



Governor's Proposed Budget Adjustments FY 2016 and FY 2017

February 3, 2014

Current budget projections by the General Assembly's Office of Fiscal Analysis, show a budget deficit of \$72.2 million for current FY 2016 and estimated deficit of \$507million in FY 2017. With that backdrop, Governor Malloy presented his FY 2016-2017 budget adjustments proposal during his state of the state address to the General Assembly at noon today.

In a major departure, Malloy's budget proposal would establish a new method of allocating funds to agencies. Instead of budgeting individual line items, the Governor has proposed that agencies receive aggregate sums from which they will budget for individual programs. It provides state agencies greater discretion over the money it allocates, but it also requires them to post detailed information online explaining how they are spending the money. Many legislators have expressed concern that this proposal will dilute the General Assembly's authority, but it is not yet clear if they will oppose adoption of this style of budgeting.

The Appropriations Committee will hold a series of budget hearings over the next couple of weeks and then work in subcommittees to develop their alternative budget proposal. They must vote a proposal out of committee by March 31. Then, House and Senate leadership will begin negotiations with the administration. A final compromise budget package is expected to be passed before the legislative session adjourns at midnight on May 4.

Below are the key highlights of the Governor's budget proposal that impact AFT Connecticut members. As more details become available, we will share them with you. You can read the entire budget, summary documents, a PowerPoint presentation and the text of the Governor's speech on Governor Malloy's website:

http://portal.ct.gov/Departments_and_Agencies/Office_of_the_Governor/Gov_Malloy_s_FY_2017_Midterm_Budget_Adjustments/

OPM Secretary Barnes also suggested that if revenue projections do not improve, the FY 2018-FY 2019 biennial budget will require an additional 9% in cuts to discretionary spending.

The Governor's budget plan includes:

- No tax increases
- \$569.5 million in overall cuts:
 - \$90.5 in ongoing savings from cuts made in December 2015 special session
 - \$118.2 million in new spending cuts
 - 5.75% (\$360M) cut in overall across the board spending reductions
- \$10.6 million built-in surplus
- Personal property tax exemption for businesses with property under \$10,000 (cost \$6M)
- \$31M in cuts to various PILOT grants

PreK-12/PSRP

- Flat funds ECS at FY 2016 levels, which is essentially a \$11.5M cut

- Consolidates most programs SDE into Agency Operations and cuts that line item by \$53M. Among the cuts are:
 - \$1.3M from school transportation
 - \$1.5M for adult education
 - \$2.5M from priority school districts
 - \$8M from excess cost grants
 - \$3M from Open Choice
 - \$18.6M from magnet schools
- Reduces staff in SDE Central Office and CTHSS \$841K
- Eliminates general grant funding for RESCs \$750K, but maintains \$350K for minority teacher recruitment efforts
- Eliminates Adult Ed pilot programs in Manchester, Meriden, New Haven \$400K
- Eliminates CommPACT Schools funding \$350K
- Eliminates funding for Adult Alternative HS and Adult Reading Incentive Programs \$200K
- Eliminates grant funding for after school programs \$172K
- Eliminates line item for CTHSS and merges its funding with SDE as a whole, even though they have their own Board of Education
- Eliminates funding for Even Start \$452K
- Eliminates funding for Early Literacy Program \$142K
- Cuts support for School Based Health Centers \$477K
- Teachers' Retirement Board
 - Cuts Retiree Health Service Cost \$147K
 - Cuts Municipal Retiree Health Insurance Cost \$54K
 - Assumes restructuring of TRB unfunded liabilities

State Employees

- Assumes reduction of several thousand full-time positions via attrition, layoff an reassignment
- Limits hiring to refills of critical positions aligned with agency priorities and redeploys existing staff with expanded cross training
- Moves fringe benefits away from the Comptroller's budget to individual agency budgets
- Pension and retiree healthcare liabilities remain in the Comptroller's budget, but assumes restructuring of SERS unfunded liabilities.
- Closes another prison in FY 2017 due to changes in Second Chance Society juvenile justice and bail reform initiatives
- Reduces long term fringe benefit costs

- \$20M cut to reduce growth in funding of personal services in Judicial Department

Higher Ed

- Block grants include fringe benefits for General Fund supported employees and create a separate grant to cover pension liabilities for tuition funded employees.
- University of Connecticut
 - UConn Storrs block grant cut \$19M
 - Adds \$5.4M for Next Generation Connecticut
- University of Connecticut Health Center
 - UConn Health Center block grant cut \$12M
 - Allocates \$90K to Hospital Roundtable for implementation of Public Act 15-146
 - Preserves UConn Health Center fringe benefit differential for Dempsey employees
 - Added \$3.2M for BioScience
- Board of Regents*
 - Adds \$14.6M for Community Tech Colleges
 - Adds \$40.6M for CSUs
 - Adds \$2.3 M for a new incentive fund for outcomes based financing to promote student success for low income students

****We have been notified that there are errors in the Board of Regents block grants and the published budget book includes incorrect numbers. We will forward corrected information when it becomes available.***

Healthcare

- Flat funds hospital supplemental funding at current levels, which is a \$30M cut to Medicaid
- Cut funding for small hospitals \$1M
- Cut funding for federally qualified health centers \$775K

Revised, 2/3/16