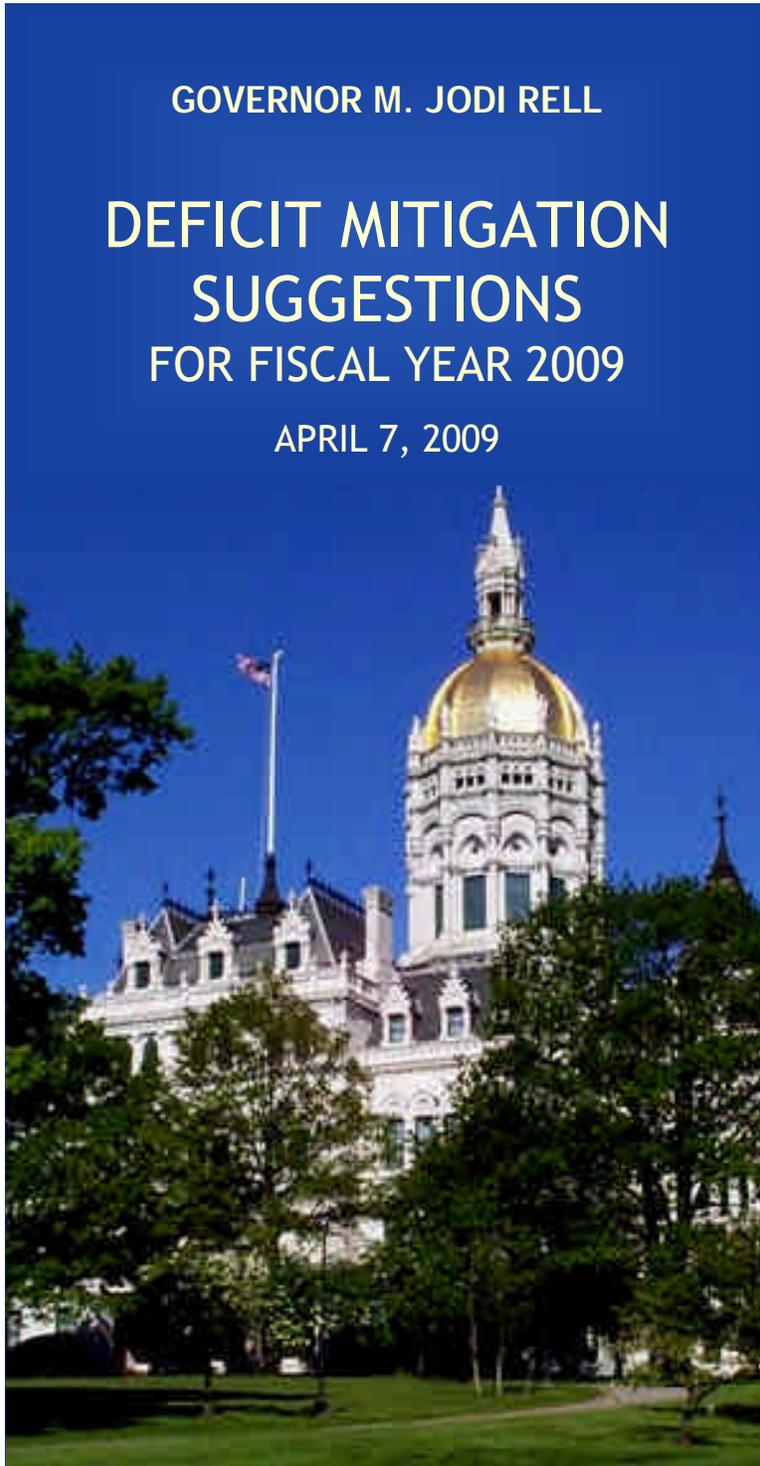


GOVERNOR M. JODI RELL

DEFICIT MITIGATION
SUGGESTIONS
FOR FISCAL YEAR 2009

APRIL 7, 2009



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STATE OF CONNECTICUT
Suggestions for Deficit Mitigation
 April 7 , 2009
 (in millions)

Revenue/Fund Transfers

1. Banking Fund (assumed unexpended funds of PA 08-176)	11.0
2. Citizens' Election Fund	5.5
3. Biomedical Research Trust Fund	3.0
4. Connecticut Network	0.5
5. Motor Vehicle Tire Disposal Fee at \$3 per tire	1.0
6. Military Department- Insurance Recoveries Account	0.1
7. Tobacco and Health Trust Fund	5.0

Advance Effective Date of FY10 & FY11 Proposals to May 1st

8. Move SEEC to CEF	0.3
9. CT Center for Advanced Technology Subsidy-CT Manufacturing Supply Chain	0.8
10. DPS Trooper Redeployment (excluding school resource officers)	0.6
11. CTF - Safe Harbor Respite Program	0.1
12. DMHAS - Eliminate research subsidy at CMHC	0.1
13. DSS - Include Mental Health Related Drugs under DSS' Preferred Drug List	0.2
14. DSS - Require Prior Authorization for High Cost Drugs	0.1
15. DSS - Eliminate Automatic 30-Day Fill for New Prescriptions Requiring Prior Auth.	0.2
16. DSS - Limit Maximum Allowable Cost Reimbursement for Certain Drugs	0.2
17. DSS - Eliminate Coverage of Most Over-the-Counter Drugs	0.6
18. DSS - Tighten Early Refill Criteria under DSS' Pharmacy Programs	0.0
19. DSS - Require Medicare Part D Recipients to Enroll in Benchmark Plans	0.3
20. DSS - Reduce Dispensing Fees Paid to Pharmacy Providers	0.3
21. DSS - Increase Discount off the Average Wholesale Price Paid for Certain Drugs	0.5
22. DSS - Cap Medicare Part D Co-payment Coverage for Dually Eligible Clients	0.7
23. DSS - Update Medical Necessity and Appropriateness Definition under Medicaid	0.8
24. DSS - Limit Dental Services Benefit for Adults to Emergencies	2.3
25. DSS - Eliminate State-Funded Non-Emergency Medical Assistance to Non-Citizens	3.9
26. DSS - Modify Premium Payment Requirements under HUSKY B	0.3
27. DSS - Discontinue Payment for Non-Formulary Drugs under Medicare Part D	3.9
28. DSS - Increase Annual Enrollment Fee under ConnPACE from \$30 to \$45	0.1
29. DSS - Suspend FQHC and Hospital Supplemental Payments for Unreimbursed Costs	1.0
30. DSS - Eliminate Limited Vision and Non-Emergency Medical Transportation Benefits	0.2
31. DSS - Reduce Funding for HUSKY Outreach	0.1
32. DSS - Eliminate Children's Health Council Account	0.0
33. DSS - Apply Low Income Subsidy Asset Test for Medicare Part D to ConnPACE	4.0
34. DSS - Add New Procedure Code to the Home Health Fee Schedule under Medicaid	0.1
35. DSS - Restructure Rates for Methadone Maintenance under Medicaid	0.0
36. DSS - Maintain 4/30/09 Caseload Levels for State-Funded CT Home Care Program	0.1
37. DCF - Eliminate Funding for Services to Youth Age 21 and Older	0.1

Labor Cost Initiatives

38. RSA- STF transfer to General Fund	5.6
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Surplus/Carry Forward Reductions

Governor's Deficit Mitigation Suggestions

39. Commission on Culture and Tourism-Statewide Marketing	0.4
40. DECD-Small Business Incubator	0.6
41. DSS-CEAP Early Intake	0.2

Other Items

42. Office of Legislative Management	3.3
43. State Contracting Standards Board-Delay Implementation	0.3
44. DOC 45-Day Re-entry furlough	0.6
45. DMHAS-De-appropriate Medicaid Adult Rehab Option	1.8
46. DSS-Require Prior Authorization & Accountability for Dental Services	1.3
47. DSS-Eliminate Balance of FY 2009- CT Charts-a-Course	0.2
48. Statewide-Revise 100% Workers' Compensation Benefit	0.3
49. Exempt or Suspend payment of All Systems Benefits Charges	1.7
50. Workforce Investment Act -Over Appropriation	1.2
51. Eliminate Remaining Funds for High School Tech Initiative	0.1
52. DEP-Invasive Plants Council	0.3
53. TRB- Retiree Drug Subsidy	1.5

Grand Total \$ 67.3

DEFICIT MITIGATION SUGGESTIONS – IDENTIFIED ACTIONS

\$5,592,122	<p>Reserve for Salary Adjustment Special Transportation Fund RSA Fund Sweep Transferred to the General Fund Approximately \$5.6 million could be swept and used to cover deficiencies in GF accounts. This is a one-time adjustment for the RSA STF account and applies to FY 2009</p>
\$350,000	<p>Commission on Culture and Tourism - Eliminate Carry Forward Funding for Statewide Marketing. Funding for the CCT Statewide Marketing Account has been supplemented most years by varying levels of carry forward funding (from around \$300,000 to over \$1 million). Last year's carry forward amount, \$690,000, was reduced in the 1st Deficit Mitigation Plan by \$340,000. Using an average four year expenditure of about \$4 million, the \$4.3 million in the appropriation should meet the historical expenditure needs in the account.</p>
\$600,000	<p>Dept. of Economic and Community Development - Eliminate Carry Forward Funding for DECD Small Business Incubator. Funding for the DECD Small Business Incubator was reduced by \$100,000 in a previous Deficit Mitigation Plan. The original carry forward for this account was \$700,000; it supplemented a \$1 million appropriation. Even if the remaining carry forward amount of \$600,000 is removed, there is still funding from the original appropriation to fund this type of small business assistance.</p>
\$231,017	<p>Dept. of Social Services The FY2009 budget included a carryforward of \$2.8 million from FY2008 for CEAP Early Intake in DSS' Community Services account. Total costs were \$2.569 million, resulting in a lapse of \$231,017.</p>
\$3,300,000	<p>Office of Legislative Management - De-appropriate \$3 million from personal services. Based on the January 29th payroll of \$1,387,565, the agency will require \$13,875,650 for the ten remaining payrolls. The January 29th payroll was based on 596 employees. It appears they have fully hired all sessional staff and this payroll should accurately reflect the necessary expenses for the remainder of the fiscal year. Based on current expenditure trends, \$300,000 in Minor Capitol Equipment should be available to deappropriate.</p>
\$265,000	<p>Contracting Standards Board - Delay Start-up of the State Contracting Standards Board DMP3 eliminated \$350,000 of the funding for the start-up of the CSB. This would delay hiring and all spending (other than Board per diems) until July 1, 2009 for a further savings of \$265,000. PA 07-1 of the September Special Session established a Contracting Standards Board to begin January 1, 2009. An appropriation of \$700,000 was established for such purposes. This proposal would leave \$50,000 to support the Board itself to continue through FY09 (\$35,000 has been taken in rescission).</p>

- \$600,000 Dept. of Correction** - Implement DOC 45 Day Re-Entry Furloughs Beginning 5-1-09. Section 10 (c) of Bill 6602 (DMP3) requires DOC to evaluate and present by 4/1 the impact of the reinstating re-entry furloughs by July 1, 2009. Recommend revising the language to implement the program by 5/1 in order to yield some savings in FY09.
- PA 08-01 revised section 18-101a of the general statutes to eliminate the Commissioner of Correction's discretion to place an inmate on furlough, effectively extending the incarceration of inmates who might otherwise have qualified to end their sentence with 30 days of community supervision. In FY07, just over 3,000 offenders were released on "re-entry furloughs". The loss of this option effectively added 247 inmates to the DOC standing population, and eliminated our ability to supervise inmates during a key period of transition back to the community. This program had a successful completion rate of 97%, the most successful discretionary program available to the incarcerated population.
- This plan would restore and expand re-entry furloughs to a period of up to 45 days. This plan also moves the current effective date proposed in the Governor's Budget of 7-1-09 up to 5-1-09.
- \$1,800,000 Dept. of Mental Health and Addiction Services** - De-appropriate Medicaid Adult Rehab Option Funding. Approximately 5 years ago, the state began billing under Medicaid for Mental Health Group Homes with an interim rate. It was expected that when a rate was finally set (with an expected increase), a reconciliation would occur to compensate providers over the years where they provided the service at the interim rate. A \$900,000 carry forward last year and a \$900,000 lapse this year were being reserved for this reconciliation. This plan proposes de-appropriating this funding and making the rate prospective when it is finally set.
- \$1,300,000 Dept. of Social Services** - Require Prior Authorization and Accountability for Dental Services. DSS implemented a dental carve-out effective September 1, 2008, with dental services under HUSKY, Medicaid fee-for-service and SAGA being managed by an administrative services organization. Due to the lack of prior authorization requirements, DSS has seen a significant increase in dental expenditures. To address this, this proposal requires: (1) prior authorization for non-emergency services provided under the dental carve-out; and (2) a periodic review to ensure that services billed as emergency services are indeed of an emergency nature. This initiative is important regardless of whether the Governor's proposal to eliminate adult dental services moves forward.
- \$208,515 Dept. of Social Services** - Eliminate Balance of FY2009 Legislative Earmark to CT Charts-a-Course. The FY2009 budget included an additional legislative earmark of \$600,139 to DSS for CT Charts-A-Course in the School Readiness account. FY2009 rescissions and managed lapses to date have reduced this earmark by \$391,624. Under this proposal, the balance of \$208,515 would be eliminated. To date these additional funds have not been provided to Connecticut-Charts-A-Course.
- \$300,000 Various Agencies Workers' Compensation** - Change in 100% Benefit Workers' Compensation Law for Certain State Workers. The law under Connecticut General Statutes, Section 5-142, may serve as a disincentive for an employee covered under this section out on Workers' Compensation to return to work. The interpretation of Section 5-142 of the CGS is allowing workers covered under this section that are out on workers' compensation to receive payment greater than their normal take home pay. Clearly the statute intends to allow these employees to receive a greater Workers' Compensation payment than employees not covered under this section (100% vs. 75% benefit). However as the law is written now, such employees may also make more than anticipated because standard deductions are not taken.

- \$1,700,000 **Various Agencies** - Exempt or Suspend the Payment of the All Systems Benefits Charges by State Agencies. As a surcharge on electric and natural gas bills, there is an all systems benefits charge that is deposited into the clean energy fund. The state pays the charge as a part of utilities payments. This proposal is to exempt the state from paying this charge retroactive to January 1, 2009, thereby reducing expenditures by \$1.7m in FY09 and \$3.5m annually.
- \$1,225,120 **Dept. of Labor** – Workforce Investment Act (WIA) – FY09 Over-Appropriation WIA funds are provided by the federal government; it is a requirement that state legislatures appropriate what is allocated. DOL received notice from the federal government that the final WIA funding level for 2009 was reduced from the level appropriated in the state's FY09 budget. The state's FY09 budget appropriates \$25,895,848 for WIA activities; the revised federal allocation is \$22,957,988, resulting in an "over-appropriation" of \$2,937,860. \$1,294,792 of this "over-appropriation" was rescinded in the first round of rescissions, and \$136,948 was de-appropriated per P.A. 08-1 of the November Special Session (the first deficit mitigation bill), leaving a remaining lapse of \$1,505,120. However, approximately \$280,000 of these funds will be needed to cover an anticipated shortfall in DOL's Personal Services account. As a result, \$1,225,120 is available for deappropriation as part of additional deficit mitigation efforts.
- \$100,000 **Dept. of Education** - Eliminate Remaining Funding for the High School Technology Initiative. The legislature included a reduction of \$850,000 in the third deficit mitigation plan (HB 6602). This reduction left the account with \$100,000 to disperse this fiscal year. It is recommended to eliminate this remaining funding. Elimination of the remaining \$100,000 would have very little statewide impact. If the State Department of Education (SDE) were to disperse these funds according to the formula outlined in statute (CGS 10-262n (d)(1)), it would only provide three towns with funds.
- \$313,000 **Dept. of Environmental Protection** \$500,000 was appropriated to this account (Invasive Plants Council) for FY 2009. The balance of the account of \$338,000 less the \$25,000 rescission already taken leaves \$313,000. Towns will not receive planned grants. (Agency indicated that most of these grants were for approximately \$5,000 with the largest of the grants around \$20,000.
- \$1,500,000 **Teacher's Retirement Board** - Teachers' Retirement Fund - Retiree Drug Subsidy (RDS) The state currently pays for 1/3 of the TRB retiree health plan. However, the state has not made a claim to 1/3 of the reimbursement TRB receives from under RDS (Medicare Part D Employers' Retiree Drug Subsidy). 100% of the subsidy is deposited into the TRB Health Fund. In FY 2008 TRB received \$4.7 million in RDS. FY 2009 to date, they have received \$4.6 million. The state could claim 1/3 of the RDS (approx. \$1.5 million) and use it as an offset to the retiree health account appropriation. The state currently employs this method with its own state retiree health costs.

DEFICIT MITIGATION SUGGESTIONS – REVENUE & FUND TRANSFERS

<p>Department of Banking - Banking Fund</p> <p>These monies represent a portion of funds that were appropriated to the Agency under P.A. 08-176 “AAC Responsible Lending and Economic Security” which are anticipated to lapse due to natural delay in the commencement of these programs. PA 09-1 (DMP2) transferred \$15 million from the Banking Fund leaving an available cash balance of \$17 million.</p>	\$11,000,000
<p>Tobacco Settlement Fund</p> <p>Transfer \$5.0 of the \$10.0 million received to the General Fund. An unexpected disbursement of tobacco settlement funds was made in February and, without taking action, these funds will revert to the Tobacco and Health Trust Fund by default. These funds have been sitting in escrow for at least three years due to legal disputes with tobacco manufacturers and have been paid out with the resolution of the disputes.</p>	\$ 5,000,000
<p>Citizens' Election Fund</p> <p>Transfer an additional \$5.5 million to the General Fund. PA 08-1 of the November Special Session (DMP1) included a \$5 million transfer from the fund. The Governor recommended a transfer of \$17.9 million in DMP2 while the General Assembly transferred only \$7.5 million. In addition, the Governor recommended a transfer of \$6.5 million in DMP3 while the General Assembly transferred only \$1.0 million. With the three transfers that passed in a DMP and this \$5.5 million transfer, the fund will have a cash balance of approximately \$37 million without considering personnel costs which are paid for with this fund.</p>	\$5,500,000
<p>Biomedical Research Trust Fund</p> <p>Transfer an additional \$3 million to the General Fund. The Governor recommended a transfer of \$6 million in DMP2 while the General Assembly transferred only \$3 million. This \$3 million transfer was proposed in DMP3. The fund, which had a \$14.7 million balance at the end of FY 2008 will have a remaining cash balance of \$8.7 million not including any additional deposits or expenditures from the fund.</p>	\$3,000,000
<p>Connecticut Network (CT-N)</p> <p>CT-N receives \$2.5 million annually from the General Fund. This transfer was previously proposed by the Governor in the December mitigation plan but not acted upon by the legislature.</p>	\$500,000
<p>Motor Vehicle Tire Disposal Fee</p> <p>Reinstate the fee imposed on motor vehicle tires at \$3 per tire at the point of retail sale and deposit collections into General Fund, effective May 1, 2009. It is estimated to yield \$1.0 million in FY 2009 and \$6 million hereafter annually. The fee was imposed effective July, 1993 and was repealed in July, 1997.</p>	\$1,000,000
<p>Military Department</p> <p>Transfer funds from the Insurance Recoveries Account to the General Fund.</p>	\$81,596
Total Revenue and Fund Sweeps	\$26,081,596

ADDITIONAL RESCISSIONS REQUIRED BY PA09-2 - ALREADY DONE

GENERAL FUND	Proposed Rescission
Governor's Office	\$4,525
New England Governors' Conference	\$4,525
State Treasurer - Debt Service	\$150,000
Supportive Housing	\$150,000
State Comptroller- Miscellaneous	\$9,736
Connecticut State Firefighter's Assoc	\$9,736
State Comptroller - Fringe Benefits	\$3,094,200
Pension & Ret Other Statutory	\$94,200
State Employees Health Serv Cost	\$3,000,000
Department of Veterans Affairs	\$200,000
Personal Services	\$200,000
Attorney General	\$180,000
Personal Services	\$180,000
Department of Public Utility Control	\$100,000
Statewide Energy Efficiency and Outreach	\$100,000
Department of Environmental Protection	\$50,000
Clean Diesel Buses	\$50,000
Department of Developmental Services	\$16,000
Clinical Services	\$16,000
Department of Transportation	\$114,725
Bus Operations	\$114,725
Department of Social Services	\$96,923
Personal Services	\$65,000
Independent Living Centers	\$31,923
University of Connecticut	\$4,343,996
Operating Expenses	\$4,343,996
Charter Oak State College	\$43,519
Operating Expenses	\$43,519
Teachers' Retirement Board	\$132,000
Municipal Retiree Health Insurance Costs	\$132,000
Regional Community-Technical Colleges	\$2,996,314
Operating Expenses	\$2,996,314
Connecticut State University	\$3,057,692
Operating Expenses	\$3,057,692
TOTAL GENERAL FUND	\$14,589,630

ADDITIONAL RESCISSIONS REQUIRED BY PA09-2- ALREADY DONE

SPECIAL TRANSPORTATION FUND	Proposed Rescission
State Comptroller - Fringe Benefits	\$953,296
Group Life Insurance	\$14,140
Employers Social Security Tax	\$939,156
Department of Motor Vehicles	\$230,000
Personal Services	\$230,000
TOTAL SPECIAL TRANSPORTATION FUND	\$1,183,296

ADDITIONAL RESCISSIONS REQUIRED BY PA09-2- ALREADY DONE

WORKERS' COMPENSATION FUND	Proposed Rescission
Workers' Compensation Commission	\$428,037
Personal Services	\$246,903
Fringe Benefits	\$181,134
TOTAL WORKERS' COMPENSATION FUND	\$428,037