

STATE OF CONNECTICUT

Governor's Recommended Biennial Budget for

FISCAL

2022
2023

Connecticut's Comeback



Governor Ned Lamont



Secretary Melissa McCaw

February 11, 2021

Connecticut's Comeback

- The FY 2022-2023 biennium presents a multi-faceted budget challenge
- We are in the midst of a global public health crisis that has slowed our economy while it was surging in the spring of 2020 and simultaneously decreased our revenues and increased our costs
- But, Connecticut has emerged as a national leader. We have built and maintained one of the best COVID-19 testing programs in the country, which has helped mitigate the spread and impact of the virus – and has given us the ability to scaffold off that program to develop one of the best vaccination programs
- With that as a backdrop, Governor Lamont is presenting a budget to address our structural issues, continue essential services, and best position our state for growth when the pandemic fades

Introduction

Governor Lamont's budget proposal is anchored to five priorities:

- **Defeating COVID-19** – because if we don't, nothing else matters
- **A More Affordable Connecticut** – an intense focus on making Connecticut more affordable for our middle class through investments in education, workforce development, municipal aid and more affordable healthcare
- **Investing in Our Future** - with a 21st century upgrade to our transportation, energy and broadband infrastructures
- **Modernizing State Government** – creating an improved customer experience and service at less cost to our taxpayers
- **Economic Growth and an Economy That Works For ALL**

Budget Overview



Proposed Budget for FY 2022 and FY 2023

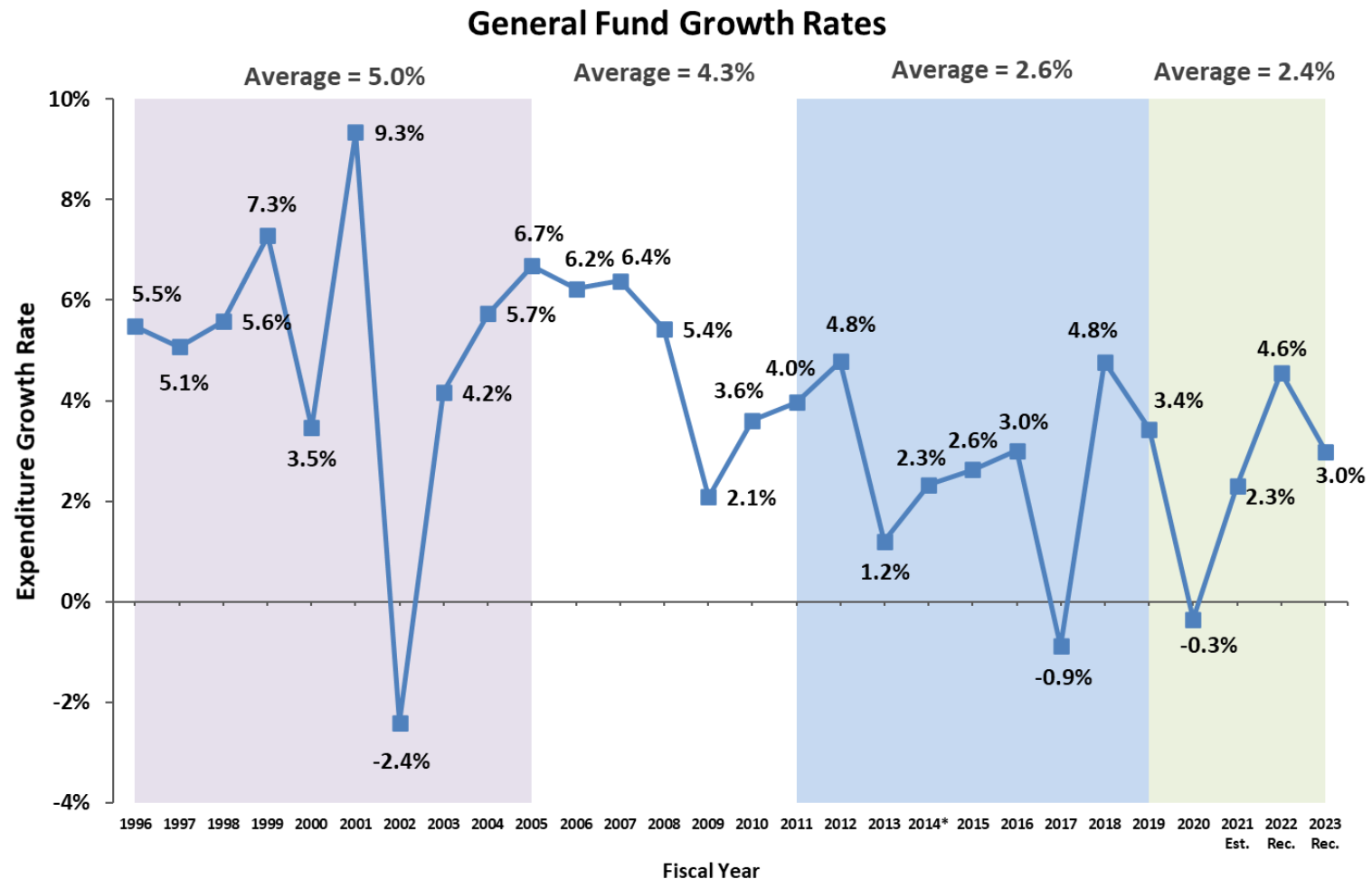
Holding the Line on Spending

Appropriated Funds of the State (in millions)

	Appropriated <u>FY 2021</u>	Recommended <u>FY 2022</u>	Change Over <u>Prior Year</u>	Recommended <u>FY 2023</u>	Change Over <u>Prior Year</u>
General Fund	\$ 20,086.3	\$ 20,519.0	2.2%	\$ 21,131.1	3.0%
Special Transportation Fund	1,816.3	1,819.3	0.2%	1,992.0	9.5%
Banking Fund	28.8	29.4	2.3%	29.5	0.3%
Insurance Fund	113.3	120.6	6.5%	122.3	1.4%
Consumer Counsel and Public Utility Control Fund	28.5	30.8	8.1%	31.0	0.6%
Workers' Compensation Fund	28.7	26.0	-9.3%	26.3	1.3%
Mashantucket Pequot & Mohegan Fund	51.5	51.5	0.0%	51.5	0.0%
Regional Market Operation Fund	1.1	-	-100.0%	-	n/a
Criminal Injuries Compensation Fund	2.9	2.9	0.0%	2.9	0.0%
Tourism Fund	13.1	13.1	0.0%	13.1	0.0%
Grand Total	<u>\$ 22,170.4</u>	<u>\$ 22,612.6</u>	<u>2.0%</u>	<u>\$ 23,399.8</u>	<u>3.5%</u>

Totals may not add due to rounding.

Expenditure Growth Rates



Average represents the compound annual growth rate of each shaded section
 *2013 to 2014 growth has been adjusted to reflect the net budgeting of Medicaid.

Governor's Budget Plan – General Fund

General Fund (GF)

(in millions)

	Estimated FY 2021	Recommended FY 2022	Recommended FY 2023
Total Recommended Budget			
Revenues	\$ 19,761.7	\$ 20,729.5	\$ 21,402.9
Appropriations	<u>19,624.1</u>	<u>20,519.0</u>	<u>21,131.1</u>
Surplus/(Deficit)	\$ 137.6	\$ 210.5	\$ 271.8
Revenue Cap		99.0%	98.75%
Revenue Unavailable Due to Revenue Cap		<u>\$ 207.3</u>	<u>\$ 267.5</u>
Balance after Revenue Cap		\$ 3.2	\$ 4.2

General Fund Baseline vs. Proposed Budget

Baseline Estimate versus Proposed Budget (in millions)

	Fiscal Year 2022				Fiscal Year 2023			
	Baseline Estimate	Maintain Current Policies	New Policy Changes	Proposed Budget	Baseline Estimate	Maintain Current Policies	New Policy Changes	Proposed Budget
General Fund								
Revenues	\$ 19,164.5	\$ 640.6	\$ 924.4	\$ 20,729.5	\$ 19,629.2	\$ 644.7	\$ 1,129.0	\$ 21,402.9
Expenditures	20,914.6	(104.9)	(290.7)	20,519.0	21,756.3	(156.7)	(468.4)	21,131.1
Surplus/(Deficit)	<u>\$ (1,750.1)</u>	\$ 745.5	\$ 1,215.1	\$ 210.5	<u>\$ (2,127.1)</u>	\$ 801.4	\$ 1,597.4	\$ 271.8
Revenue Cap				99.0%				98.75%
Revenue Unavailable Due to Revenue Cap				207.3				267.5
Balance After Revenue Cap				\$ 3.2				\$ 4.2

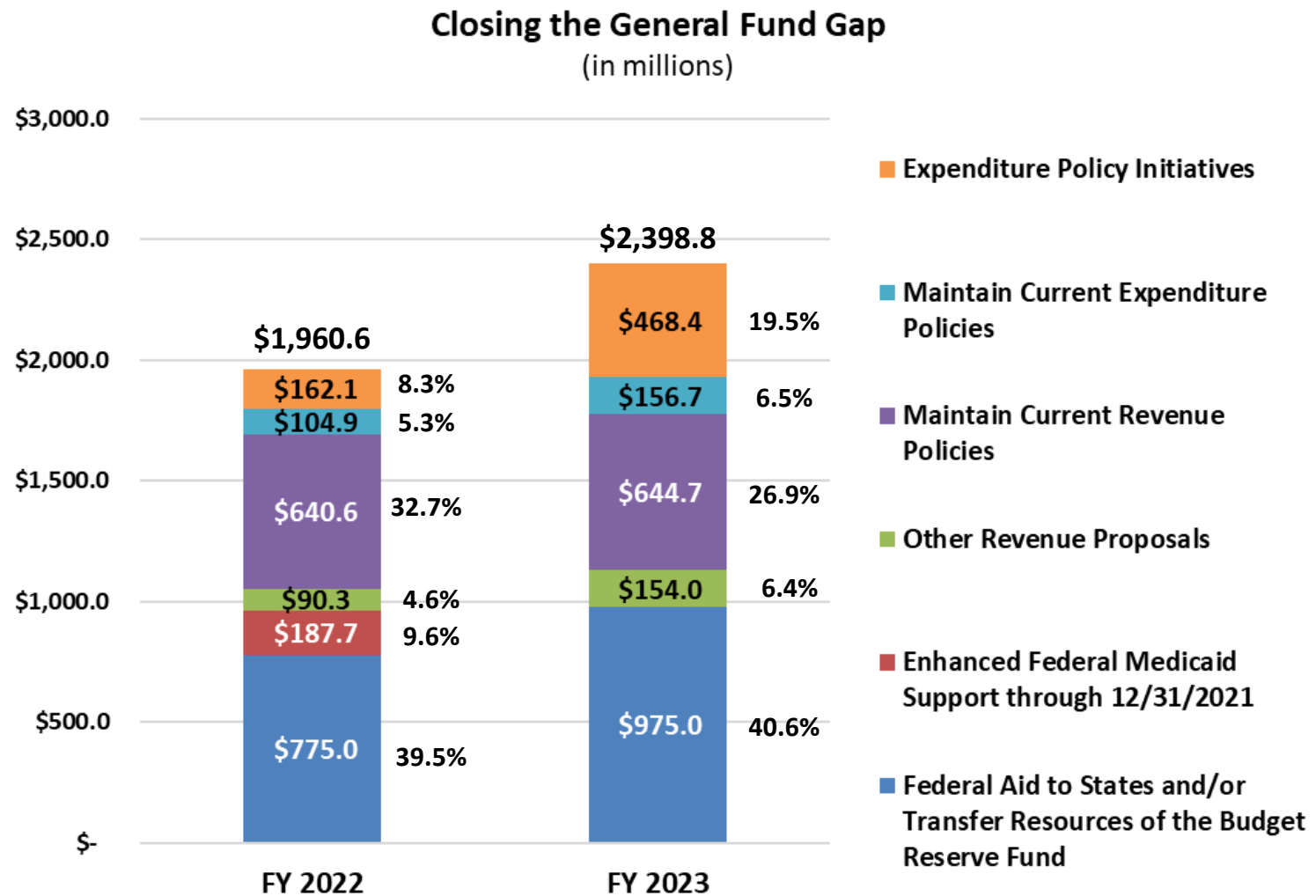
Closing a nearly \$4 billion baseline gap

General Fund Baseline vs. Proposed Budget

GENERAL FUND Baseline Estimate vs. Proposed Budget (in millions)

					% Growth	
					FY 2022 vs.	
	Enacted FY 2021	Est. FY 2021	FY 2022	FY 2023	Enacted FY 2021	FY 2023 vs. FY 2022
Baseline						
Revenue - Consensus 1/15/2021	\$ 20,252.5	\$ 19,761.7	\$ 19,164.5	\$ 19,629.2	-5.4%	2.4%
Expenditures - Current Services	20,086.3	19,624.1	20,914.6	21,756.3	4.1%	4.0%
Balance - Baseline	\$ 166.2	\$ 137.6	\$ (1,750.1)	\$ (2,127.1)		
Proposed						
Revenue - Governor's Recommended 2/10/21	\$ 20,252.5	\$ 19,761.7	\$ 20,729.5	\$ 21,402.9	2.4%	3.2%
Expenditures - Governor's Recommended 2/10/21	20,086.3	19,624.1	20,519.0	21,131.1	2.2%	3.0%
Balance - Proposed	\$ 166.2	\$ 137.6	\$ 210.5	\$ 271.8		
Less Statutory Revenue Cap			(207.3)	(267.5)		
Balance - Available			\$ 3.2	\$ 4.2		
Amount Total Appropriations are Over/(Under) the Cap			\$ (103.3)	\$ (114.8)		

Closing the General Fund Gap



Closing the General Fund Gap – Expenditure Changes

Changes from FY 2021 Budgeted Levels (in millions)

	<u>FY 2022</u>	<u>FY 2023</u>
Current Services Adjustments		
Debt Service Increases	\$ 113.8	\$ 347.6
State Employee Wage Increases	125.8	237.5
SERS Contributions	184.1	288.0
Active and Retiree Healthcare	68.4	232.3
Teachers' Retirement System	195.6	330.0
ECS Formula Increases	32.0	64.1
Other Statutory Municipal Aid Increases	69.4	74.6
Private Provider and Waiver Minimum Wage Support	8.1	28.6
Statutory Provider Rate Increases	14.3	31.0
Hospital Settlement Agreement Increases	34.4	49.9
All Other Changes	<u>(17.6)</u>	<u>(13.7)</u>
Total - Current Services Updates	\$ 828.3	\$ 1,670.0
Extend Current Policies		
Maintain Statutory Formula Grant Caps	\$ (70.7)	\$ (75.9)
Remove Statutory Provider Rate Increases	(14.2)	(30.8)
Maintain Debt Service Treatment	<u>(20.0)</u>	<u>(50.0)</u>
Total - Current Policies	\$ (104.9)	\$ (156.7)
New Policy Proposals		
Reflect Enhanced Federal Medicaid Support through 2021	\$ (128.6)	\$ -
Implement Efficiencies Based on CREATES Initiative	(20.0)	(115.0)
Remove State Employee General Wage Increases	(44.0)	(97.7)
Extend SERS Amortization Transition by 3 years	(53.9)	(106.1)
Level Fund ECS at FY 2021 Level	(32.0)	(64.1)
Annualize FY 2021 Rescissions	(22.4)	(22.4)
Annualize Certain FY 2021 Holdbacks	(12.2)	(12.2)
Regulatory and Support Costs for Cannabis	8.9	10.6
Provide Additional Operating Support to UConn Health Center	40.0	-
All Other Changes	<u>(26.5)</u>	<u>(61.6)</u>
Total - Expenditure Policy Initiatives	\$ (290.7)	\$ (468.4)
Total Expenditure Change	\$ 432.7	\$ 1,044.9

CREATES: Cliff Retirements adding Efficiency, Accountability, and Technology to Economize State Government

Budget Reserve Fund (BRF)

(in millions)

	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
Starting Balance	\$ 3,074.6	\$ 3,505.6	\$ 2,825.3
Starting Balance as % of Current Year Budget	15.3%	17.1%	13.4%
Deposit to SERS/TRS pursuant to CGS 4-30a	\$ (61.6)	\$ (427.8)	\$ -
Volatility Cap Deposit	\$ 355.1	\$ 312.0	\$ 338.6
Absence of Federal Aid / Use of BRF		\$ (775.0)	\$ (975.0)
Deposit Resulting from Revenue Cap and Balanced Operations	<u>137.5</u>	<u>210.5</u>	<u>271.8</u>
Proj. Balance 6/30	\$ 3,505.6	\$ 2,825.3	\$ 2,460.7
Ending Balance as % of Ensuing Year Budget	17.1%	13.4%	N/A

Note: FY 2021 as of OPM 1/20/21 estimate. Use of BRF reflects impact if economic recovery is delayed, or additional federal aid for state and local governments is not enacted.

- **Even with use of \$775 million from the Budget Reserve Fund in FY 2022, the state would still have reserves of 13.4% of the General Fund budget going into FY 2023**
- **Moreover, should the state need to draw on reserves in FY 2023 while the economy regains its footing, we would still have nearly \$2.5 billion in the Rainy Day Fund at the end of the biennium – equivalent to the amount on hand at the beginning of FY 2020**

Long Term Solutions Must Continue – Structural Gaps Remain

General Fund - Structural Gaps Remain in the Outyears

(in millions)

	Recommended		Projected			% Growth Over Prior Year		
	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2024	FY 2025	FY 2026
Total Revenue	\$ 20,729.5	\$ 21,402.9	\$ 20,363.2	\$ 20,935.7	\$ 21,536.1	-4.9%	2.8%	2.9%
Expenditures	20,519.0	21,131.1	21,857.0	22,377.8	22,818.0	3.4%	2.4%	2.0%
Surplus / (Deficit)	210.5	271.8	(1,493.8)	(1,442.1)	(1,281.9)			
Revenue Cap	99.00%	98.75%	98.50%	98.25%	98.00%			
Revenue Unavailable Due to Revenue Cap	207.3	267.5	305.4	366.4	430.7			
Balance After Revenue Cap	\$ 3.2	\$ 4.2	\$ (1,799.3)	\$ (1,808.5)	\$ (1,712.6)			
Amount Total Appropriations are Over/ (Under) the Cap	(103.3)	(114.8)	(65.1)	(265.4)	(254.3)			

Note: Assumes the Governor's budget plan and all associated implementing legislation are adopted.

- Maintaining a strong Budget Reserve Fund beyond the FY 2022 – FY2023 biennium is critical
- Using BRF for new fixed or programmatic costs digs a deeper hole in the outyears
- Significant structural gaps remain in the outyears requiring difficult decisions about both revenue and spending policy
- Hence, investing in Connecticut's Comeback is critically important to making Connecticut more affordable for our middle class through investments in education, workforce development, municipal aid and more affordable healthcare

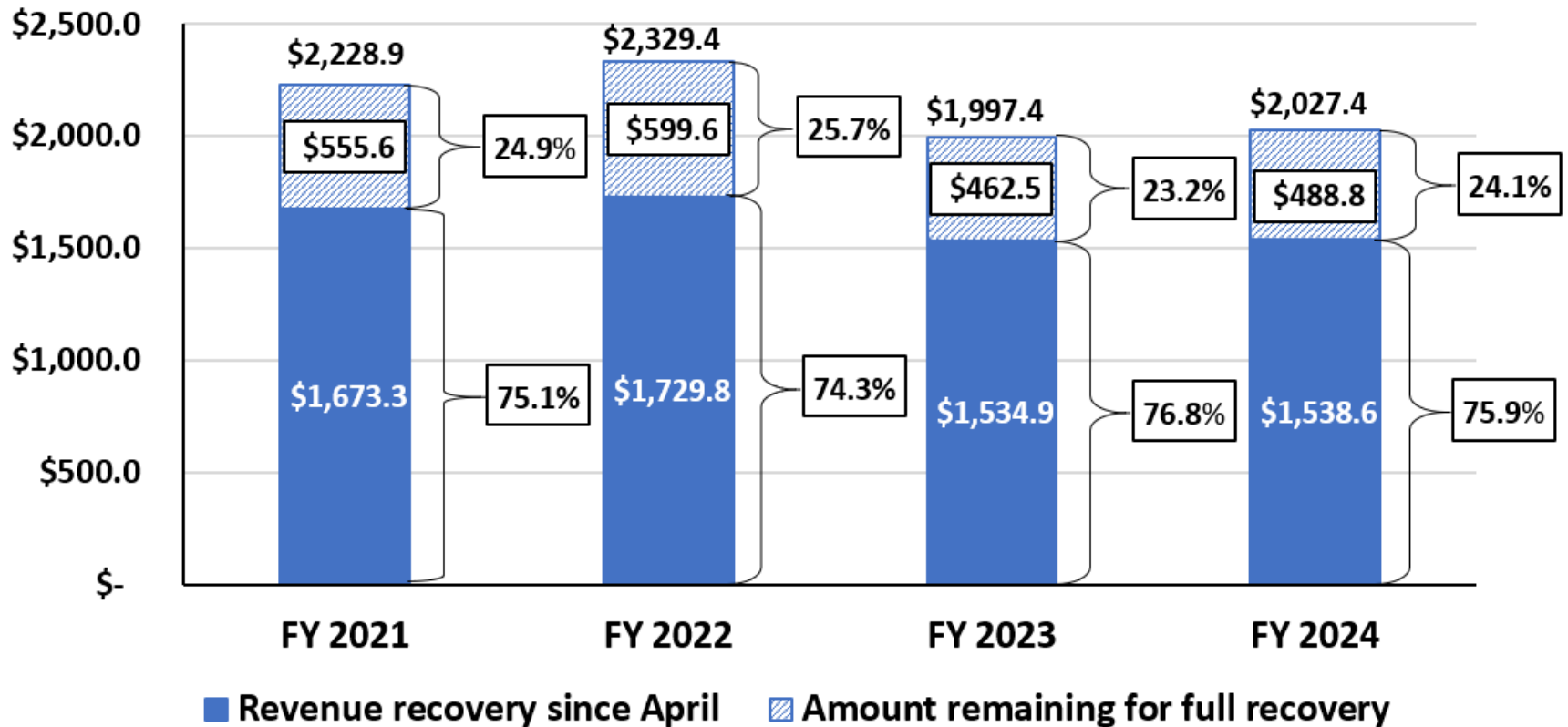
Revenue Proposals



COVID-19 Impact on General Fund Revenues

Pandemic Revenue Recovery

January 2021 Consensus vs. January 2020 Consensus
(in millions)



Where Has All the Revenue Gone?

Enacted Policy Changes Impacting FY 2022 Revenue

FY 2022 General Fund -January 15, 2021

(in millions)

1. Total All Revenue, FY 2021	Estimated FY 2021 Revenues, as of 1/15/2021	\$ 19,761.7
2. Personal Income Tax	Increase teachers' pension exemption from 25% to 50%	(8.0)
3. Personal Income Tax	Pension and Annuity Exemption from 42% to 56%	(16.4)
4. Sales and Use Tax	Increase in car sales tax to STF from 25% to 75%	(195.4)
5. Sales and Use Tax	MRSA Transfer Commences	(377.2)
6. Corporate Income Tax	Expiration of 10% Surcharge	(15.0)
7. Corporate Income Tax	Phase-out Capital Stock Tax	(9.5)
8. Gift and Estate	Phase-in Federal Exemption level from \$5.1M to \$7.1M	(13.2)
9. Health Provider Tax	Hospital Settlement, Reduction in Provider Taxes	(32.0)
10. Health Provider Tax	FY20 Hospital/Nursing Home Payment Extension to FY21	(59.9)
11. Miscellaneous Tax	Ban plastic bags	(6.0)
12. Refunds of Taxes	Revert eligibility of property tax credit	(53.0)
13. Federal Grants	Hospital Settlement, Gain in FFP	13.4
14. Federal Grants	Loss of Enhanced-FMAP in FY 2022 (CARES Act)	(128.1)
15. Federal Grants	Changes in Timing of Federal Grants	(47.9)
16. Transfers To/(From) Other Funds	Hospital Settlement, loss of FY 2019 Surplus Funds	(59.4)
17. Transfers To/(From) Other Funds	Loss of the Banking Fund transfer	(5.2)
18. Transfers To/(From) Other Funds	Resume funding GAAP deficit in FY 2022	(85.1)
19. Transfers To/(From) Other Funds	Loss of one-time 2020 to 2021 Transfer	(85.0)
20. Transfers to BRF - Volatility	(Increase)/Decrease in Volatility Cap Transfer	43.1
21. Sub-total, Enacted Policy Changes Impacting FY 2022		<u>\$ (1,139.8)</u>
22. Various Sources	Projected FY 2022 Revenue Growth	<u>542.6</u>
23. Total All Revenue, FY 2022	Estimated FY 2022 Revenues, as of 1/15/2021	<u>\$ 19,164.5</u>
24. Enacted Policy Changes as a Percentage of FY 2021 Revenue		-5.8%
25. FY 2022 Revenue Growth Adjusted For Policy Changes		2.9%

Recommended FY 2022 - FY 2023 General Fund Revenues

General Fund Revenue Proposals By Major Category (in millions)

	Fiscal Year 2022		Fiscal Year 2023	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
1. Federal Stimulus or Use of BRF	\$ 775.0	49.5%	\$ 975.0	55.0%
2. Continue Current Policies	640.6	40.9%	644.7	36.3%
3. Expanding Opportunities ⁽¹⁾	19.4	1.2%	83.1	4.7%
4. Closing the Tax Gap ⁽²⁾	40.0	2.6%	36.0	2.0%
5. All Other	<u>90.0</u>	<u>5.8%</u>	<u>34.9</u>	<u>2.0%</u>
6. Total	\$ 1,565.0	100.0%	\$ 1,773.7	100.0%

Notes:

(1) Includes cannabis, sports betting, i-Gaming, i-Lottery, & captive insurers initiative

(2) Includes CREATES revenue initiative and DRS tax amnesty program

Legalizing Recreational Use of Cannabis by Adults

- Governor Lamont supports the creation of a legal market for cannabis that is well-regulated, protects consumers and the public at large, and reduces the size and influence of the black market
- Revenues derived from the legal market will benefit the state, and a significant portion will be directed to local governments commencing in FY 2024

Projected Cannabis Revenue Collections

State and Municipal Collections
(in millions)

General Fund										STF	Municipal			
Fiscal Year	Sales & Use Tax					Cannabis Excise Tax				Total STF Revenue				Grand Total
	6.35%		Transpo.	Total	~9.5%		50%	Total GF	3.0%		50%			
	Sales &	Sales Tax	GF	Excise	Muni	Total	Excise		Muni					
	Use Tax	Deduction	Sales Tax	Tax	Transfer	Excise	Tax		Revenue		Total			
2022	\$ 4.8	\$ 2.1	\$ (0.2)	\$ 1.9	\$ 3.2	\$ -	\$ 3.2	\$ 9.9	\$ 0.2	\$ 1.0	\$ -	\$ 1.0	\$ 11.0	
2023	2.2	12.5	(1.0)	11.5	18.9	-	18.9	32.6	1.0	5.9	-	5.9	39.5	
2024	2.0	23.8	(1.9)	21.9	36.1	(18.1)	18.1	41.9	1.9	11.2	18.1	29.3	73.1	
2025	2.0	36.8	(2.9)	33.9	55.9	(27.9)	27.9	63.8	2.9	17.4	27.9	45.3	112.0	
2026	2.0	37.7	(3.0)	34.7	57.3	(28.6)	28.6	65.3	3.0	18.2	28.6	46.9	115.2	
Total	\$ 13.0	\$ 112.8	\$ (8.9)	\$ 103.9	\$ 171.3	\$ (74.6)	\$ 96.7	\$ 213.6	\$ 8.9	\$ 53.7	\$ 74.6	\$ 128.3	\$ 350.8	

Legalizing Recreational Use of Cannabis by Adults

General Fund (in millions)

		<u>FY 2022</u>	<u>FY 2023</u>
<u>Revenue</u>		\$ 9.87	\$32.63
<u>Expenditures</u>		<u>FY 2022</u>	<u>FY 2023</u>
DCP	Licensing, enforcement, product safety, health reporting, outreach and administration	\$ 6.61	\$ 7.52
DESPP	Drug Recognition Experts (DRE) and Advanced Roadside Impaired Driving Enforcement (ARIDE) training	1.06	1.06
DMHAS	Minor decoy programs, awareness campaign and prevention/education	0.28	1.07
DPH	Public health surveillance	0.11	0.11
DRS	Revenue examination and enforcement	0.29	0.49
OPM	Equity Commission and Equity Analysis & Report	0.26	0.19
UConn	Increased poison control call volumes and reporting requirements	0.04	0.16
Fringe Benefits		1.61	2.28
Total		\$10.25	\$12.87
Net Impact		\$ (0.38)	\$19.76

Special Transportation Fund (in millions)

		<u>FY 2022</u>	<u>FY 2023</u>
<u>Revenue</u>		\$ 0.16	\$ 0.98
<u>Expenditures</u>		<u>FY 2022</u>	<u>FY 2023</u>
DMV	Behavior-based administrative license suspensions for drug-impaired drivers	\$ 0.63	\$ 0.53
DOT	Drugged driving outreach and classes to increase the number of ARIDE and DRE certified officers	0.43	0.55
Fringe Benefits		0.19	0.21
Total		\$ 1.24	\$ 1.29
Net Impact		\$ (1.08)	\$ (0.31)

- Budget includes \$10.25 million in FY 2022 and \$12.87 million in FY 2023 in the General Fund, and \$1.24 million in FY 2022 and \$1.29 million in FY 2023 in the Special Transportation Fund
- Costs will address public health, protect public safety, and ensure social equity

General Fund Expenditure Proposals



Recommended FY 2022 – FY 2023 General Fund Changes

General Fund Expenditure Changes from FY 2021 Budgeted Level

(in millions)

	<u>FY 2022</u>	<u>FY 2023</u>
1. Reflect Enhanced Federal Medicaid Support Through 12/31/2021	\$ (128.6)	\$ -
2. Continue Current Policies ⁽¹⁾	(104.9)	(156.7)
3. Implement Efficiencies Based on CREATES Initiative	(20.0)	(115.0)
4. State Employee Wage and Pension Amortization Adjustments	(97.9)	(203.8)
5. Maintain ECS at FY 2021 Level, Annualize Holdbacks and Rescissions	(66.6)	(98.7)
6. Investments ⁽²⁾	69.0	34.3
7. Efficiencies/All Other Expenditure Changes	<u>(46.6)</u>	<u>(85.2)</u>
8. Total Expenditure Revisions	\$ (395.6)	\$ (625.1)

Notes:

(1) Includes maintaining statutory formula grant caps, removing statutory provider rate increases, maintaining current treatment of debt service premium.

(2) Includes regulatory and support costs for cannabis legalization, UConn Health support, funding for State Trooper classes, funding for PACT, police accountability, and other.

Making Government More Efficient

- All funds efficiency savings of \$91 million in FY 2022 and \$249 million in FY 2023
- We are taking a quarter billion dollars out of our annual cost structure through process improvements, modernization and efficiencies, without sacrificing quality

Efficiency Savings in Addition to CREATES Savings Lapse

	FY 2022	FY 2023
DAS - Achieve Savings by Closing the Bridgeport Regional Office	(112,148)	(112,148)
DAS - Achieve Property Management Savings at 61 Woodland Street by Rebidding and Combining Other Properties	(120,000)	(120,000)
DAS - Achieve Property Management Savings by Rebidding and Combining Other Properties	(109,000)	(109,000)
DAS - Achieve Savings by Converting Lighting to LED at 55 Farmington Ave	(66,750)	(66,750)
DAS - Achieve Savings by Converting Lighting to LED in the Capitol Ave Complex	(133,500)	(133,500)
DAS - Achieve Savings by Converting Lighting to LED Upgrade at 505 Hudson	(44,500)	(44,500)
DAS - Achieve Savings by Reducing Security Costs at 61 Woodland Street	(17,222)	(17,222)
DAS - Close 38 Wolcott Hill Road Building in Wethersfield	(277,000)	(277,000)
DAS - Eliminate Funding for a Leased Copier	(1,661)	(1,661)
DAS - Reduce Funding for 165 Capitol Avenue through Security Changes	(148,242)	(148,242)
DAS - Reduce Operational Costs at 450 Columbus Boulevard by Reducing Security and Cleaning Contracts	(306,056)	(306,056)
DAS - Reduce Security Costs by Eliminating Bicycle Patrol at 450 Capitol Avenue	(72,800)	(72,800)
DAS - Reflect Savings Resulting from Centralization of Human Resources Functions	(1,048,400)	(6,388,400)
DAS - Sell or Transfer 18-20 Trinity Street	(362,678)	(685,309)
DAS - Sell or Transfer 30 Trinity Street	(529,538)	(811,494)
DAS - Sell or Transfer Building at 129 Lafayette Street	(9,490)	(9,490)
DMV - Reduce Funding for Office Supplies	(200,000)	(200,000)
DMV - Reduce Funding for Postage by Moving Transactions to Online Services	-	(350,000)
DAG - Reduce Other Expenses to Reflect Operational Needs	(86,000)	(86,000)
DEP - Reduce Funds for Closure of Facilities and Agency Infrastructure - Clean Air	(200,000)	(400,000)
DEP - Reduce Funds for Closure of Facilities and Agency Infrastructure - Environmental Conservation	(225,000)	(450,000)
DEP - Reduce Funds for Closure of Facilities and Agency Infrastructure - Environmental Quality	(275,000)	(550,000)
ECD - Adjust Funding for Office of Military Affairs to Reflect Consulting Efficiencies	(20,241)	(20,241)
DDS - Achieve Overtime Savings By Hiring Part-Time Staff	(2,077,280)	(2,077,280)
DDS - Achieve Savings Due to the Closure of One Public Community Living Arrangement	(1,030,000)	(1,030,000)
DDS - Transition to Individual Supported Employment Services	(4,140,000)	(4,140,000)
DOT - Reduce Bus and Rail Service to Reflect Ridership	(45,173,973)	(37,181,973)
DSS - Claim Residential Care Home Services Under the Medicaid Program	(2,100,000)	(12,700,000)
DSS - Expand Obstetrics Bundle under Medicaid	-	(830,000)
DSS - Implement Third Party Liability Prompt Pay Requirement to Adjudicate Health Care Claims	(2,000,000)	(1,000,000)
DSS - Institute an Asset Test Under the Medicare Savings Program to Align with Massachusetts Level	1,100,000	(7,800,000)
TEC - Defer Staff Necessary for CTECs to Function as an Independent Agency	-	(1,727,041)
DOC - Eliminate Funding for Two Administrative Positions and Unneeded Vehicles	(231,685)	(231,685)
DOC - Reflect Savings Due to Solar Farms Installed on Department of Correction Properties	(361,540)	(723,080)
DOC - Reflect Savings from Adjusting Correction Custody Posts	(5,358,800)	(5,358,800)
DCF - Enhance Parent-Child Visitation Services by Establishing Quality Parenting Centers	(4,584,761)	(6,818,757)
DCF - Rightsize North Campus of the Solnit Center	(422,007)	(633,010)
TOTAL	(70,745,272)	(93,611,439)

Efficiency Savings – CREATES Initiative

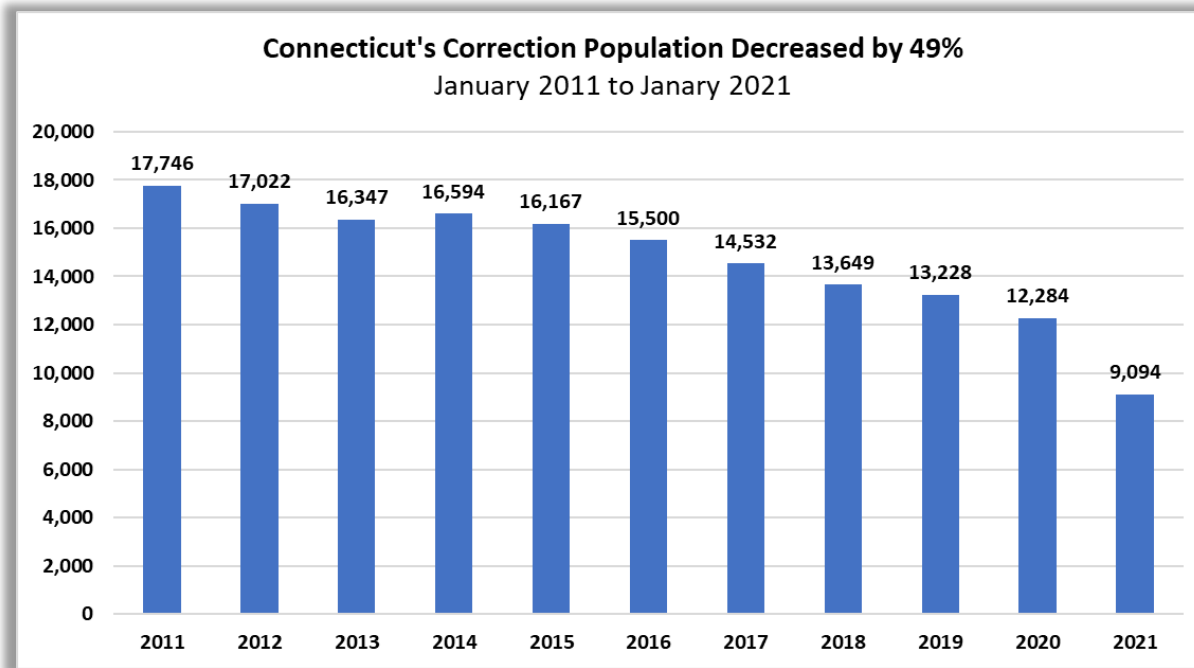
CREATES Opportunities

(in millions)

	FY 2022	FY 2023
General Fund Expense Reduction Opportunities	\$ 20.0	\$ 115.0
Common payment platform		
Streamline Affirmative Action reporting		
Centralize payroll processes under the Comptroller		
Streamline hiring process; Manage overtime/absences		
Close prison facilities and units		
Optimize CTEC administrative and teacher levels		
Increase office co-location		
General Fund Revenue Opportunities	\$ -	\$ 40.0
Increase revenue through application of analytics and other measures		
GRAND TOTAL - CREATES Opportunities	\$ 20.0	\$ 155.0

- A significant number of state employees are expected to retire by 2022
- To better-position the state to maintain continuity of operations while pursuing more efficient methods of service provision, a planning effort is underway. Final report expected in March
- The budget includes savings of \$20 million in FY 2022 and \$155 million in FY 2023

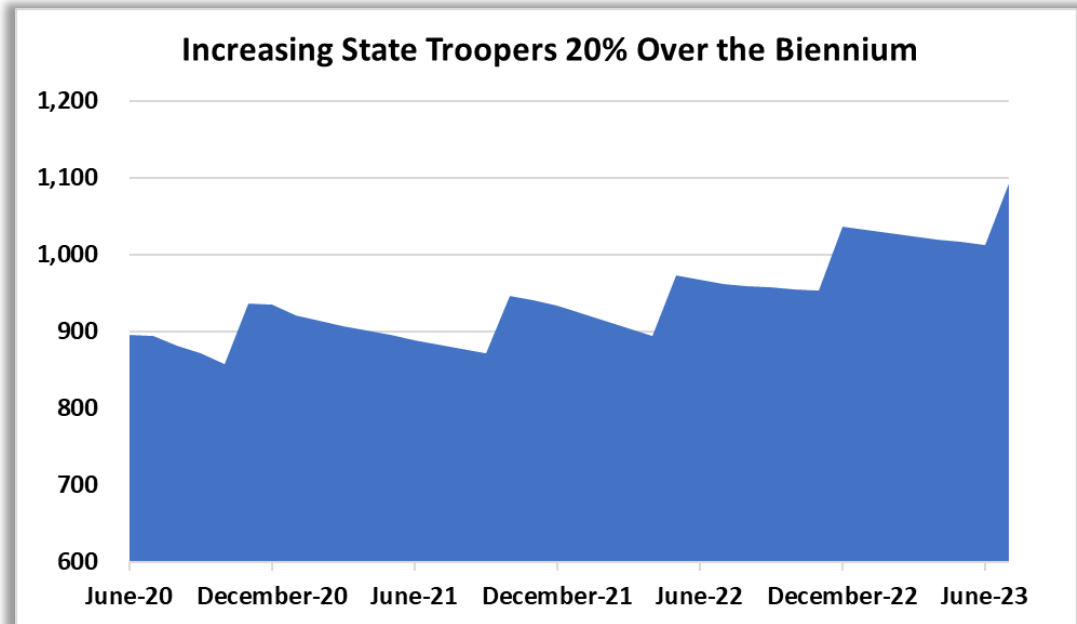
Right-Sizing Connecticut's Correctional Capacity



- Over the last decade, while crime and arrests fell statewide, Connecticut's criminal justice system improved outcomes, becoming less reliant on jails and prisons
- Closing prison units and facilities will help save unnecessary operating costs and allow the Department of Correction (DOC) to focus personnel and services in a smaller number of facilities
- Northern Correctional Institution, which has the DOC's lowest daily census (65 people) and a more restrictive correctional environment than other facilities, will be closed, saving about \$12.6 million in annual operating costs
- The budget includes expense savings of \$20 million in FY 2022 and \$46.9 million in FY 2023 from closures of units and facilities and custody post adjustments, as part of a larger CREATES savings initiative addressing both expense savings and revenue maximization

Enhancing Public Safety By Increasing the Number of State Troopers

- The Connecticut State Police have 913 sworn troopers, with ranks anticipated to grow following graduation of the 130th Training Academy
- Gains to trooper classes are offset by monthly attrition; by July 1, 2022, 216 troopers are eligible to retire
- To address the need for new troopers, Governor Lamont's budget includes \$3.08 million in FY 2022 and \$3.23 million in FY 2023 to support three large trooper training classes
- To accelerate the deployment of new troopers, DESPP is expected to run back-to-back classes
- Based on DESPP's aggressive class schedule and the Governor's proposed budget, the Connecticut State Police is projected to end the biennium with 1,093 sworn troopers – a level we have not been at since March 2016



Fairness and Transparency in Criminal Justice

Governor Lamont's proposal would advance data-informed prosecutorial decision-making as well as create capacity to investigate claims of wrongful conviction and deadly use of force by:

- Establishing the Division of Criminal Justice (DCJ) Conviction Integrity Unit, which will be informed by best practice developed by 79 such units across the U.S., including 6 others operating at the state level, to investigate claims of wrongful conviction more efficiently than the traditional court-based habeas process - 3 positions and \$363,382
- Providing funds to launch the Office of the Inspector General (OIG) established under AAC Police Accountability (Public Act 20-1) to investigate deadly use of force by police officers as well as deaths in custody - 9 positions and \$1,168,000
- Advancing implementation of the DCJ electronic case management system (eProsecutor) to comply with the Governor's prosecutorial transparency law (Public Act 19-59) and process the influx of digital evidence – 3 positions and \$195,000

Broadband and the Digital Divide

Governor Lamont aims to make affordable high-speed broadband available for all, promote economic development, and protect consumers while reducing costs

- The budget includes \$2.85 million each fiscal year in the Consumer Counsel and Public Utilities Control Fund for:
 - OPM to lead broadband mapping, planning, and implementation required to ensure a comprehensive build out
 - DEEP to develop and track deployment, policies and standards, and represent the Governor in proceedings before the Public Utility Regulatory Authority (PURA)
 - PURA to handle investigations, regulatory oversight and proceedings, and consumer inquiries
 - Office of Consumer Counsel to participate in PURA dockets and represent consumers

To avoid the catastrophic effects of climate change projected for the latter half of this century, Governor Lamont is proposing to:

- Codify statewide zero-carbon electric sector by 2040
- Ensure transparency regarding energy use by providing potential home buyers and residential renters access to information about the energy consumption of potential homes
- Expand pilot to enable all municipalities to establish a stormwater authority
- Allow municipalities additional avenues to fund resilience projects
 - To impose a fee on real property within a stormwater authority's jurisdiction and/or assess a local conveyance fee up to 1%
- Expand the Connecticut Green Bank's mission to issue bonds to invest in improvements to environmental infrastructure

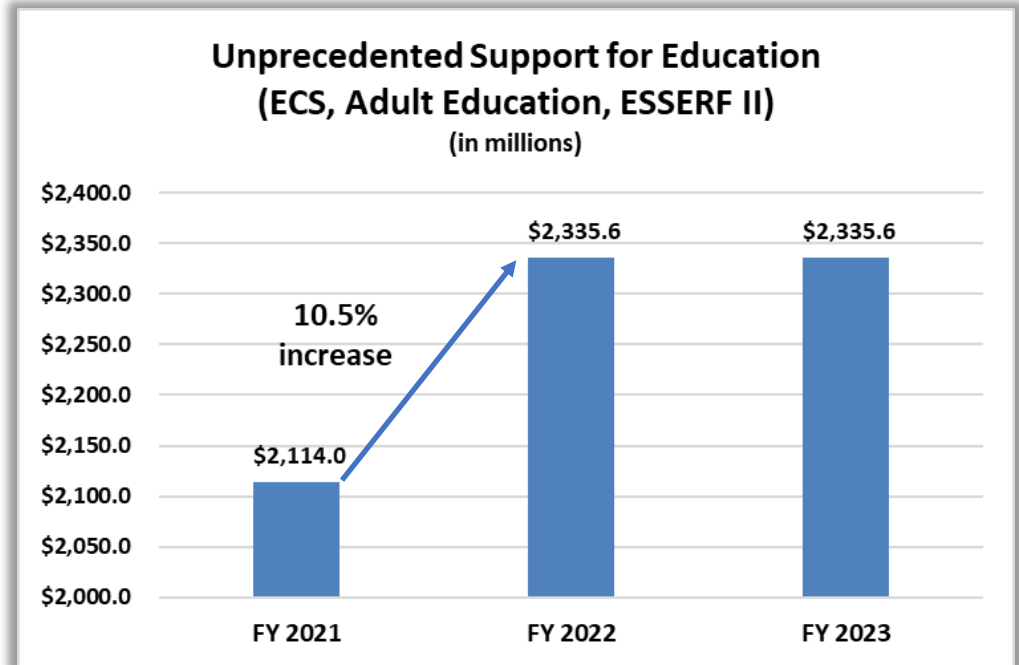
Education, Municipal Aid and Workforce Initiatives



Supporting Education - Education Cost Sharing (ECS)

ECS payments are sustained at the FY 2021 level and unprecedented federal aid is provided – a 10.5% increase

- Connecticut provided \$265 million in supplemental federal support in the 2020 - 2021 school year – inclusive of \$97.2 million in ESSER I, of which \$24 million has been drawn down to date
- Districts have been notified of over \$440 million in support through the Elementary and Secondary School Emergency Relief (ESSER II) grant passed in December to respond to the ongoing challenges posed by COVID -19 for the 2021 - 2022 and 2022 - 2023 school years
- In addition to supplemental federal support, districts will be held harmless for the impact of COVID-related enrollment volatility on ECS – providing fiscal stability
- We closed the digital divide through the provision of over 141,000 laptops and over 12,000 hotspots



Educational Opportunity and Equity

Charter School and Local Charter School Per Pupil Rate Equalized with ECS Foundation Rate

- \$3 million in FY 2022 and FY 2023 to equalize the charter school and local charter school per-pupil grant with the ECS foundation level
 - Provides additional support to over 10,000 students from disproportionately disadvantaged backgrounds

Open Choice Pilot Program in Danbury and Norwalk

- \$275,000 in FY 2022 and \$900,000 in FY 2023 to support up to 50 Open Choice seats for Danbury and Norwalk students
 - Provides relief from congestion and overcrowding in these districts and additional academic opportunities for students

Workforce Development

- Office of Workforce Strategy (OWS) is funded within the Department of Economic and Community Development
- Led by the Chief Workforce Officer, OWS will be responsible for coordinating the state's strategy on workforce development
- Will build on efforts to support workers impacted by COVID-19 by focusing on short-term training programs to upskill and train workers for in-demand jobs
 - An additional \$5 million in Coronavirus Relief Funds is provided to support 500 workers in the areas of:
 - Healthcare
 - Manufacturing
 - Information technology
 - Truck driving
 - Clean energy
- Capital budget includes \$40 million for CareerConneCT workforce training programs

Sustaining Pledge to Advance Connecticut (PACT)

- PACT provides last-dollar scholarships to qualifying community college students
- Connecticut State Colleges and Universities (CSCU) committed \$6 million from reserves in FY 2021 to support the program
- The Governor is providing \$6 million to maintain this level of funding in each year of the biennium
- New state support for PACT will allow CSCU to focus resources at community colleges as part of the Governor's Workforce Council's Strategic Plan
- Funding will ensure that students who received PACT scholarships in FY 2021 can continue in their programs

Providing Aid to Local Governments

Municipal Aid is Largely Sustained at Current Levels

The proposed budget largely shields towns and cities from reductions in municipal aid and holds appropriated state aid programs at the same levels as the current fiscal year

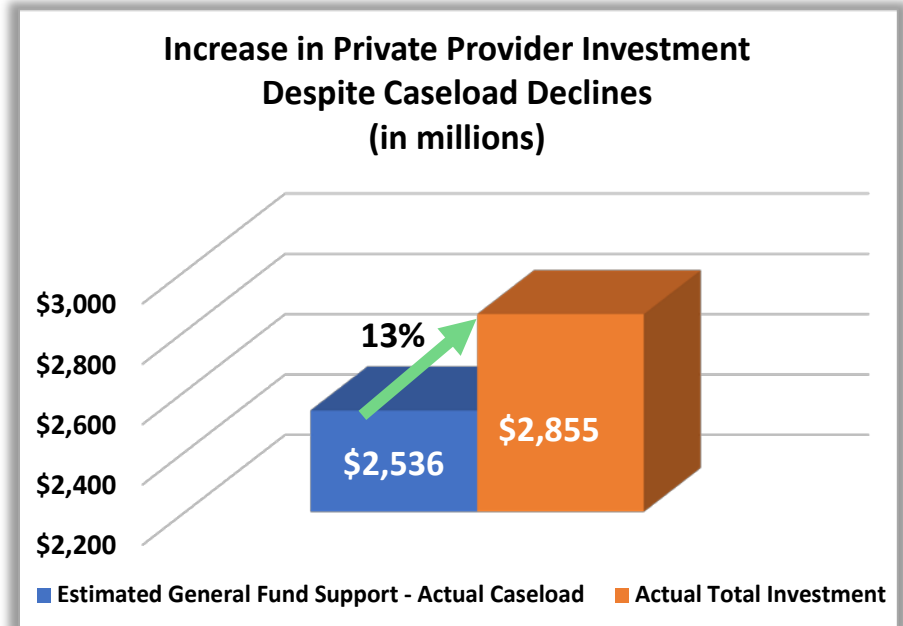
- The budget includes no major cuts in the state's municipal aid programs
- \$75 million was provided to municipalities from the Coronavirus Relief Fund in FY 2021
- An additional \$100 million is provided to the 25 distressed municipalities sourced from the Coronavirus Relief Fund and state bond funds
- Starting in FY 2024, 50% of new tax revenue from the legal sale of cannabis is diverted back to municipalities

Health and Human Services Initiatives



Pandemic Challenged Human Services Providers

- Providers adapted their service delivery models due to the pandemic
 - Telemedicine
 - Social Distancing
- Well-targeted stimulus dollars allowed providers to:
 - maintain adequate staffing levels
 - provide appropriate personal protective equipment
 - purchase devices for staff and clients to allow them to safely continue services
- Efforts sustained providers, ensuring adequate access to care for when clients can fully participate in services again



Budget Maintains Safety Net and Funds Caseload Growth

- **Department of Developmental Services (DDS)** – \$22.3 million in FY 2022 and \$46.0 million in FY 2023 to support:
 - Annualization of costs of FY 2021 placements
 - Employment and Day Services - 325 high school graduates each year
 - Day Programs for age-outs and Money Follows the Person (MFP) transitions - 108 in FY 2022 and 96 in FY 2023
 - Residential Services for age-outs and MFP transitions - 120 in FY 2022 and 99 in FY 2023

- **Department of Mental Health and Addiction Services (DMHAS)** - \$3.9 million in FY 2022 and \$7.1 million in FY 2023 for:
 - 30 new MFP placements and annualization each year
 - Continued discharges from Connecticut Valley Hospital
 - Caseload increases in the Behavioral Health Recovery Program (General Assistance Managed Care)
 - Wrap-around services for 47 individuals receiving Housing and Urban Development (HUD) Mainstream vouchers

Restructuring Services to Maintain Care at Less Cost

Department of Children and Families (DCF)

- Savings of \$4.6 million in FY 2022 and \$6.8 million in FY 2023 from reconfiguring supervised visitation by establishing Quality Parenting Centers
- Modeling a prevention services pilot with school districts that generate high volumes of DCF Careline reports

Department of Developmental Services

- Savings of \$4.1 million by transitioning 300 individuals to less costly individual supported employment services
- Net savings of \$2.1 million by hiring 200 new part-time direct care staff to fill vacancies being covered through overtime

Benchmarking the Medicare Savings Program

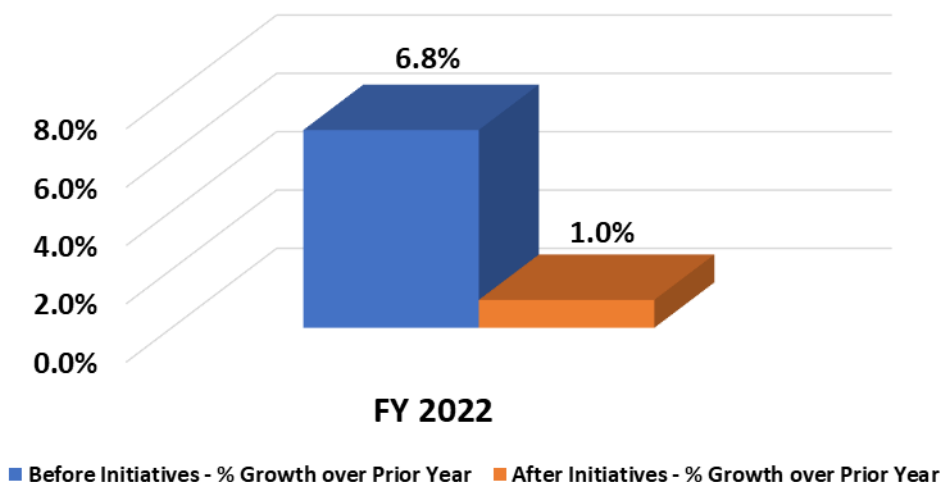
The pandemic taught us that state healthcare resources should be directed to those in greatest need. Our services or eligibility must align with comparable states

- Governor proposes to reinstate an asset test
 - Connecticut is one of only nine states without an asset test
 - 38 states have an asset limit at federal minimum – but the Governor proposes joining Massachusetts at *double* the federal minimum
 - Countable resources include checking or savings account, stocks and bonds
 - Excludes individual's home, car, burial plot, up to \$1,500 in burial account, life insurance with a cash value of less than \$1,500, household and personal items
 - Net savings of \$26.6 million in FY 2023 (\$33.8 million when fully annualized)
- Maintains income eligibility levels
 - ***Still the highest in the nation***

Making Healthcare More Affordable and Improving Quality

- Building on Governor's Executive Order 5 directing the Office of Health Strategy to develop annual healthcare cost growth benchmarks to slow growth of healthcare spending
 - Approximately \$800,000 each year to support benchmarking efforts
- Two legislative initiatives designed to rein in healthcare costs / maintain health insurance coverage
 - *Covered Connecticut* Program will provide premium assistance for eligible individuals purchasing insurance through the Exchange
 - Penalties on manufacturers and distributors for increases in pharmaceuticals that exceed acceptable levels
- We've held the line on healthcare spending for active and retired state employees

**Holding the Line on Spending -
State Employee and Retiree Healthcare**

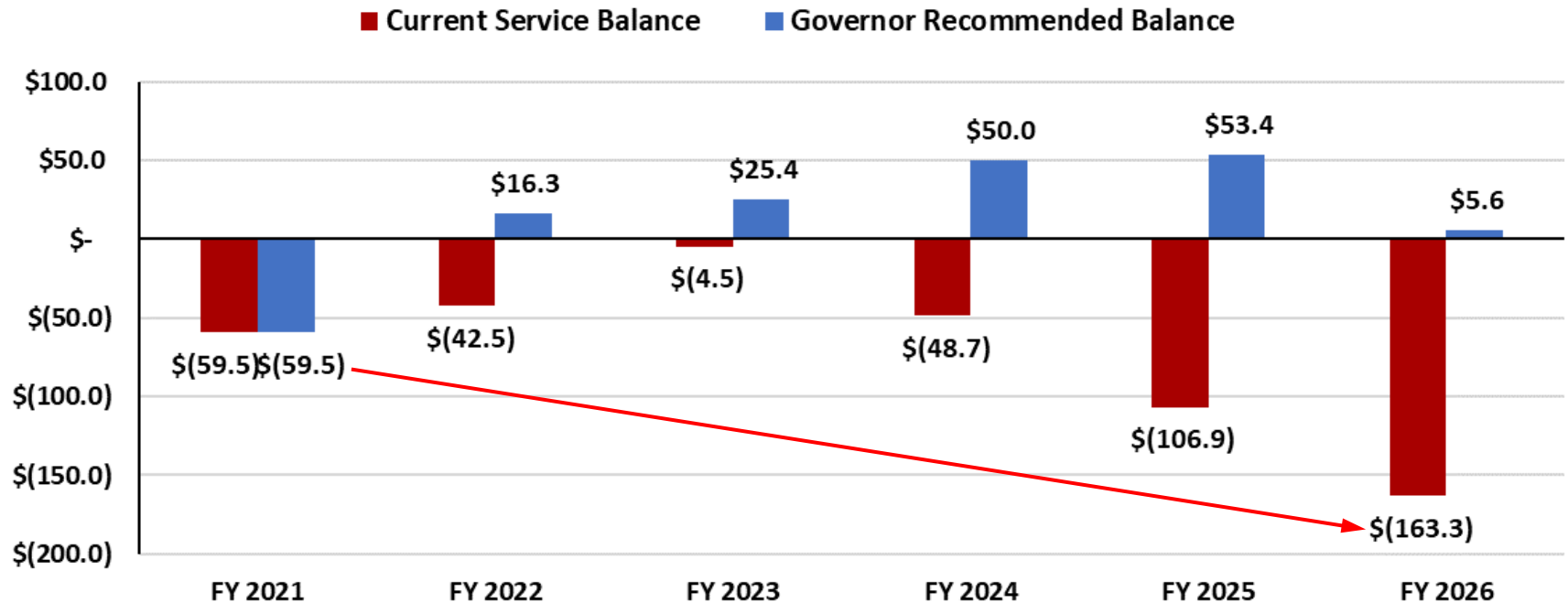


Special Transportation Fund



STF – Current Service Projections

Special Transportation Fund Current Service Balance Projection and Governor's Recommended (in millions)



Governor's Budget Plan – Special Transportation Fund

Special Transportation Fund (STF)

(in millions)

	Estimated FY 2021	Recommended FY 2022	Recommended FY 2023
Beginning Balance	\$ 168.4	\$ 108.9	\$ 143.7
Revenues	<u>1,690.7</u>	<u>1,854.1</u>	<u>2,043.0</u>
Total Available Resources	1,859.1	1,963.0	2,186.7
Recommended Appropriations	<u>1,750.2</u>	<u>1,819.3</u>	<u>1,992.0</u>
Surplus/(Deficit)	\$ (59.5)	\$ 34.8	\$ 51.0
Revenue Cap		99.0%	98.75%
Revenue Unavailable Due to Revenue Cap		<u>\$ 18.5</u>	<u>\$ 25.5</u>
Balance after Revenue Cap		\$ 16.3	\$ 25.4
Projected Fund Balance 6/30	\$ 108.9	\$ 143.7	\$ 194.6

Highway Use Revenues

The Governor proposes implementing a new Connecticut **Highway Use** revenue source. HUs are mileage-based, typically imposed on heavy weight vehicles, where the weight determines the rate. Modeled after New York and Oregon, the calculation for each fee is:

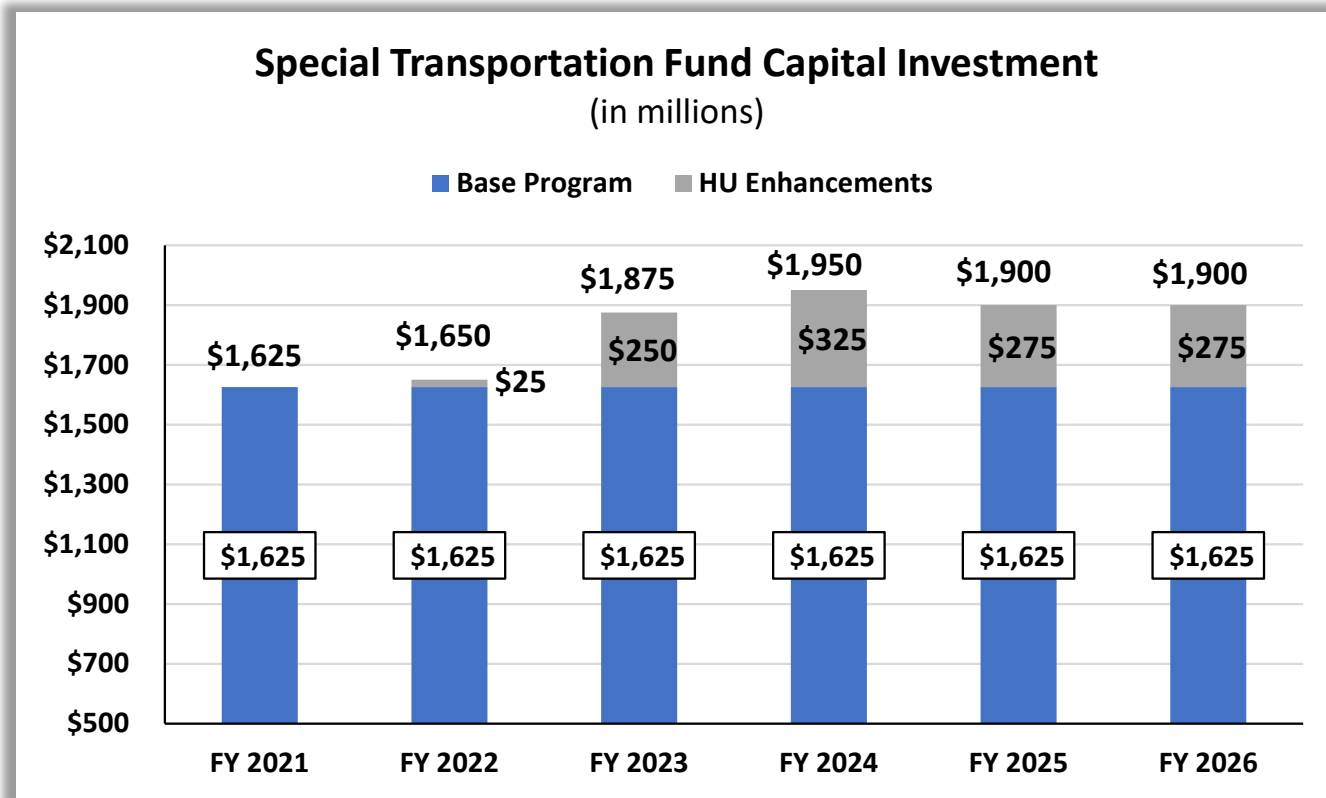
$$HU\ Total = Weight\ rate * Number\ of\ Miles\ Driven$$

- Connecticut's plan:
 - Applies to vehicle classifications 8 through 13 (tractor trailers)
 - Applies to vehicles weighing 26,000 to 80,000 pounds
 - Trucks above 80,000 pounds will be charged an additional amount
 - Rates will increase by 2,000-pound increments from 2.5 cents per mile to 10 cents per mile
 - Trucks above 80,000 pounds will be charged 17.5 cents per mile
 - Estimated to generate \$90 million annually
- The most it would cost a truck to traverse Connecticut is about \$20, with most paying between \$2.50 and \$11.50. In contrast, it costs up to \$110 for a tractor trailer to cross the George Washington Bridge in New York

The revenue generated from the HU source will help to stabilize the Special Transportation Fund (STF) and provide much needed transportation infrastructure enhancements in excess of \$1.0 billion in capital improvements over the next 5 years

Transportation Investment

- \$9.275 billion in transportation investment over the next 5 years



- \$1.15 billion in new enhancement projects for transportation infrastructure enabled by the Highway Use revenue source

HU and TCI-P Investments

Transportation Fund Stabilization Enables Much Needed Investment:

Highway and Bridge Programs

- I-91/I-691/Route 15 Interchange Program
- Interstate Truck Parking Expansion
- Rural Transportation Improvement Program
- Community Connectivity Grant Program
- I-95 Safety and Congestion Improvements
- Route 7/15 Interchange Completion
- Traffic Signal Technology Improvements
- Removal of Traffic Lights on Route 9 in Middletown

Bus and Rail Programs

- New Haven Line Speed Improvements
- Expanded Electric Bus Conversion Program
- Investment in Dual Powered Locomotives
- Statewide Bus Shelter Investment Program
- *Move New Haven* Transit Service Expansion
- Stamford Train Station Modernization



Transportation Operations

Ridership fell during the pandemic. A total savings of \$45.1 million in FY 2022 and \$37.2 million in FY 2023 is reflected across the following programs to reflect the anticipated rebound trajectory post-pandemic:

- ADA Para-Transit program
- Bus Operations program
- New Haven Line and Shore Line East rail operation

Improving Service for the Riding Public are implemented by

- Extending the bus schedule in the Greater New Haven area to 1 a.m.
- Beginning in FY 2023 increasing the number of trains servicing the Waterbury line from 15 to 22

With these changes the Special Transportation Fund is solvent, sustainable, and continues to make investments in our transportation infrastructure

Conclusion



Conclusion

The Governor's budget:






































- Focuses on a **More Affordable Connecticut, Investing in Our Future, Modernizing State Government**, positioning the state for **Economic Growth** and provides steps toward long-term sustainability, all while **Defeating COVID-19**
- Is balanced without gimmicks
- Complies with all caps (spending, revenue, volatility, debt)
- Maintains our safety net for the most vulnerable
- Supports businesses and prioritizes education, transportation, municipal stability

As was accomplished two years ago, Governor Lamont's budget achieves this without broad-based tax increases, reducing municipal aid or cutting existing services

Appendix



Vehicle Classifications

Class 1 Motorcycles		Class 7 Four or more axle, single unit	
Class 2 Passenger cars			
			
			
			
Class 3 Four tire, single unit		Class 8 Four or less axle, single trailer	
			
			
Class 4 Buses		Class 9 5-Axle tractor semitrailer	
			
			
Class 5 Two axle, six tire, single unit		Class 10 Six or more axle, single trailer	
			
			
Class 6 Three axle, single unit		Class 11 Five or less axle, multi trailer	
			
			
		Class 12 Six axle, multi-trailer	
			
			
		Class 13 Seven or more axle, multi-trailer	

Coronavirus Relief Fund Allocation Status

Coronavirus Relief Fund - Allocations

Total Award: \$1.38 billion

