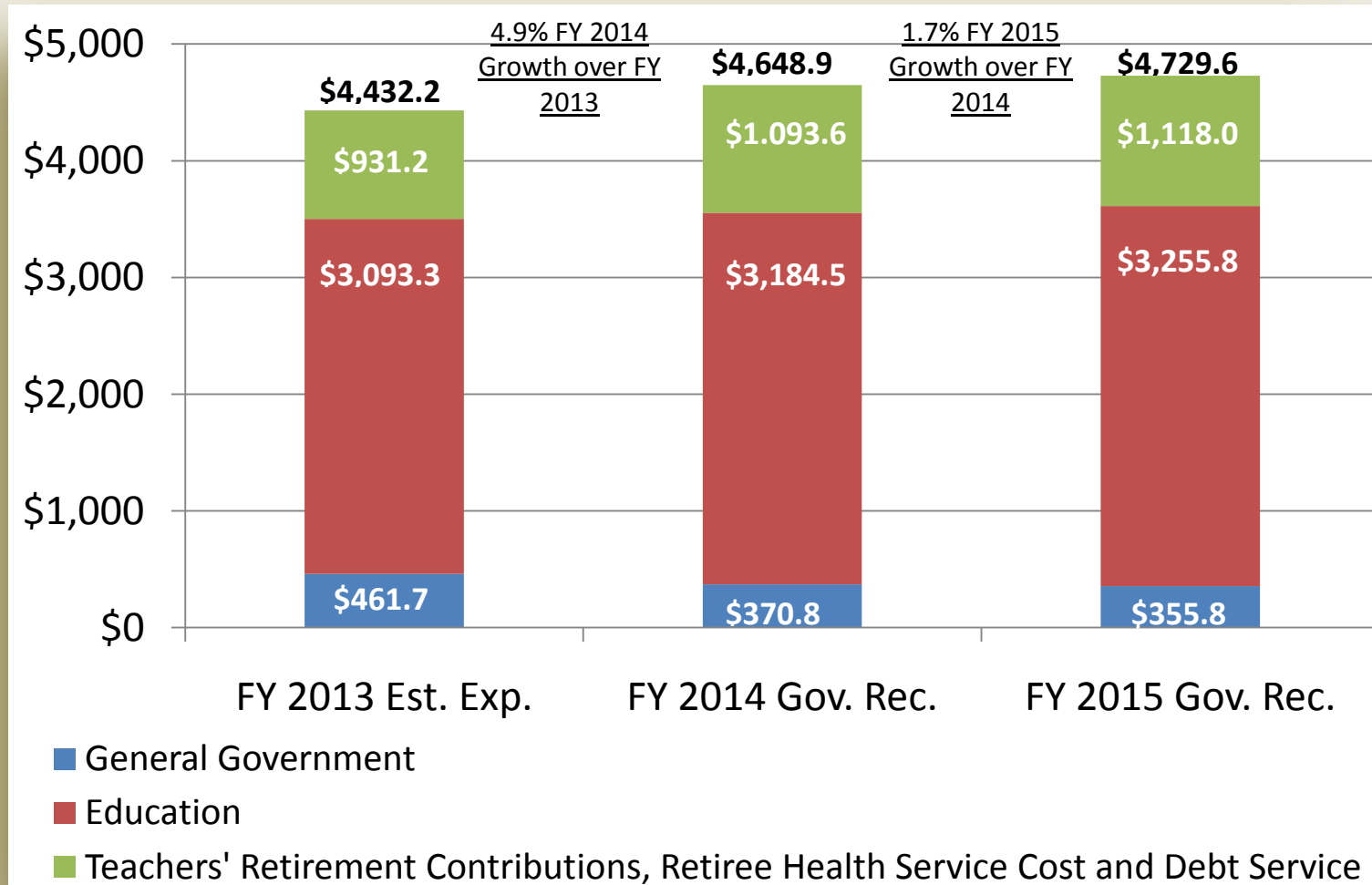
Municipal Aid



State Aid to or on Behalf of Local Governments

Holding Municipalities Harmless

(in millions)



Municipal Aid: Holding Towns Harmless

New Municipal Aid Funding & Reconfiguring Grants

Major Increases in Municipal Funding (in millions)	FY 2014	FY 2015
Education Cost Sharing	\$50.8	\$101.5
Municipal Aid Adjustment (Hold Harmless)	\$47.2	\$31.5
New Local Transportation Capital Program	\$45.0	\$45.0
Town Aid Road	\$30.0	\$30.0
Local Bridge Program	\$15	\$0

Reconfiguring Municipal Aid:

- State Owned Property Payment in Lieu of Taxes (PILOT)
 - In both FY 2014 and FY 2015, \$73.6 million is redistributed through the ECS grant, based on each town's FY 2013 PILOT payment
- Mashantucket Pequot and Mohegan Grant
 - Local Capital Improvement Grants (LoCIP) will be increased by \$56.4 million in both FY 2014 and FY 2015 based on each town's FY 2013 Mashantucket Pequot and Mohegan Grant
- Eliminate Funding for Manufacturing Transition Grant & Municipal Revenue Sharing Grant
- Transform public school transportation by providing \$5 million in each year to incentivize regionalized services

Car Taxes

- Exempt the first \$20,000 of assessed value
- Equivalent to \$28,571 of appraised value
- Local option July 1, 2013 (October 1, 2012 Grand List)
- Mandatory July 1, 2014 (October 1, 2013 Grand List)
- Includes all motor vehicles, including commercial (except for rental vehicles)
- To ease implementation, allows municipalities scheduled to conduct revaluation on the October 1, 2014 or October 1, 2015 Grand Lists to advance conducting their revaluations to the October 1, 2013 Grand List, without adjusting their statutory schedule.

Health and Human Services



Affordable Care Act (ACA)

Program Changes and Enhanced Revenue

- Increase Medicaid rates for primary care physicians to Medicare levels in calendar years 2013 and 2014
 - \$104 million in FY 2014, \$47 million in FY 2015
 - 100% federally reimbursed
- Low-Income Adults (HUSKY D) eligibility increases to 133% Federal Poverty Level (FPL) – 100% federally reimbursed
- Enhanced match for non-institutional long-term services and supports – \$72.8 million in additional revenue through FY 2016
- DMHAS *Health Home* initiative - \$10 million investment combined with in-kind state-operated and privately-provided services garners \$50 million in additional revenue over the biennium - 90% federally reimbursed

Savings and Efficiency Opportunities

- Charter Oak Health Plan eliminated January 1, 2014. Alternative health insurance coverage opportunities available under ACA
- Individuals on ConnPACE and certain adults on HUSKY A (over 133% FPL) will transition to the Health Insurance Exchange
- Increased insurance coverage will reduce uncompensated care costs for community health centers, school-based health centers and behavioral health providers

Affordable Care Act

Affordable Care Act		
Areas of Significant Fiscal Impact to DSS / DMHAS		
<i>(in millions)</i>		
	<u>FY 2014</u>	<u>FY 2015</u>
<u>Expenditures</u>		
Primary Care Physician Increase - Medicaid	\$103.9	\$46.6
Medicaid Expansion (<i>Increase in income eligibility from 55% to 133% FPL</i>)	51.6	301.0
Existing Low-Income Adults program (<i>Income up to 55% FPL</i>)	789.3	834.8
Health Homes	10.0	10.0
Expenditure Total	\$954.7	\$1,192.4
<u>Revenue</u>		
Revenue From Above Expenditures	\$764.6	\$1,195.5
Balancing Incentive Program	25.9	27.4
DSH Reduction	(7.1)	(10.9)
Revenue Total	\$783.4	\$1,212.0
Net State Cost	\$171.3	(\$19.6)

Department of Social Services

Reductions include:

	(in millions)	
	<u>FY 2014</u>	<u>FY 2015</u>
▪ Rescissions and deficit mitigation plan	\$233.3	\$235.5
▪ Strengthened efforts to combat Medicaid fraud through greater use of data analytics	60.0	60.0
▪ Transitioning certain populations to the Health Insurance Exchange	5.9	59.5
▪ Additional hospital reductions	12.0	146.2
▪ Additional pharmacy savings	14.7	19.0
▪ Reductions in enhanced funding for nursing homes and private intermediate care facilities	12.2	16.3
▪ Continue use of the medical ASO to provide foreign language interpreter services, allowing for enhanced reimbursement	7.5	8.2

Private Providers

- Annualizes the 1% cost-of-living adjustment effective January 1, 2013
- Funds significant caseload growth
- \$40 million over the biennium for a new non-profit bond authorization administered by OPM
 - Provides greater flexibility
 - Simplified administrative process
- New contracting process to relieve administrative burdens on health and human services providers

Other Significant Health & Human Services Changes

Caseload Growth – new clients and annualized costs of prior year clients

- Department of Developmental Services - \$59.7 million
 - Day Programs - \$26.3 over the biennium (407 slots in FY 2014 and 345 slots in FY 2015)
 - Residential Programs - \$31.2 million over the biennium (136 placements in FY 2014 and 138 placements in FY 2015)
- Department of Mental Health and Addiction Services - \$28.5 million
 - Young Adult Services
 - Acquired/Traumatic brain injury waiver
 - Mental health home and community-based services waiver
 - Discharges from CVH
- LIA clients in DSS and DMHAS (up to 55% FPL) - \$70 million over the biennium
- Other DSS - \$165 million over the biennium (excluding Medicaid expansion)

Annualizes November 2012 Rescissions and December 2012 Deficit Mitigation Plan savings (two year savings)

- DDS - \$37.6 million
- DMHAS - \$3.0 million
- DSS - \$469 million
- DCF - \$17.8 million

Long-Term Care Rebalancing

The Governor continues his commitment to rebalancing the state's long-term care system. Over the biennium, the budget provides:

- \$20 million in bond funds to help nursing facilities “right-size” by diversifying their business model, consistent with the state’s strategic rebalancing plan for long-term services and supports
- \$2 million in bond funds for housing modifications to make homes accessible for persons transitioning out of institutions under Money Follows the Person
- \$2 million in bond funds to provide low-cost loans to finance adult family living homes, providing 24-hour supervision and assistance with activities of daily living

Restructuring State Government



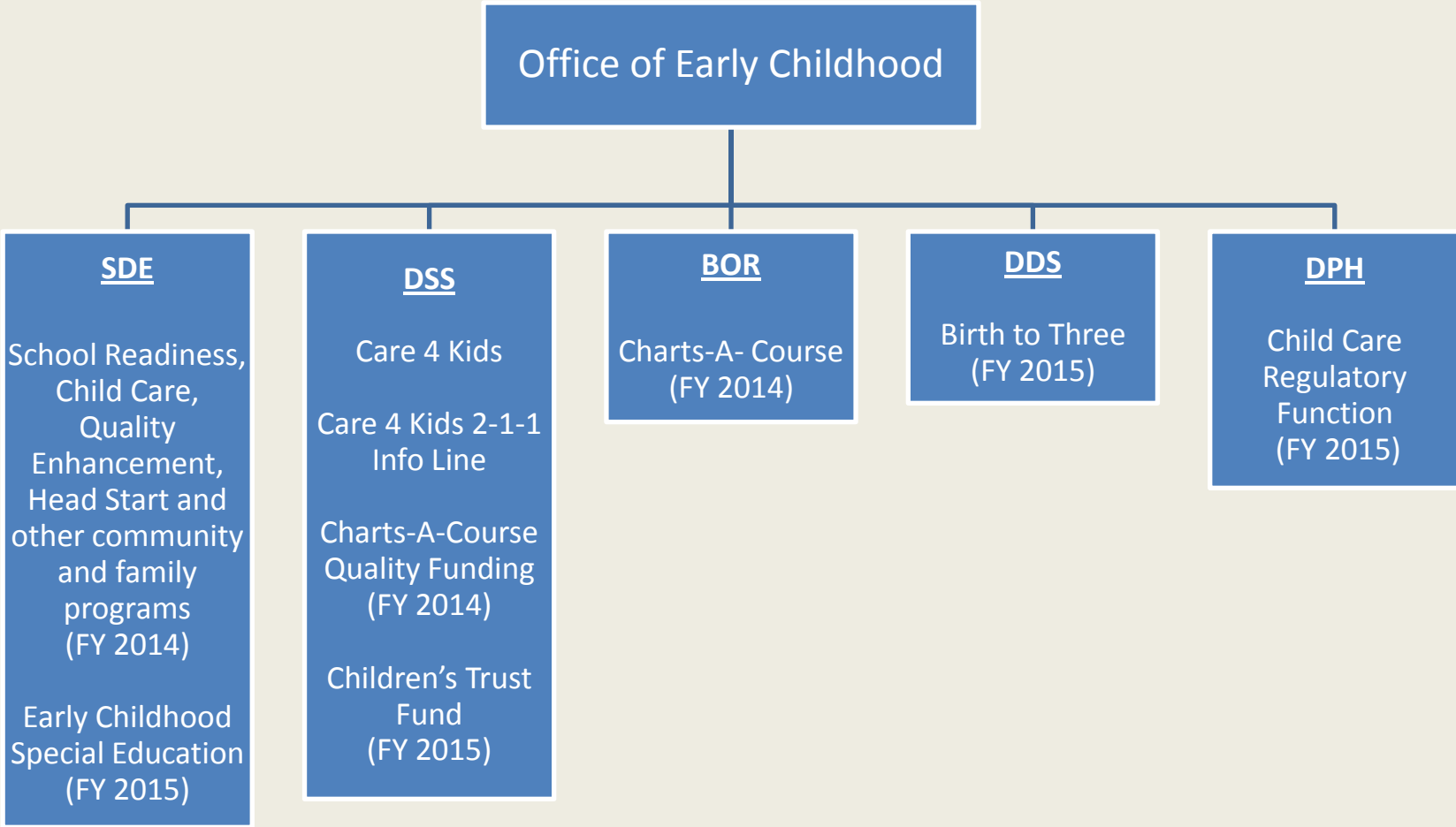
Agency Consolidations

<u>Fiscal Year</u>	<u>Budgeted Agencies</u>	<u>Reduction</u>	
		<u>#</u>	<u>%</u>
2011	81		
2014	53	-28	-35%

Savings from Reorganizing State Government

	<u>FY 2014</u>	<u>FY 2015</u>
Consolidation of the Department of Construction Services	\$ 1,183,218	\$ 1,242,241
Streamlining the Office of Governmental Accountability	\$ 186,794	\$ 198,170
Consolidated Citizen Advocacy Agency	\$ 788,236	\$ 874,820
Statewide Human Resources from DAS to OPM	\$ 292,587	\$ 301,365
Soldiers, Sailors and Marines' Fund	\$ 3,072,475	\$ 3,128,585
Total Savings	\$ 5,523,310	\$ 5,745,181

Restructure State Government



Restructure State Government

Legislative Commissions

- Create the Commission on Citizen Advocacy, which is formed by the consolidation of:
 - Asian Pacific American Affairs Commission
 - African American Affairs Commission
 - Commission on Children
 - Latino and Puerto Rican Affairs Commission
 - Permanent Commission on the Status of Women
- Also, this Commission on Citizen Advocacy will include a representative of the elderly community and its mission is broadened to include representation of the Lesbian, Gay, Bisexual and Transgender community
- With the establishment of the Department on Aging, the Governor is recommending the elimination of the Commission on Aging
- Will result in a staff reduction from 26 to 18, for savings of over \$1.6 million over the biennium

Restructure State Government

Statewide Human Resources

- Statewide Human Resources and Strategic Planning will be transferred to the Office of Policy and Management (OPM), creating a Division of Employee Relations. The division will be responsible for:
 - Labor relations
 - Administration of personnel policy
 - Development and administration of state employee examinations
- Will result in savings of over \$290,000 in each year of the biennium

Multi-agency centralized contracting unit

- Will serve new agencies created through consolidation – Departments of Rehabilitation Services, Housing, Aging, and the Office of Early Childhood

Restructure State Government

Construction Services

- The Department of Construction Services is merged into the Department of Administrative Services. Responsibilities include:
 - Facilities design and construction
 - School construction grant program
 - Building and fire inspections and training
- The Board of Regents will be responsible for the management of construction projects at the Connecticut State Universities and Community Technical Colleges
- The State Department of Education will be responsible for the management of construction projects at the Vocational Technical High Schools
- Will result in savings of more than \$2.2 million over the biennium

Restructure State Government

Office of Governmental Accountability

- Transfer all fiscal, information technology, and communications staff to the Office of Governmental Accountability's (OGA) administrative office
- Realign legal staff into a newly created Office of Hearings within OGA.
 - The new office would use a small number of subject experts and allow remaining staff to cross-train and support formal hearing and appeal processes for all the divisions of OGA
- Merge Council on Environmental Quality into OGA
- Savings: about \$380,000 over the biennium

Restructure State Government

State Department on Aging (SDA)

- State Unit on Aging and Office of Long Term Care Ombudsman staff and program resources transfer from DSS to SDA
- Transfers 28 positions from DSS

Department of Housing (DOH)

- Consolidates housing policy and resources formerly in DSS, DECD, DMHAS, and OPM in the Department of Housing based on recommendations of the Interagency Council on Affordable Housing
- Transfers 23 positions from DECD and 7 positions from DSS
- Capital Investments
 - \$20 million in FY 2014 for development of 100 new units of project-based supportive housing
 - \$200 million over the biennium for Housing Trust Fund and Flexible Housing Program
 - \$1 million in FY 2014 for Housing Incentive Zones
- Operating Enhancements
 - \$500,000 for Rapid Re-Housing over the biennium
 - 100 additional rental assistance certificates (RAPs) and service dollars necessary to operate new supportive housing units effective January 2015

Restructure State Government

Private Provider Contract Reforms

- Standardize budgets and financial reporting to reduce multiple formats used by state agencies
- Automate processes for contract development, approval and execution to enhance timely contract execution
- Streamline payment processes to improve timeliness of payments to providers
- Create new multi-agency centralized contracting unit for selected state agencies.

Restructuring State Government

Centralize Affirmative Action (AA) Planning in Commission on Human Rights and Opportunities (CHRO)

- 9 positions involved in developing AA plans will be transferred from their agencies to CHRO to prepare the AA plans for state agencies
- CHRO will continue oversight role
- AA staff remaining in the agencies will continue to oversee plan compliance and handle related personnel matters

Soldiers, Sailors and Marines' Fund

- Transfer responsibility to the American Legion for
 - Providing assistance to veterans and their families
 - Fund management
 - Investment responsibility
- The American Legion is the legal administrator of the fund and the nation's largest wartime veterans' service organization

Capital



Capital Investments

Governor Malloy's capital budget focuses on funding projects and programs that create and retain jobs

New general obligation bond authorizations

- \$1.500 billion in FY 2014
- \$1.608 billion in FY 2015

New transportation bond authorizations

- \$706.5 million in FY 2014
- \$588.8 million in FY 2015

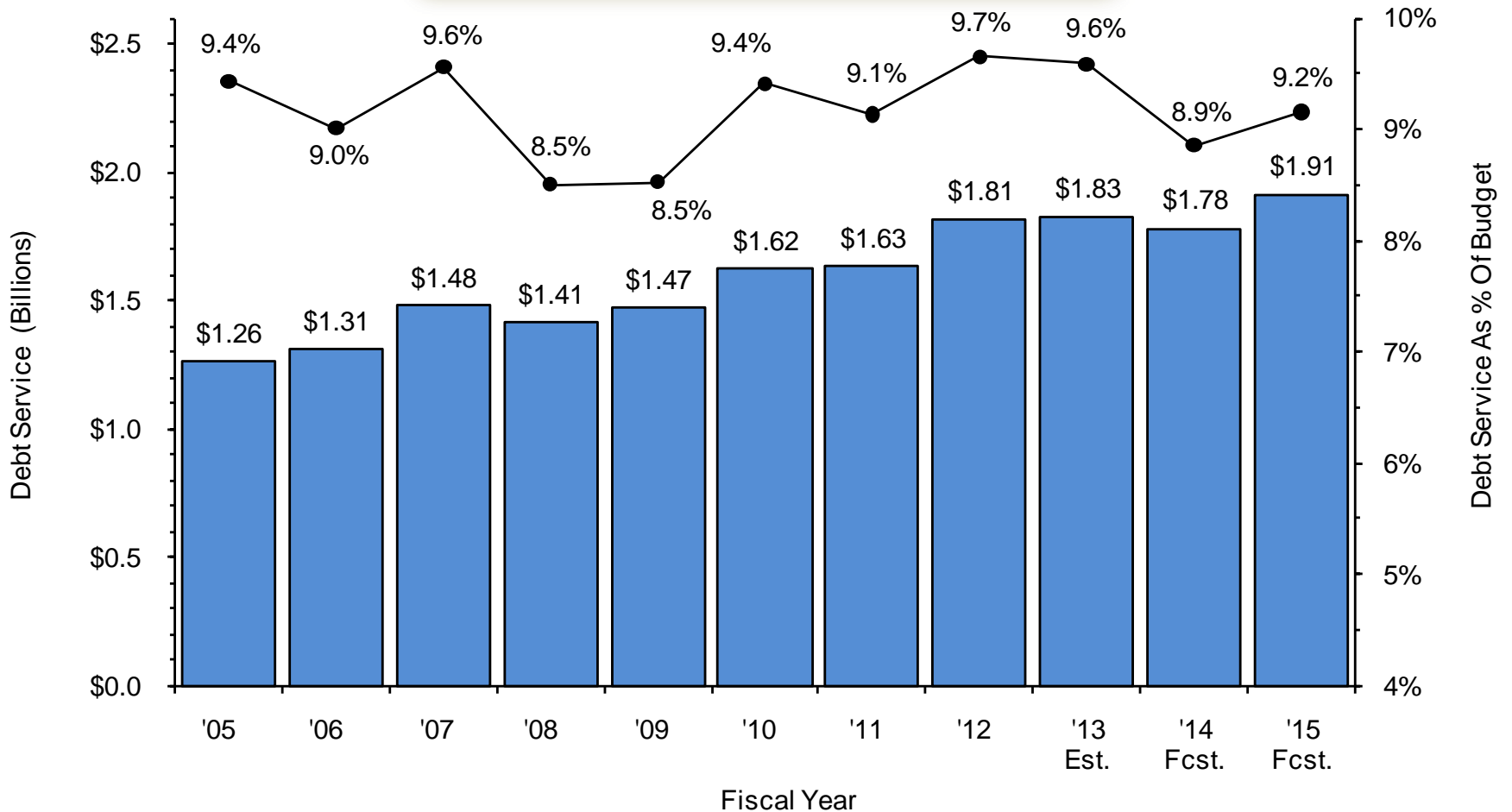
New clean water bond authorizations

- \$447.4 million in FY 2014
- \$550.0 million in FY 2015

GO Debt Service Expenditures

General Fund

GO debt service remains below 10%.



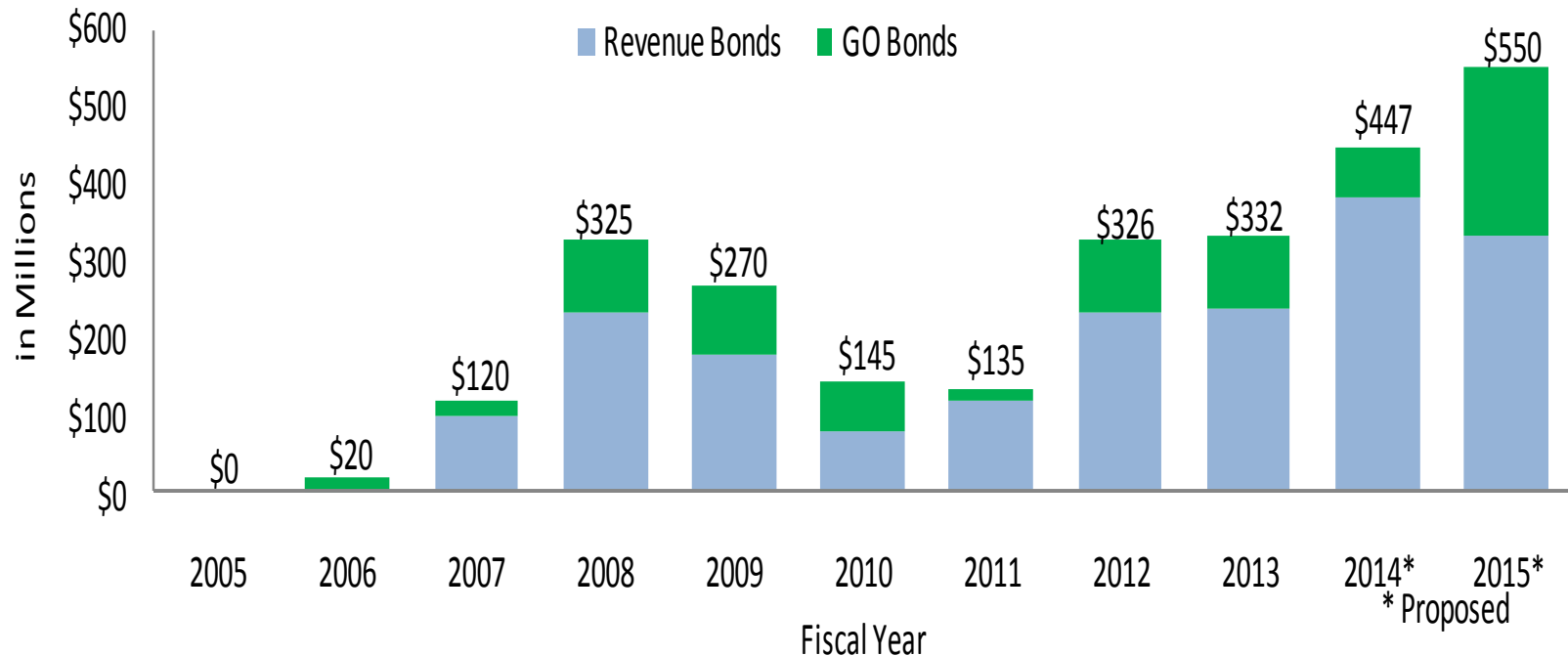
Capital Investments

Significant capital investments over the biennium include:

- \$997 million for Clean Water Fund grants and subsidized low interest loans
- \$986 million for the school construction program
- \$300 million for economic development programs
- \$221 million for affordable and supportive housing
- \$55 million for Community College projects
- \$173 million for LoCIP
- \$40 million for non-profit community based providers
- \$140 million for Urban Act and STEAP
- \$120 million for Town Aid Road
- \$90 million for Local Transportation Capital Program

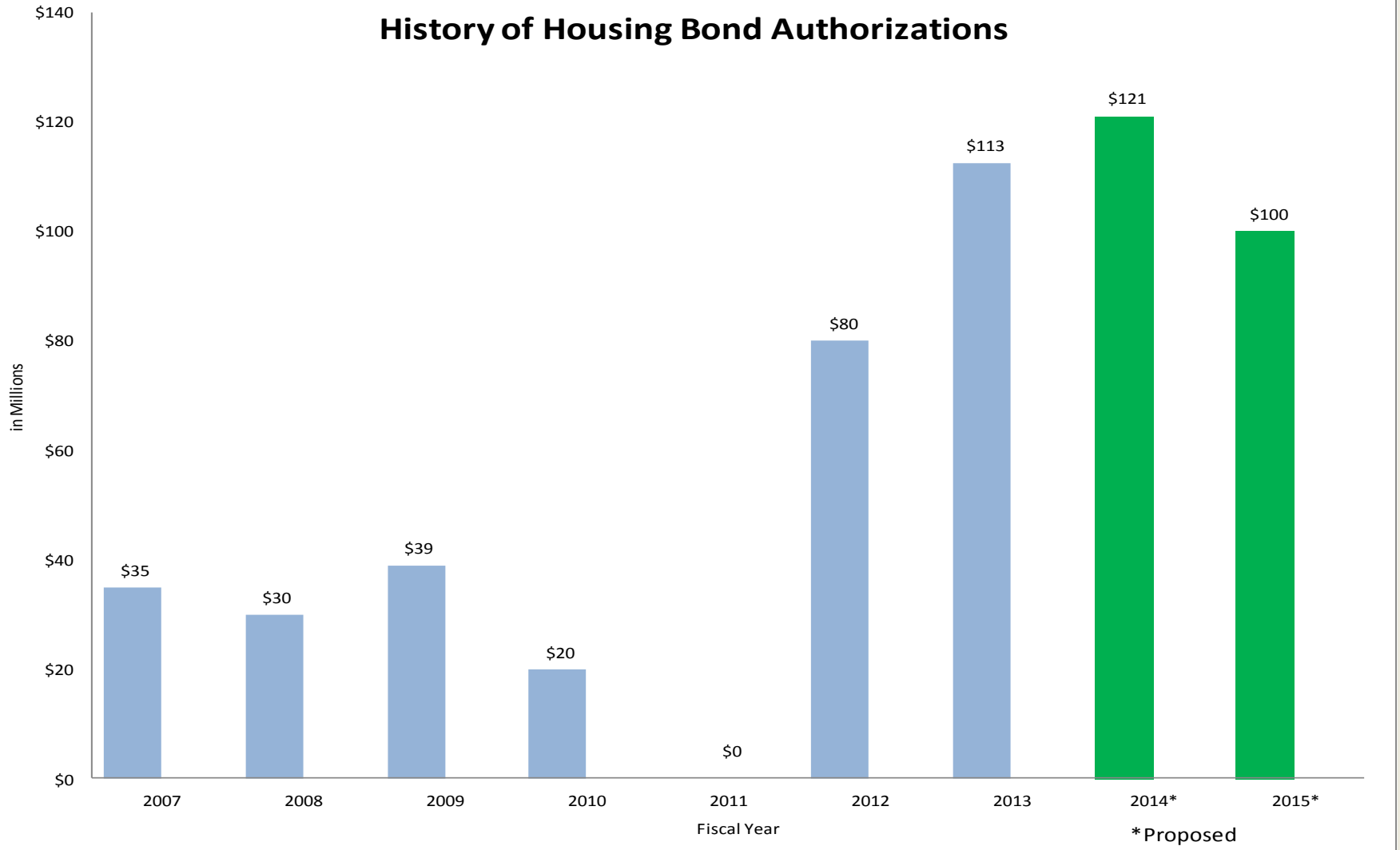
Clean Water Fund

History of Clean Water Fund Bond Authorizations



Affordable and Supportive Housing

History of Housing Bond Authorizations



Tackling the GAAP Deficit



Tackling GAAP through Debt Restructuring

Cumulative GAAP Deficit (in millions)	
	<u>Amount</u>
Deficit, June 30, 2011, audited	\$ 1,748.9
Deficit, Estimate as of June 30, 2012	\$ 1,142.0
Additional Estimated Amount for FY 2013	<u>55.0</u>
Deficit, Projected for June 30, 2013	\$ 1,197.0
<u>Governor's Budget Proposal</u>	
Deficit, Projected for June 30, 2013	\$ 1,197.0
GAAP Bonds	<u>(750.0)</u>
Net Remaining Deficit to be Amortized	\$ 447.0
# of Years to Amortize	15
Annual Amortization Amount	\$ 29.8

GAAP Financing Proposal

GAAP Financing (in Millions)

Fiscal Year	Current Budget for			Governor's Proposal				Difference
	ERN Debt Service	GAAP Amortization	Total	ERN Debt Service	GAAP Bond Debt Service	Budget for GAAP Amortization	Total	
2014	\$ 208.4	\$ 79.8	\$ 288.2	\$ 58.4	\$ -	\$ 29.8	\$ 88.2	\$ (200.0)
2015	208.4	79.8	288.2	58.5	-	29.8	88.3	(199.9)
2016	208.4	79.8	288.2	168.8	72.0	29.8	270.6	(17.6)
2017	-	79.8	79.8	184.9	72.0	29.8	286.7	206.9
2018	-	79.8	79.8	184.9	72.0	29.8	286.7	206.9
Total	\$ 625.2	\$ 399.0	\$ 1,024.2	\$ 655.5	\$ 216.0	\$ 149.0	\$ 1,020.5	\$ (3.7)

Note: GAAP Bond Debt Service and GAAP Amortization continues until FY 2028.

Conclusion



Conclusion



Governor Malloy's proposed budget for FY 2014 and FY 2015:

- Balanced and fully GAAP compliant
- Under the cap
- Provides tax relief to Connecticut's families