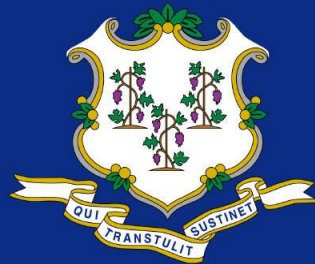


FY 2012 - FY 2013 BIENNIUM GOVERNOR'S BUDGET



CONNECTICUT

DANNEL P. MALLOY, GOVERNOR

February 16, 2011

Welcome



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Current Services Budget

General Fund Current Services Gap

(in millions)

	Fiscal Year <u>2011</u>	Fiscal Year <u>2012</u>	Fiscal Year <u>2013</u>
Revenues	\$ 18,062.2	\$ 16,511.4	\$ 17,399.9
Expenditures*	<u>18,005.0</u>	<u>19,699.2</u>	<u>20,353.1</u>
Surplus/(Deficit)	\$ 57.2	\$ (3,187.8)	\$ (2,953.2)
Growth in C.S. Revenue		-8.6%	5.4%
Growth In C.S. Expenditures		9.4%	3.3%

*Includes \$60 million miscellaneous adjustment in FY 2011.

Current Services Revenue

(in millions)

Current Services

FY 2011 General Fund Revenue- Consensus (1/14/2011)	\$	18,062.2
FY 2012 General Fund Revenue- Consensus (1/14/2011)		<u>16,511.4</u>
Gain/(Loss)	\$	(1,550.8)

Non-recurring Revenue in FY 2011 Baseline

1. Federal Stimulus- ARRA	\$	(739.6)
2. Securitization-Economic Recovery Revenue Bonds		(646.6)
3. FY 2010 Resources		(449.4)
4. Budget Reserve Fund		(103.2)
5. Economic Transition Charge		(40.0)
6. Statutory Transfer to Other Fund Increases		(89.7)
7. Corporation Tax Surcharge		(34.1)
8. Other FY 2011 One-Time Revenue		(99.0)
9. Various Fund Sweeps		<u>(114.9)</u>
Total Gain/(Loss)	\$	(2,316.5)

Revised FY 2011 Baseline Revenue	\$	15,745.7
Underlying Economic Revenue Growth		<u>765.7</u>
FY 2012 General Fund Revenue- Consensus (1/14/2011)	\$	16,511.4
Estimated Revenue Growth as % of Baseline Revenue		4.9%

The use of \$2.3 billion in non-recurring revenue sources in FY 2011 resulted in an overall current services revenue decline in FY 2012 of 8.6%

FY 2012 Current Services Growth

General Fund (in millions)

FY 2011 Estimated Expenditures	17,945.0
Current Services Growth:	
Debt Service	246.4
State Employee Fringe Benefits	316.9
Teachers' Retirement	208.0
27th Payroll	118.5
Medicaid	248.6
Municipal Aid	148.4
State Employee Wages	159.7
Below-the-line Lapses	217.0
All Other Changes - Net	90.7
Total Changes	1,754.2
FY 2012 Current Services	19,699.2
Growth over FY 2011	9.8%

The recommended General Fund base budget of \$17.94 billion for fiscal year 2012 and \$18.37 billion for fiscal year 2013 is balanced

- FY 2012 budget cuts \$1.76 billion from the “current services” spending level, the spending level necessary to maintain services at FY 2011 levels
- The base budget is below FY 2011 spending in the General Fund
- Federal revenue maximization increases spending by \$327 million, which is required to secure \$477 million of revenue from health provider taxes
- The budget is \$406.4 million and \$57.4 million below the spending cap for FY 2012 and FY 2013, respectively
- No delay in meeting the state’s obligations, including the state’s pension contributions and Economic Recovery Notes

Governor Malloy's budget is built on a set of principles that will put Connecticut on the path toward fiscal stability and, ultimately, sustainability.



Responsible Budgeting

- Funds operating expenses with on-going revenue streams; no reliance on borrowing or one-time revenues
- Establishes the commitment to Generally Accepted Accounting Principles
- Limits debt to long-term capital investments
- No early retirement program, no securitization, no deferred pension contributions
- Reduces the number of separately budgeted state agencies from the current 81 to 57, a 30% reduction
- Initiates budget reform, including managing future surpluses, expanding rescission and transfer authority, and expanding Core-CT
- Aggressive maximization of federal reimbursement

Focus on Jobs

- Establishes “First Five” Program to provide incentives for up to five business development projects that commit to creating not less than 200 new jobs
- Provides significant capital investments in the state’s transportation infrastructure; \$572.3 million and \$515.2 million in FY 2012 and FY 2013, respectively
- Funds critical Clean Water infrastructure projects
- Funds \$130 million for supportive and affordable housing development and rehabilitation projects
- Provides \$15 million each year for statewide tourism marketing

Preserving the Safety Net

- Funds caseload growth
- Supports expansion of community care through Money Follows the Person (MFP)
- Supports nursing homes
- Adds smoking cessation to Medicaid
- Avoids major service reductions

Protecting Local Services

- Overall cities and towns will have more revenue, helping to avoid property tax increases
- Level funding is provided for the Education Cost Sharing grant and many other municipal grants
- A portion of revenue estimated at \$24 million from the state sales tax will be shared with towns based on local sales
- New local revenues from real estate conveyances, hotels, rental cars, cabarets, boats and airplanes
- New incentives will be provided for voluntary consolidation of Regional Planning Organizations

Balancing the budget will require shared sacrifice. This budget includes cuts in spending, concessions from state employees and tax increases. Overall, this budget contains more spending cuts than tax increases.



Shared Sacrifice

- \$1.5 billion in taxes of which 81% will be paid by individuals; 19% by businesses
- \$1 billion in concessions and savings from state employees; discussions are underway
- \$758 million in spending reductions will entail sacrifice by all who use state services

Governor Malloy's Recommended Budget

General Fund

(in millions)

	Estimated <u>2010-11</u>	Recommended <u>2011-12</u>	Recommended <u>2012-13</u>
Base Budget			
Revenues	\$ 18,062.2	\$ 17,982.9	\$ 18,680.4
Appropriations	17,945.0	17,941.6	18,369.9
Miscellaneous Adjustment	<u>(60.0)</u>	<u>-</u>	<u>-</u>
Surplus/(Deficit)	\$ 57.2	\$ 41.3	\$ 310.5
New Health Related Provider Taxes			
Revenue	\$ -	\$ 477.2	\$ 490.3
Appropriations	<u>-</u>	<u>326.5</u>	<u>339.7</u>
Net General Fund Impact	\$ -	\$ 150.7	\$ 150.6
Total Recommended Budget			
Revenues	\$ 18,062.2	\$ 18,460.1	\$ 19,170.7
Appropriations	<u>18,005.0</u>	<u>18,268.1</u>	<u>18,709.6</u>
Surplus/(Deficit)	\$ 57.2	\$ 192.0	\$ 461.1
Reserved Balance*	\$ (14.5)	\$ (72.8)	\$ (47.5)
Balance Available to Reduce Indebtedness	<u>\$ 42.7</u>	<u>\$ 119.2</u>	<u>\$ 413.6</u>

* Reserved in FY 2011 for OPEB, and in FY 2012 and FY 2013 for GAAP

Governor Malloy's Recommended Budget

Special Transportation Fund

(in millions)

	Estimated <u>2010-11</u>	Recommended <u>2011-12</u>	Recommended <u>2012-13</u>
Beginning Balance	\$ 105.4	\$ 105.5	\$ 124.6
Revenues	<u>1,173.2</u>	<u>1,322.9</u>	<u>1,388.8</u>
Total Available Resources	1,278.6	1,428.4	1,513.4
Recommended Appropriations	<u>1,173.1</u>	<u>1,303.8</u>	<u>1,335.5</u>
Surplus/(Deficit)	\$ 0.1	\$ 19.1	\$ 53.3
Projected Fund Balance 6/30	\$ 105.5	\$ 124.6	\$ 177.9

Governor Malloy's Recommended Budget

Appropriated Funds Of The State (In Millions)		
	Recommended <u>FY 2012</u>	Recommended <u>FY 2013</u>
General Fund	\$ 18,268.1	\$ 18,709.6
Special Transportation Fund	1,303.8	1,335.5
Mashantucket Pequot & Mohegan Fund	61.8	61.8
All Other Funds	<u>104.5</u>	<u>99.3</u>
Grand Total	<u><u>\$ 19,738.2</u></u>	<u><u>\$ 20,206.3</u></u>

Summary of Expenditure Growth

(in millions)

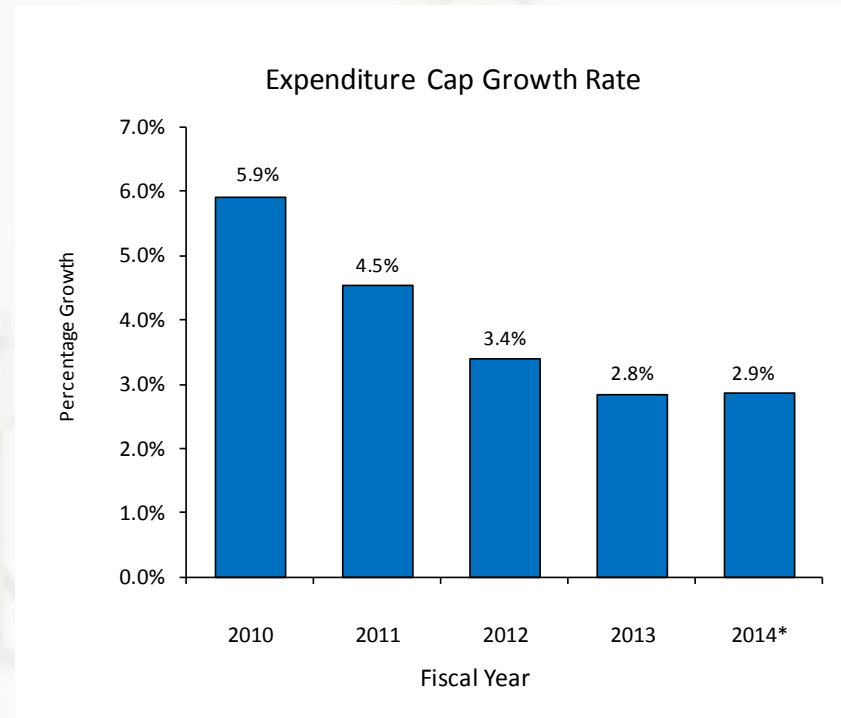
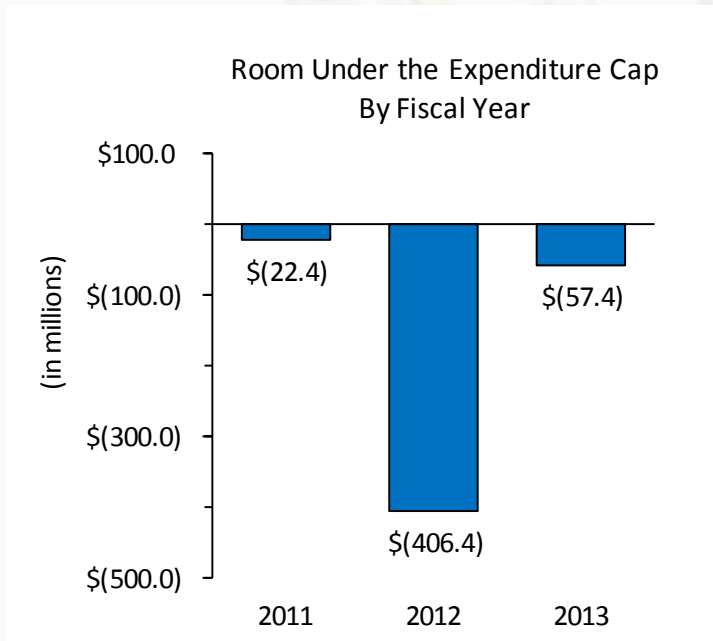
Fiscal Year 2012

	Estimated Expenditures FY 2011	Net Adjustments FY 2012	Recommended Appropriation FY 2012	% Growth over FY 2011	% Growth Excl. Provider Tax Spending
General Fund	\$ 17,945.0	\$ 323.1	\$ 18,268.1	1.8%	0.0%
Special Transportation Fund	1,173.1	130.7	1,303.8	11.1%	
Mashantucket Pequot & Mohegan Fund	61.8	-	61.8	0.0%	
All Other Funds	104.4	0.1	104.5	0.1%	
Total	\$ 19,284.3	\$ 453.9	\$ 19,738.2	2.4%	0.7%

Fiscal Year 2013

	Recommended Appropriation FY 2012	Net Adjustments	Recommended Appropriation FY 2013	% Growth over FY 2012	% Growth Excl. Provider Tax Spending
General Fund	\$ 18,268.1	\$ 441.5	\$ 18,709.6	2.4%	2.3%
Special Transportation Fund	1,303.8	31.7	1,335.5	2.4%	
Mashantucket Pequot & Mohegan Fund	61.8	-	61.8	0.0%	
All Other Funds	104.5	(5.2)	99.3	-5.0%	
Total	\$ 19,738.2	\$ 468.1	\$ 20,206.3	2.4%	2.3%

Spending Cap



- Governor Malloy's Recommended Biennial Budget is \$406.4 million below the cap in FY 2012 and \$57.4 million below in FY 2013
- Although revenues have been the sole limiting factor for the budget over the past few years, that is about to change
- Personal Income growth serves as the expenditure cap's proxy for the economy's ability to pay for government services
- Two years of declines in Connecticut personal income will take their toll on upcoming expenditure cap rates
- The next few years will witness the lowest allowable expenditure cap growth rates since its inception
- So low in fact that the secondary measure of inflation is projected to be the limiting factor in 2014 *

Revenue

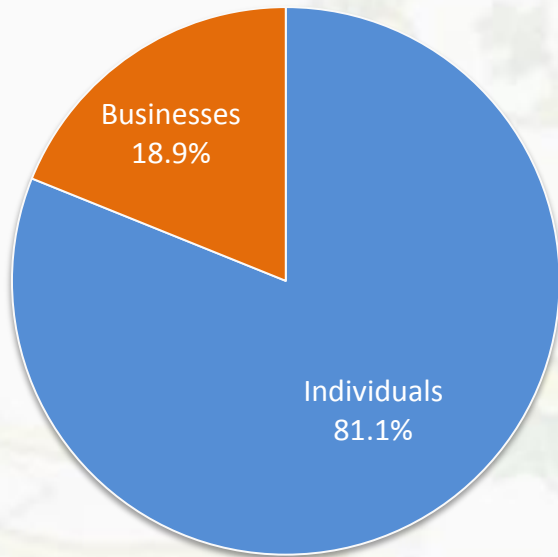


Proposed Tax Changes

Proposed Tax Changes				
(In Millions)				
	Recommended FY 2012	% of Total	Recommended FY 2013	% of Total
<u>Personal Income Tax</u>				
Progressive Income Tax	\$ 620.8		\$ 439.3	
Earned Income Tax Credit	(108.0)		(111.3)	
Eliminate Property Tax Credit	<u>365.0</u>		<u>368.7</u>	
Total Personal Income Tax	\$ 877.8	58.0%	\$ 696.7	51.8%
<u>Sales Tax</u>				
Increase Sales Tax Rate	\$ 152.2		\$ 158.2	
Increase Hotel Tax Rate	11.7		12.2	
Tax Clothing & Footwear under \$50	137.5		143.7	
Eliminate Various Exemptions	<u>159.6</u>		<u>166.4</u>	
Total Sales Tax	\$ 461.0	30.4%	\$ 480.5	35.7%
<u>Corporation Tax</u>				
10% Corporate Surcharge	\$ 25.0		\$ 45.0	
All Other Changes	<u>17.0</u>		<u>10.0</u>	
Total Corporation Tax	\$ 42.0	2.8%	\$ 55.0	4.1%
<u>Other Items</u>				
Electric Generation Tax	\$ 58.4	3.9%	\$ 58.4	4.3%
Cigarette & Tobacco Tax-Raise Rates	57.0	3.8%	42.6	3.2%
Alcoholic Beverages Tax-Raise Rates	9.8	0.6%	9.8	0.7%
All Other	<u>8.0</u>	0.5%	<u>1.9</u>	0.1%
Grand Total	<u>\$ 1,514.0</u>		<u>\$ 1,344.9</u>	

Proposed Tax Package

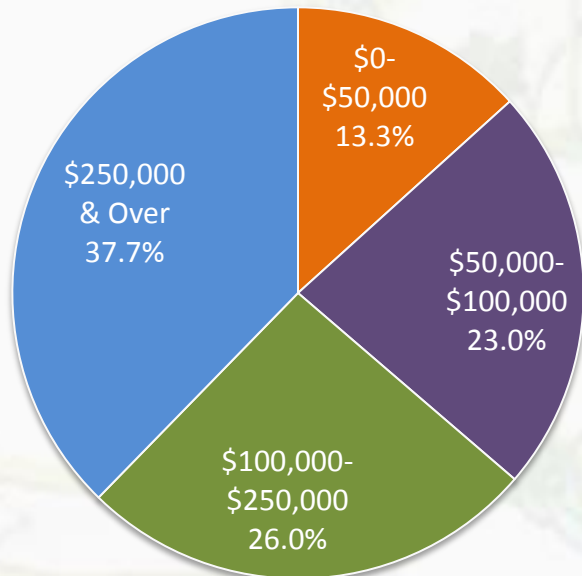
Contributions by Individuals vs. Businesses



- It's all about jobs
- The Governor's tax package calls for businesses to represent 19% of the solution
- Individuals will represent 81% of the solution

Proposed Tax Package

Taxpayer Contributions by Adjusted Gross Income (AGI) Level



- The Governor's proposed tax package calls for shared sacrifice from all income levels
- Of the total to be raised, almost 38% is projected to come from those making over \$250,000

Personal Income Tax

Proposed Tax Rates							
Single Filers				Joint Filers			
Taxable Income		Current	Proposed	Taxable Income		Current	Proposed
<u>From</u>	<u>To</u>	<u>Rate</u>	<u>Rate</u>	<u>From</u>	<u>To</u>	<u>Rate</u>	<u>Rate</u>
\$ -	\$ 10,000	3.00%	3.00%	\$ -	\$ 20,000	3.00%	3.00%
10,000	50,000	5.00%	5.00%	20,000	100,000	5.00%	5.00%
50,000	100,000	5.00%	5.50%	100,000	200,000	5.00%	5.50%
100,000	200,000	5.00%	5.75%	200,000	400,000	5.00%	5.75%
200,000	300,000	5.00%	6.00%	400,000	600,000	5.00%	6.00%
300,000	400,000	5.00%	6.25%	600,000	800,000	5.00%	6.25%
400,000	500,000	5.00%	6.50%	800,000	1,000,000	5.00%	6.50%
500,000	& Over	6.50%	6.70%	1,000,000	& Over	6.50%	6.70%

- The Governor's budget proposes to make the income tax more progressive
- Five new tax brackets will be added
- The highest bracket will be raised two-tenths of one percentage point from 6.5% to 6.7%

Earned Income Tax Credit

States with an Earned Income Tax Credit

Tax Year 2010

<u>No.</u>	<u>State</u>	<u>Percent of Federal EIC</u>	<u>Refundable</u>
1.	Colorado	10%	Yes
2.	Delaware	20%	No
3.	Illinois	5%	Yes
4.	Indiana	9%	Yes
5.	Iowa	7%	Yes
6.	Kansas	17%	Yes
7.	Louisiana	3.5%	Yes
8.	Maine	5%	Partial
9.	Maryland	25%	Yes
10.	Massachusetts	15%	Yes
11.	Michigan	20%	Yes
12.	Minnesota	State Formula	Yes
13.	Nebraska	10%	Yes
14.	New Jersey	25%	Yes
15.	New Mexico	10%	Yes
16.	New York	30%	Yes
17.	North Carolina	5%	Yes
18.	Oklahoma	5%	Yes
19.	Oregon	6%	Yes
20.	Rhode Island	25%	Partial
21.	Vermont	32%	Yes
22.	Virginia	20%	No
23.	Washington	5%	Yes
24.	Wisconsin	4% to 43%	Yes
25.	District of Columbia	40%	Yes

- The Governor is proposing that Connecticut join 24 other states and the District of Columbia with an earned income tax credit
- A total of approximately 190,000 lower-income residents of the state would be eligible to take advantage of the credit
- The refundable credit would be equal to 30% of the filer's federal earned income credit

Earned Income Tax Credit

Federal Earned Income Credit for Tax Year 2010

Qualifying Children	Filing Status	Both Earned Income Limit and AGI Limit	Maximum Federal Credit
0	Single, H of H, Widow(er)	\$13,460	\$457
	Joint	\$18,470	\$457
1	Single, H of H, Widow(er)	\$35,535	\$3,050
	Joint	\$40,545	\$3,050
2	Single, H of H, Widow(er)	\$40,363	\$5,036
	Joint	\$45,373	\$5,036
3+	Single, H of H, Widow(er)	\$43,352	\$5,666
	Joint	\$48,362	\$5,666

Note: Filers receive the maximum Earned Income Tax credit of \$5,666 at an AGI level ranging from: \$12,550 to \$16,450 for single filers, and \$12,550 to \$21,500 for joint filers.

- At 30% of the filer's federal income credit, it is estimated that a state-level credit would cost approximately \$100 million
- In 2010, the maximum federal credit was \$5,666 for joint filers with income between \$12,550-\$21,500
- Credit levels are adjusted each year

Proposed Sales Tax Changes

(in millions)

<u>Proposed Change</u>	<u>FY 2012</u>	<u>FY 2013</u>
Increase Sales Tax Rate	\$ 152.2	\$ 158.2
Increase Hotel Tax Rate	11.7	12.2
Rental Car Surtax	4.0	4.0
Tax Clothing & Footwear under \$50	137.5	143.7
Tax non-prescription drugs	18.0	18.8
Tax cosmetic surgery services	5.0	5.2
Tax haircuts	12.0	12.5
Tax manicure & pedicure services	4.9	5.1
Tax car washes	4.0	4.2
Luxury Goods Surtax	1.2	1.3
Tax various boat/marine services	7.0	7.3
Eliminate trade-in exemption for vehicles	40.0	41.8
Eliminate exemption for coupon, discounts	45.0	47.0
Eliminate sales tax free week	4.2	4.4
Eliminate various other exemptions	<u>14.3</u>	<u>14.8</u>
Total Sales Tax	\$ 461.0	\$ 480.5

Connecticut Is Open For Business

Promote Job Creation through Business Tax Incentives

- Lift the 70% Business Tax Credit cap for companies who create new jobs
- Increase the Job Creation Tax Credit cap from \$11 million to \$20 million
- Increase the Urban and Industrial Site Tax Credit Program cap from \$500 million to \$750 million

Modest Corporate Tax Changes

- Continue the 10% surcharge for tax year 2012 and tax year 2013
- Establish “throw-back” rule (like 23 other states) to assure that all business income is accounted for on our state tax returns

History of CT's Corporate Tax Surcharge	
<u>Income Year</u>	<u>Tax Rate</u>
2003	20%
2004	25%
2006	20%
2009	10%
2010	10%
2011	10%
<u>Proposed</u>	
2012	10%
2013	10%

Other Revenue Changes

Governor Malloy's Proposed Biennial Budget includes several other notable tax changes including:

- Insurance Premiums Tax - increase the rate from 1.75% to 1.95%
- Cigarette & Tobacco Products Tax
 - Increase the rate from \$3.00 per pack to \$3.40 per pack
 - Increase rate from 20% to 50% of wholesale price for other tobacco products
 - Increase snuff tax from 40 cents to \$1.00 per ounce
- Electric Generation Tax - implement a two-tenths of a penny per kwh tax
- Admissions & Dues Tax - repeal various exemptions
- Estate Tax - lower taxable estate threshold from \$3.5 million to \$2.0 million
- Alcoholic Beverages Tax - increase rates
- Motor Fuels Tax
 - Increase gasoline tax by 3 cents to 28 cents/gallon
 - Increase base diesel tax by 2 cents to 28 cents/gallon

Tax Rate Comparisons

Personal Income Tax Rates Compared to Neighboring States

<u>State</u>	<u>Low Rate</u>	<u>High Rate</u>	<u>High Rate Begins At</u>	
			<u>Singles</u>	<u>Joints</u>
Connecticut (proposed)	3.00%	6.70%	\$ 500,000	\$1,000,000
Massachusetts	5.30%	5.30%	N/A	N/A
New York *	4.00%	8.97%	\$ 500,000	\$ 500,000
Rhode Island	3.75%	5.99%	\$ 125,000	\$ 125,000
Connecticut (current)	3.00%	6.50%	\$ 500,000	\$1,000,000

* New York's maximum tax rate will be 6.85% effective Jan. 1, 2012 for single filers beginning at \$20,000 and joint filers beginning at \$40,000.

Sales Tax Rates Compared to Neighboring States

<u>State</u>	<u>Tax Rate</u>
Connecticut (proposed)	6.250%
Massachusetts	6.250%
New York (state)	4.000%
Westchester County	7.375%
New York City	8.875%
Rhode Island	7.000%
Connecticut (current)	6.000%

Reorganizations



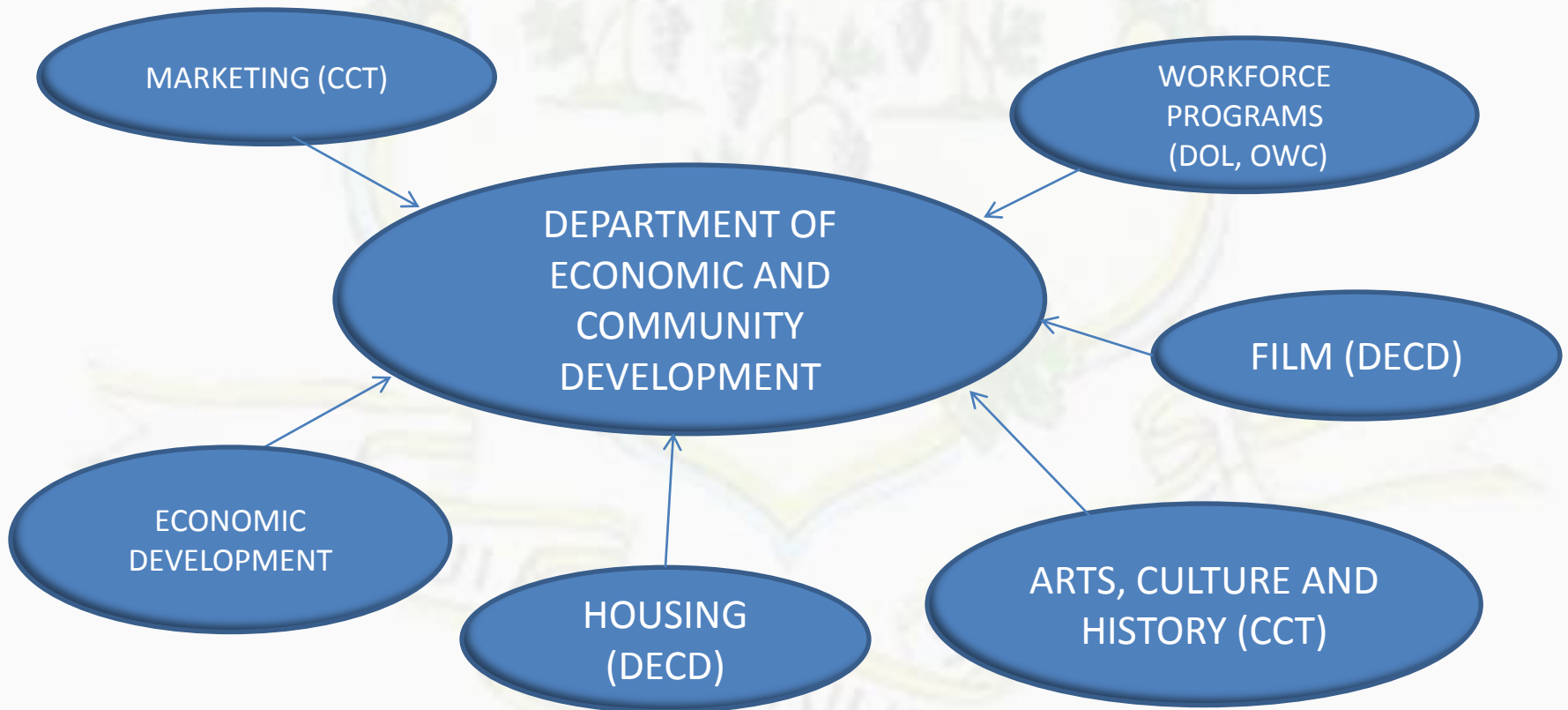
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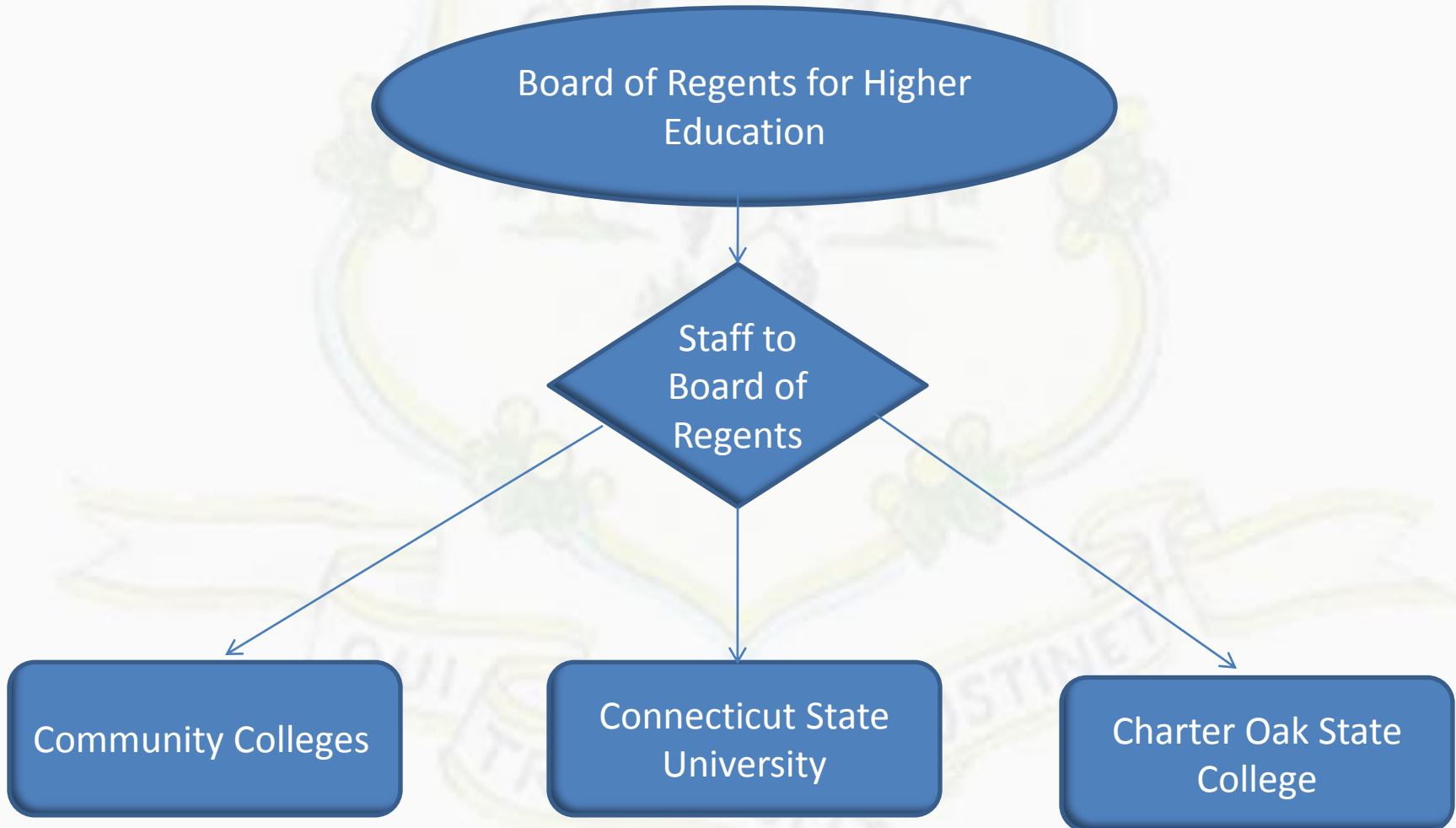
Connecticut's New Economic Development Strategy

Consolidation of Programs in the Department of Economic and Community Development (DECD)



Higher Education

A Governance Structure for the 21st Century



Consolidating State Government

Department of Administrative Services – Provide infrastructure support for all agencies

- Department of Information Technology
- Department of Public Works – leasing and facilities management
- Judicial Selection Commission and Commission on Human Rights and Opportunities affirmative action program

Department of Construction Services – Merge construction functions

- Department of Public Works facilities design staff
- Department of Education school construction grant program
- Department of Public Safety Division of Fire, Emergency and Building Services

Consolidating State Government

Office of Governmental Accountability – To enforce honesty, integrity, and accountability within state government

- State Elections Enforcement Commission
- Office of State Ethics
- Freedom of Information Commission
- Judicial Review Council
- Contracting Standards Board

Department of Energy and Environmental Protection – Centralize the energy policy, environmental protection and conservation efforts

- Office of Policy and Management Energy Unit
- Department of Public Utilities Control
- Siting Council

Consolidating State Government

Other Consolidations and Mergers

- Department of Emergency Management and Homeland Security and Board of Firearms Permit Examiners combined with Department of Public Safety
- Police Standards and Training Council and Commission on Fire Prevention and Control into new Department of Emergency Responder Training
- Division of Special Revenue, Office of the Consumer Counsel, Office of the Healthcare Advocate, and Board of Accountancy combined with Department of Consumer Protection
- Commission on Deaf and Hearing Impaired and Board of Education Services to the Blind combined with Department of Social Services

Health and Human Services



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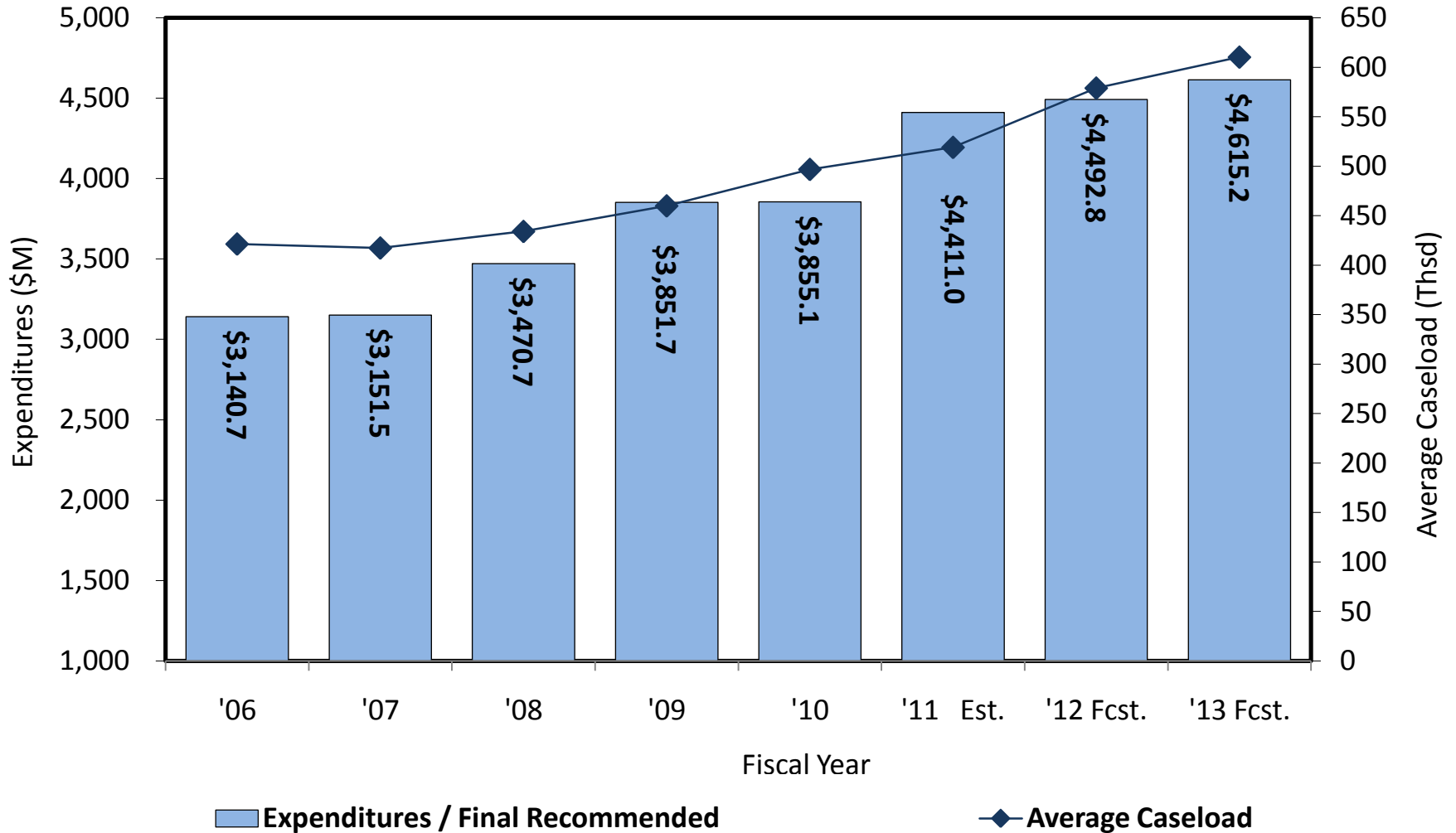
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Preserving the Safety Net by Funding Entitlements

\$296.7 million over the Biennium

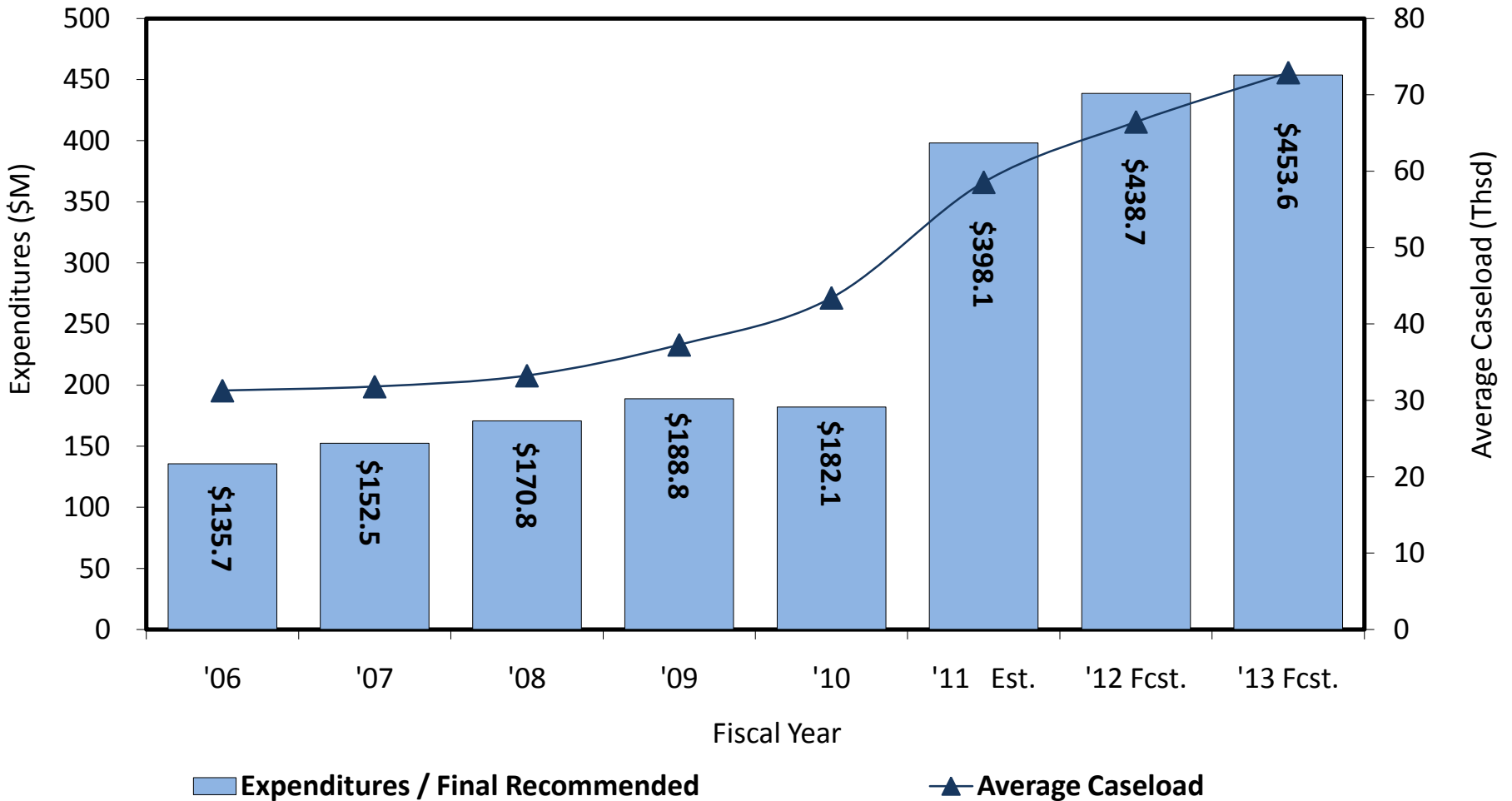
- Department of Social Services - \$245.0 million
 - Medicaid - \$237.5 million
 - HUSKY B - \$3.4 million
 - Temporary Assistance to Families - \$3.0 million
 - State-Funded Supplemental Nutrition Assistance Program (SNAP) - \$1.1 million
- Department of Mental Health and Addiction Services - \$33.6 million
 - General Assistance Managed Care (for behavioral health services for the Medicaid Low Income Adult (LIA) population)
- Department of Children and Families – \$18.1 million
 - Raise the Age – \$9.4 million
 - Implement Federal law – Fostering Connections to Success and increasing Adoptions Act 2008 - \$8.7 million

Medicaid Expenditures and Caseload



SAGA / LIA Medical Expenditures and Caseload

Excludes DMHAS Expenditures



Cost Control Efforts

- Implement Alternative Benefit Package and other measures to control LIA expenses
- Conversion from Managed Care Organization (MCO) to Administrative Service Organization (ASO) model saves \$41 million in FY 2012 and \$86 million in FY 2013
- Cut \$83.3 million in uncompensated care grants for hospitals, which is offset by increased payments in LIA program
- Reduce reimbursement levels under DSS' pharmacy programs: \$159 million

Caseload and Program Service Investments

Coverage for Tobacco Use Cessation Services

- New coverage of tobacco use cessation services to Medicaid recipients beginning January 1, 2012 for savings of \$3.75 million in FY 2012 and \$7.5 million in FY 2013

Money Follows the Person (MFP)/Community Care

- Goal of transitioning 2,251 Medicaid clients from nursing homes over biennium and 5,200 individuals by 2016
- Net savings of \$4.1 million in FY 2012 and \$12.3 million in FY 2013

Reductions and Efficiencies in Human Service Agencies: Biennial Savings

Department of Developmental Services savings of \$12.2 million

- Consolidation of campus setting at Southbury and closure of 5 public group homes in accordance with collective bargaining agreement
- Amending Birth to Three insurance legislation to close loopholes and eliminating co-pays and deductibles

Department of Social Services

- Non-emergency transportation under Medicaid through use of less costly stretcher vans: \$13.3 million
- Strengthen fraud recovery efforts in both Medicaid and Care4Kids: \$11.2 million
- Reduce dental benefits (e.g., limiting adult periodic exams, cleaning and x-rays to once per year): \$20.1 million
- Require co-pays for adults up to \$3.00, not to exceed 5% of family income on allowable medical services: \$17.8 million

Provider Taxes

Recommended budget expands the existing provider tax, or user fee, and implements two new provider taxes to maximize federal revenue while adding new dollars to the Medicaid system

- Increasing nursing home user fee and nursing home rates
- Extending provider tax to private and public intermediate care facilities for the mentally retarded (ICFs/MR) – rates increased
- Reinstate provider tax on hospitals

Federal Revenue Maximization

Health Related Provider Taxes

(in millions)

	Fiscal 2012				Fiscal 2013			
	Nursing				Nursing			
	Homes	Hospitals	ICF/MRs	Total	Homes	Hospitals	ICF/MRs	Total
<u>Revenue</u>								
User Fee/Assessment	\$ 31.1	\$ 266.6	\$ 16.9	\$ 314.6	\$ 34.3	\$ 269.0	\$ 17.2	\$ 320.5
Federal Revenue	<u>21.3</u>	<u>133.3</u>	<u>8.0</u>	<u>162.6</u>	<u>25.7</u>	<u>134.5</u>	<u>9.6</u>	<u>169.8</u>
Total Revenue	\$ 52.4	\$ 399.9	\$ 24.9	\$ 477.2	\$ 60.0	\$ 403.5	\$ 26.8	\$ 490.3
<u>Expenditures</u>								
Expenditures	<u>\$ 42.7</u>	<u>\$ 266.6</u>	<u>\$ 17.2</u>	<u>\$ 326.5</u>	<u>\$ 51.5</u>	<u>\$ 269.0</u>	<u>\$ 19.2</u>	<u>\$ 339.7</u>
Net State Benefit	\$ 9.7	\$ 133.3	\$ 7.7	\$ 150.7	\$ 8.5	\$ 134.5	\$ 7.6	\$ 150.6

Notes: ICF/MRs: Intermediate Care Facilities for the Mentally Retarded.

Above figures do not include revenue or expenditures from existing nursing home user fee.

Raise the Age of Juvenile Jurisdiction

Continued support for this initiative

- Seventeen year olds will be considered juveniles as of July 1, 2012
- 30 additional beds recommended for each year of the biennium
- Additional community services recommended in FY 2013 to support the continuum of care
- \$5.9 million in FY 2012 to annualize FY 2011 expenses and \$3.5 million in FY 2013 in additional funding

Autism

- Three home and community based waivers for individuals with autism and not mental retardation will become effective July, 2011
 - Allowing the state to claim reimbursement for the cost of serving 191 individuals in DDS, DCF and DMHAS
 - \$4 million in revenue by FY 2014
- Budget includes funds to study the feasibility of a Center for Autism and Developmental Disabilities

Economic Development



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Jobs and Economic Development

“First Five” Program to Jump Start Job Creation

- Limited to five business development projects over the biennium
 - 200+ new jobs within two years, or invest \$25+ million and create 200+ new jobs within five years
- Requires Governor’s approval
 - Exempt from statutory requirements that delay incentive packages
 - DECD Commissioner may override statutory limitations on
 - Levels of direct financial assistance
 - Tax credit program requirements
- Raises Urban and Industrial Site Reinvestment Tax Credits cap from \$500 million to \$750 million
- Raises Job Creation Tax Credits annual cap from \$11 million to \$20 million
- Provides \$80 million in additional bonding for direct incentives

Making Marketing of Connecticut a Priority

New Funding, New Visibility

\$15 million for marketing Connecticut each year of the biennium

- Jumpstarts tourism part of economic development
- Merging tourism with economic development makes it a priority part of economic development portfolio
- State Department of Economic and Community Development will coordinate state tourism efforts saving \$1.9 million with the elimination of local tourism subsidies
- Investing in tourism could bring big economic returns
- In FY 2008, with a fraction of this marketing funding, tourism revenues topped \$9 billion and there were 110,000 jobs associated with this sector of the economy

Capital Investments Will Create Jobs

- General Obligation Bonds = \$2.2 billion
- Transportation Bonds = \$1.1 billion
- Clean Water Bonds = \$0.7 billion

Education



Elementary and Secondary Education

Stabilizing the Education Cost Sharing Grant (ECS) and Planning for Future Sustainability

- Restore ECS to pre-American Recovery and Reinvestment Act (ARRA) levels
 - \$270 million added to ECS each year of biennium
 - Grants will be at FY 2009 levels
- Develop a new education funding strategy
 - Education funding must be sustainable, stable and provide some measure of predictability to communities
 - Recommendations to General Assembly in 2012

Early Childhood Care and Education

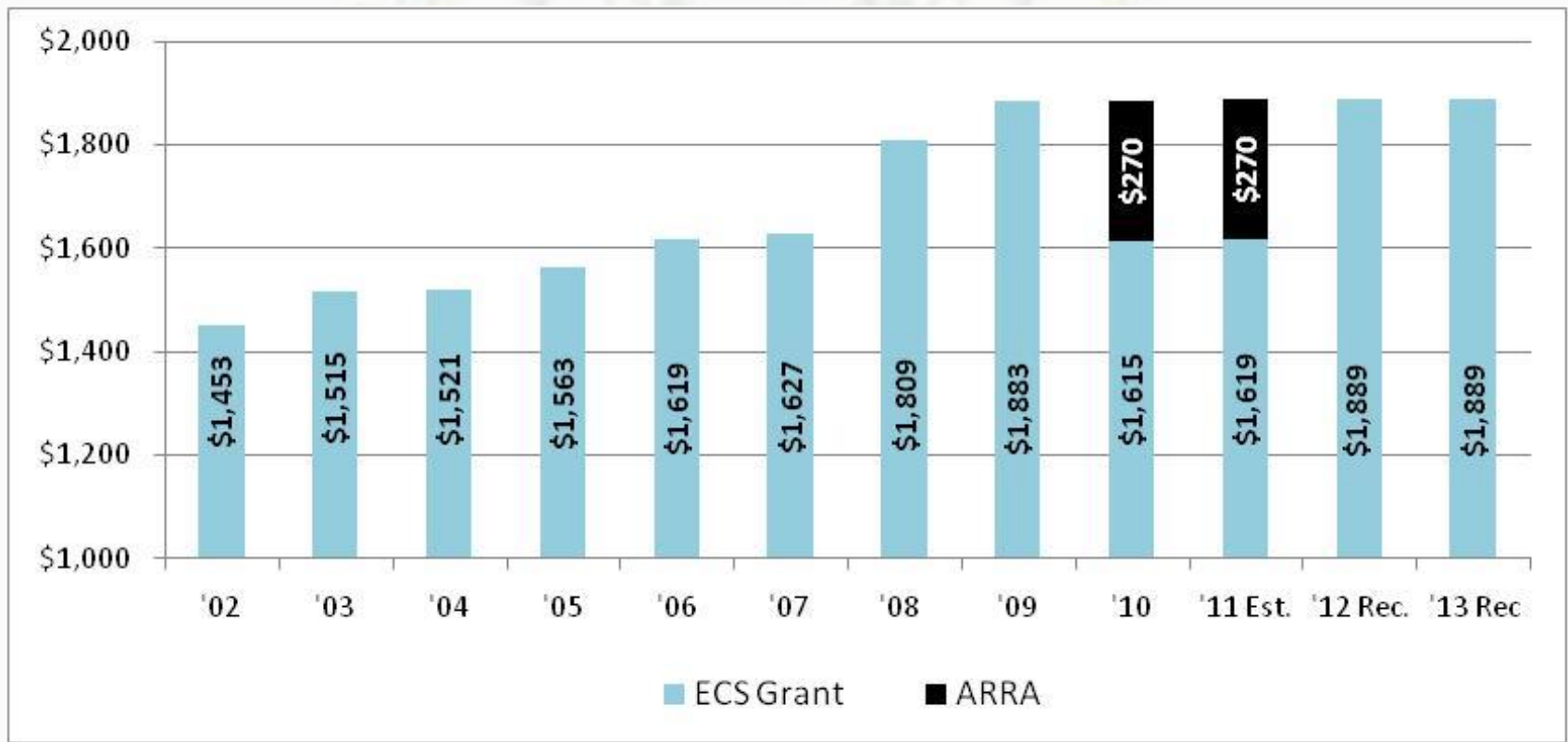
More Funding, Better Programs and Public/Private Partnerships

- Equalize Child Daycare and School Readiness Rates
 - \$2 million each year of biennium
 - Stabilizes provider finances
- Merge DSS Child Care and State Department of Education (SDE) School Readiness into SDE
- Invest in Public/Private Partnerships to Create More Programs
 - \$1.7 million of state funds will leverage \$4.1 million in private philanthropic funding
 - Supports creation of local early childhood education planning, parent leadership training and early literacy

Elementary and Secondary Education

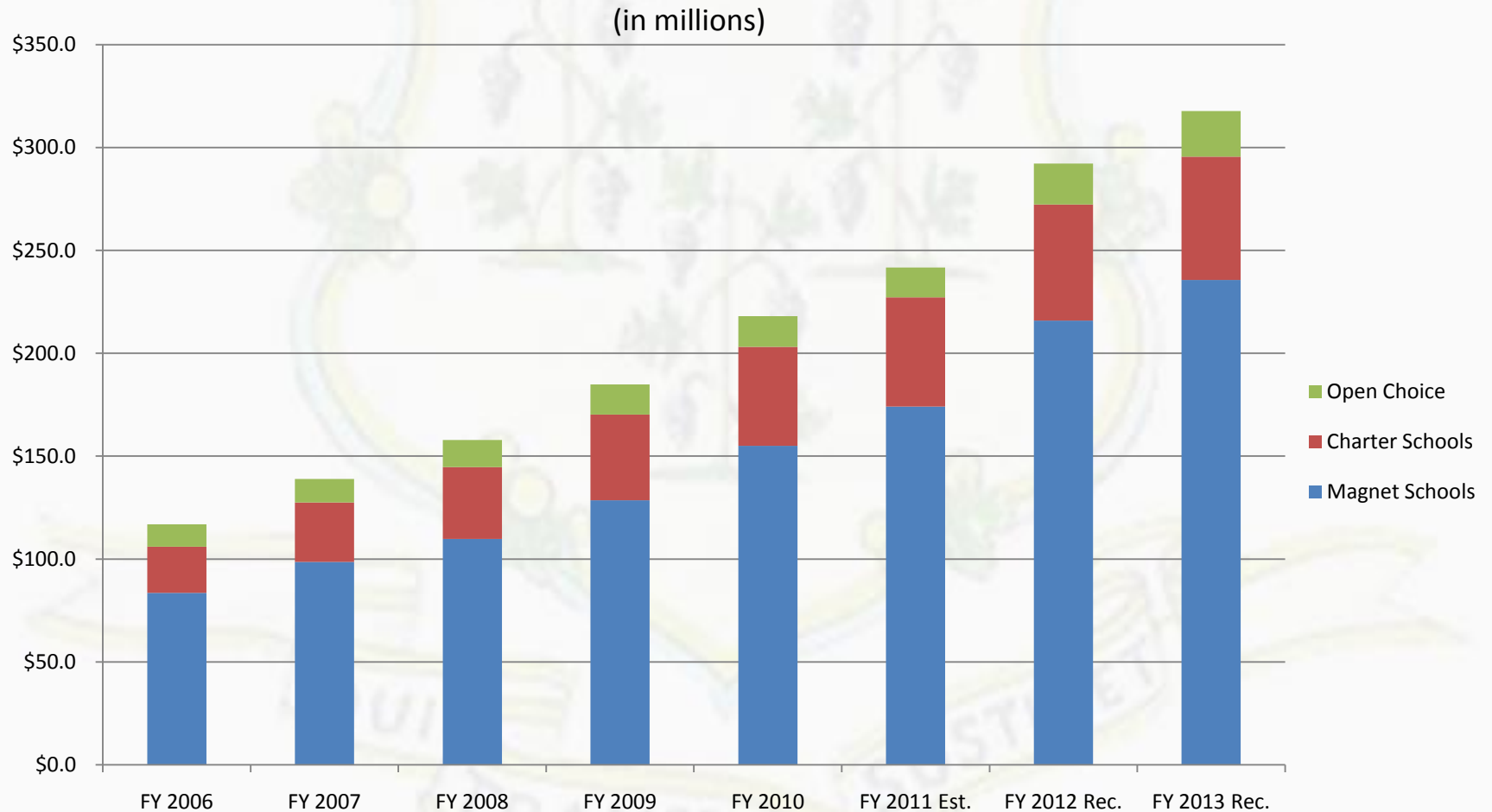
Maintaining Current Funding for the Education Cost Sharing Grant (ECS)

(in millions)



Elementary and Secondary Education

Significant New Funding for School Choice Options



Elementary and Secondary Education

Transforming Education

- \$1.1 million for data collection and personnel needed to initiate the creation of the infrastructure needed for school reform pursuant to PA 10-111
- School reform includes:
 - Starting with high school class of 2018, more credits and more required math and science classes to graduate
 - Five class competency examinations rather than one comprehensive 10th grade test
 - By 2013, teacher and administrator evaluations must be partly based on student academic growth

Elementary and Secondary Education

Increase Regionalization and Local Control of Schools

- Funding provided for a study to encourage regionalization
- Regional Educational Service Center (RESC) Alliance will study both transportation and a uniform school year
 - Recommendations could include regional transportation options that could save funding for school districts
- State Technical High Schools will be phased in as local schools
 - Options will include school districts or RESCs as operators
 - For biennium, state will finance the schools being phased out as state schools
 - Over time, all sixteen of the schools will become local or RESC schools

Transportation



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Transportation

- Provide \$14 million in funding for pay-as-you-go transportation projects in FY 2012 and \$9 million in FY 2013
- Significant capital investment in transportation
- Provide \$5 million in FY 2012 in the Highway and Bridge Renewal-Equipment account to replace equipment and help address the agency's aging fleet
- Implement the now-delayed statutory fare increases that were part of the rail car replacement program; change start date to coincide with deployment of new cars

Correction

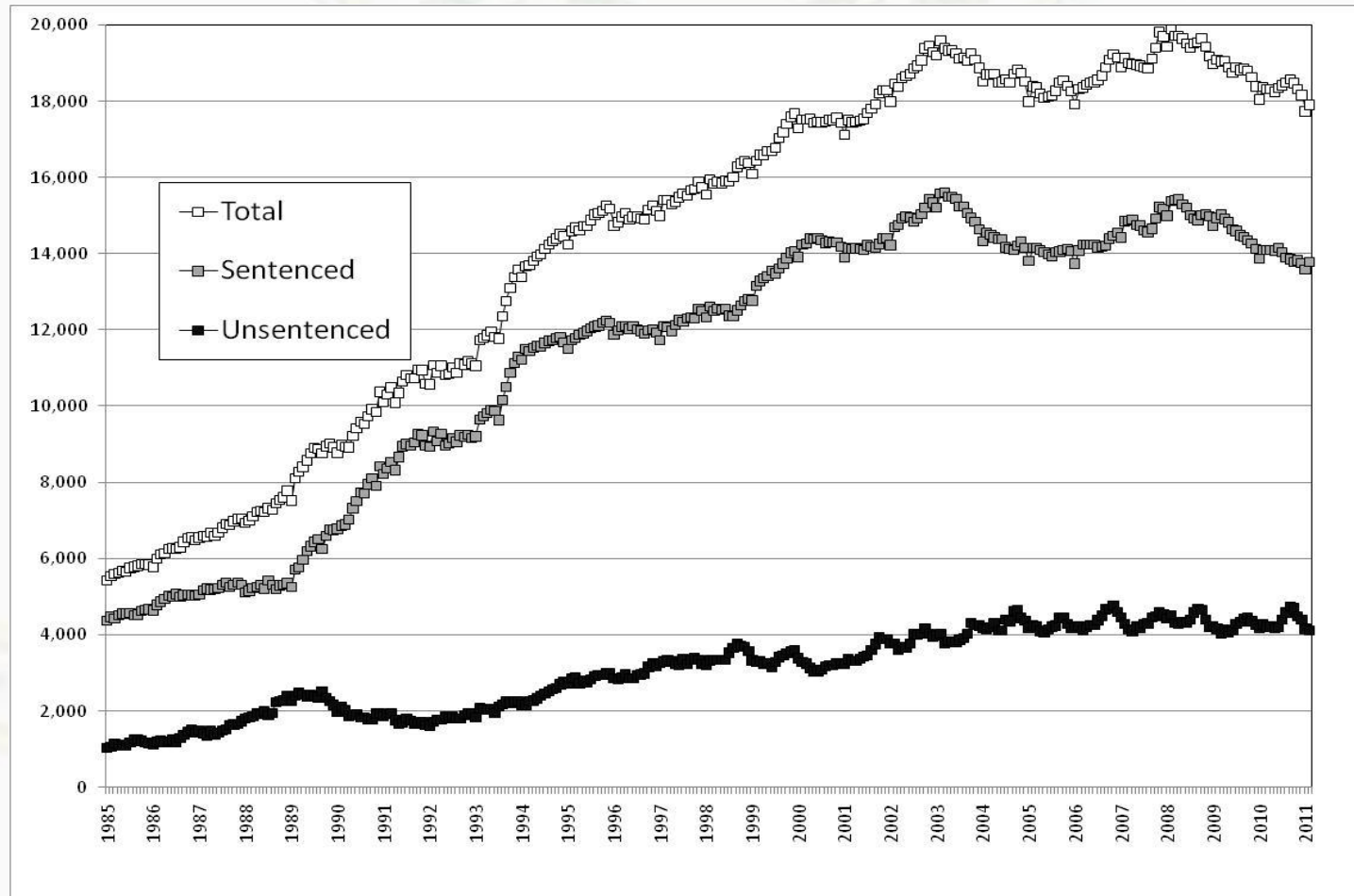


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Correctional Facility Population



Department of Correction

Offender Management Incentive Plan

- Uses Department of Correction's existing Offender Accountability Plan to allow inmates to earn risk reduction credits for successful program completion and acceptable behavior to reduce their sentence

House Arrest for Driving Under the Influence and Minor Drug Offenses

- Where appropriate, offenders will be required to wear an alcohol monitoring device and have a breath alcohol ignition interlock device installed

Municipal Aid



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Growth in Municipal Aid FY 2006 – FY 2013

(in millions)



Municipal Aid

Statutory Formula Grants

ECS, Special Ed, State Property PILOT, College and Hospital PILOT, Town Aid Road, Mashantucket Pequot and Mohegan Fund, LoCIP maintained at FY 2011 levels

PILOT Manufacturing Machinery and Equipment (MM&E)

- Reimbursement to the towns under MM&E program is eliminated
- Municipalities will now be able to tax commercial motor vehicles

Municipal Aid

Boat taxes

- Vessel PILOT grant is repealed
- Municipalities to assess personal property tax on boats at a uniform rate of 20 mills starting October 1, 2011

Regional Planning Organizations

Creation of a voluntary bonus pool

- To incentivize the voluntary consolidation of planning regions
- To assist the combined regions in the transition to a new local dues structure and other administrative requirements

Municipal Revenue Sharing

Municipal Revenue Increases

(in millions)

<u>Tax</u>	FY 2012 Projected <u>Revenue</u>	FY 2013 Projected <u>Revenue</u>
1. Sales Tax - @ 0.1%	\$ 24.0	\$ 25.1
2. Hotel Occupancy Tax - @ 1%	5.8	6.1
3. Rental Car - @ 1%	1.6	1.6
4. Real Estate Conveyance Tax	52.9	52.9
5. Cabaret Tax - @ 3%	0.9	0.9
6. Boats - Property Tax - @20 mills	-	38.7
7. Aircraft - Property Tax - @20 mills	-	4.0
Total Increase in Municipal Revenue	\$ 85.2	\$ 129.3

- The Governor's budget proposes significant new revenue for our municipalities while providing diversification of revenue
- This includes targeting a portion of state revenue collections for towns
- New authority to expand their property tax base is also included
- These changes would provide an extra \$85.2 million in FY 2012 and \$129.3 million in FY 2013

Capital



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Capital Investments

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

New general obligation bond authorizations

- \$1.075 billion in FY 2012
- \$1.116 billion in FY 2013

New transportation bond authorizations

- \$572.3 million in FY 2012
- \$515.2 million in FY 2013

New clean water bond authorizations

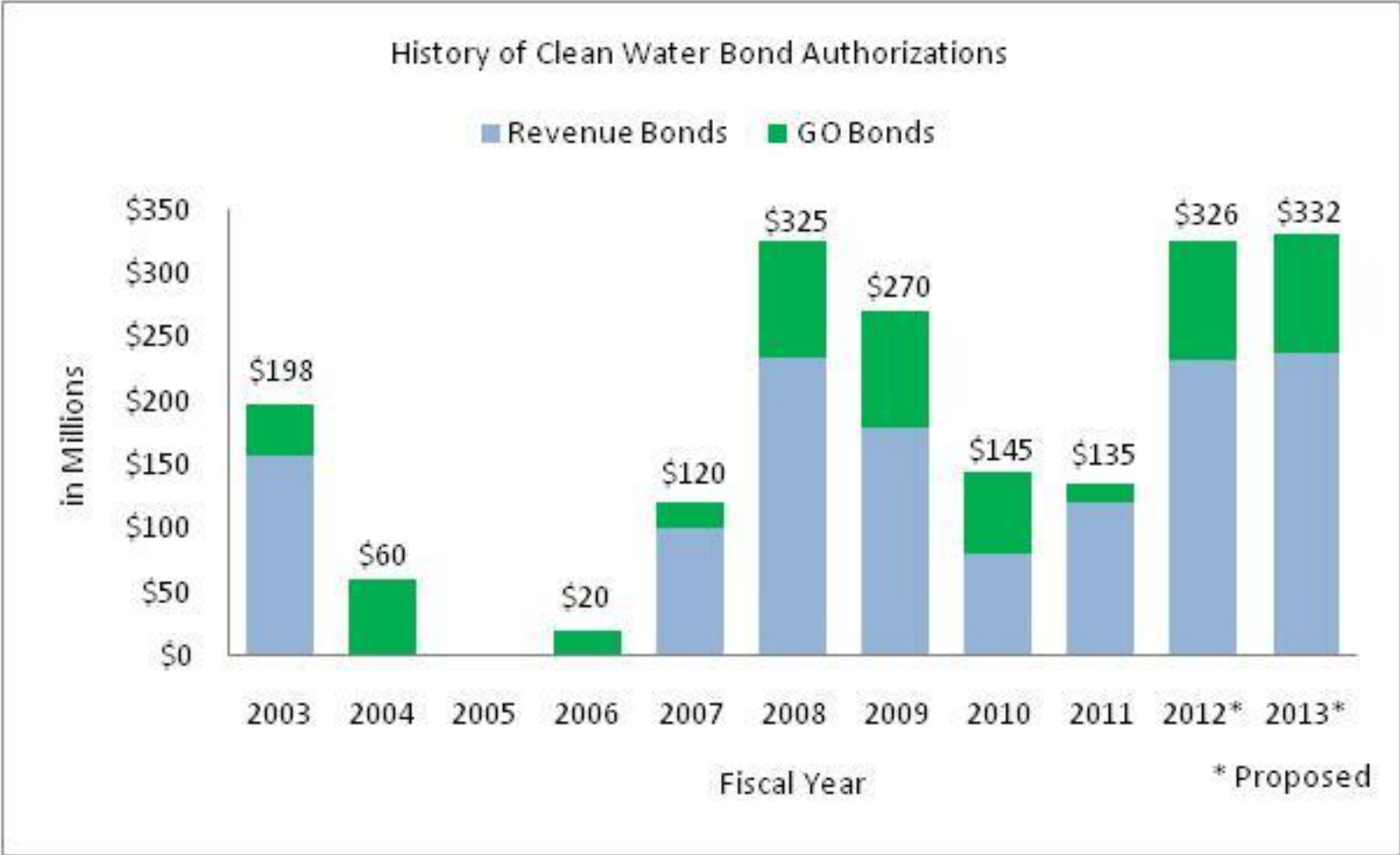
- \$326.0 million in FY 2012
- \$332.4 million in FY 2013

Capital Investments

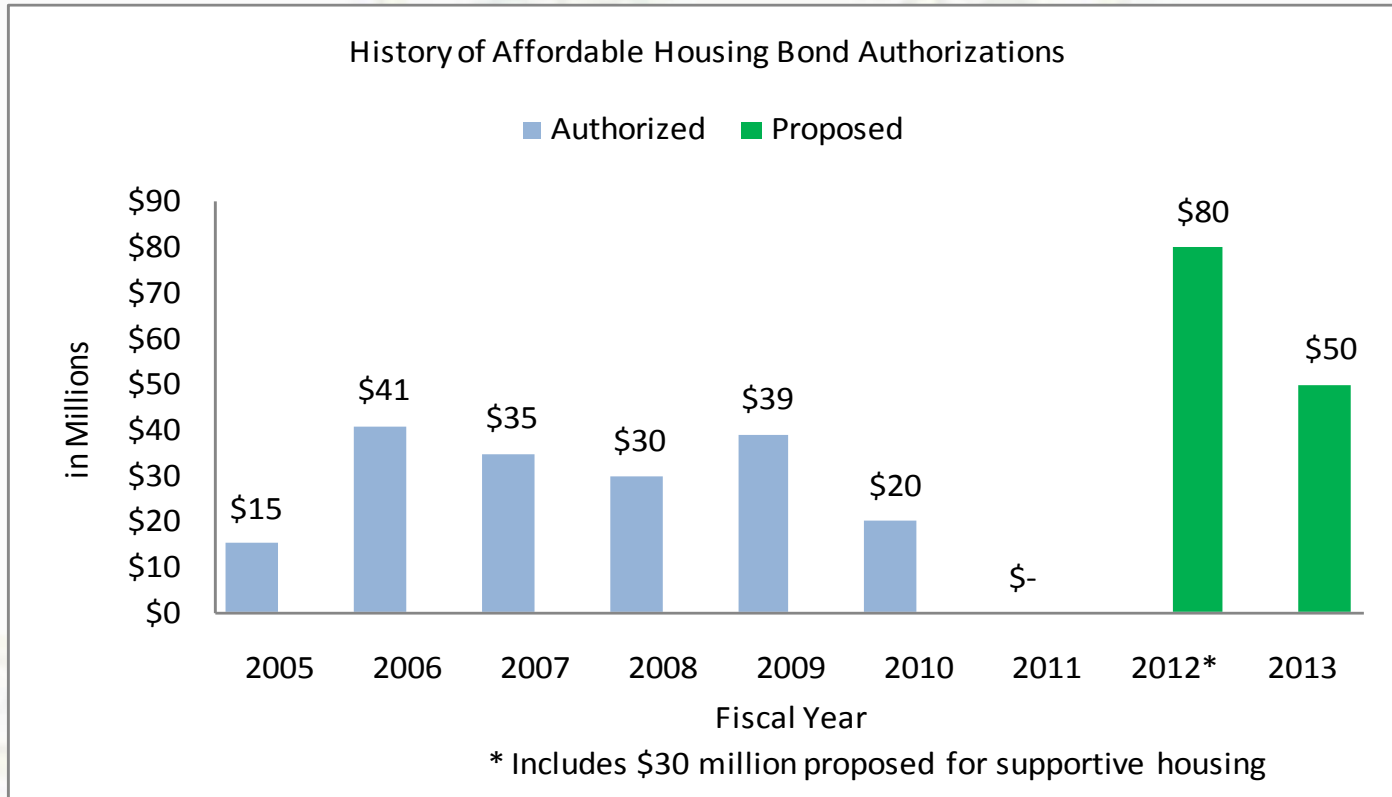
Significant capital investments over the biennium include

- Historic level of Clean Water Fund investments
 - \$187 million for grants
 - \$472 million for subsidized low interest loans
- \$66 million for other environmental protection programs
- \$1 billion for the school construction program
- \$260 million for economic development programs
- \$130 million for affordable and supportive housing
- \$114 million for Community College building projects
- \$60 million for LoCIP
- \$32 million for capital investments by private providers
- \$18 million for upgrades and expansion of CORE-CT, the state's financial and HR information system
- \$12 million for the Criminal Justice Information System

Clean Water Fund



Affordable and Supportive Housing



Process Reforms



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Budget Process Reforms

- Implement Generally Accepted Accounting Principles (GAAP)
- Increase the funding target for the Budget Reserve Fund from 10% to 15%
- Dedicate one-time recoveries and settlements to offset unfunded pension and healthcare liabilities
- Increase the Governor's rescission authority from 5% of any appropriation to 10% of any appropriation
- Increase threshold for FAC approval of transfers between accounts from \$50,000 to \$250,000
- Modify legislative process for approval of State employee contracts
- Bring all agencies into Core-CT, the state's financial and HR information system

Budget Reforms

Reform the school construction reimbursement process to help reduce state debt by

- Requiring the list of school construction projects to be submitted to the Governor for review and decision making, similar to other bonding requests
- Reducing the reimbursement rate for new construction to 15% - 65 % (magnet schools reduced to 80%) while keeping current rates for renovations
- Adopting regulations to encourage preventive maintenance expenditures
- Prohibiting reimbursement for projects that cannot justify enrollment
- Excluding reimbursement for project/construction management and legal fees
- Reimbursing towns based on industry standards for costs per square foot
- Cancelling grant commitments if construction has not begun by April 1, 2012

Conclusion



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Four Principles

Focus on jobs

Preserve the safety net

Protect local services

Promote transparent and responsible
budgeting



Shared Sacrifice

Balancing the budget will require shared sacrifice. This budget includes cuts in spending, concessions from state employees and tax increases. Overall, there are more spending cuts than tax increases. This budget keeps the safety net intact and supports business and industry as they create jobs.

