

FY 2018-2019 Bipartisan Budget Summary SB 1502

The General Assembly may have ended Connecticut's longest budget impasse by negotiating and passing a two-year bipartisan compromise with a margin large enough to survive a potential veto by Governor Malloy. The Senate voted 33-3 to pass the budget plan late just before 2 a.m. on Thursday, October 26. The House of Representatives followed suit with a vote of 126-23-2 later that afternoon. Senators voting "No" were Senators Winfield (D), Markely (R) and Suzio (R). Representatives voting "No" were Representatives Butler (D), Elliott (D), Godfrey (D), Hampton (D), Lemar (D), Lesser (D), Mushinsky (D), Porter (D), Rose (D), Soto (D), Byron (R), Dauphinais (R), Dubitsky (R), Fishbein (R), France (R), Fusco (R), Labriola (R), Pavalock-D'Amato (R), Rebibas (R), Sampson (R), Srinivasan (R), Zawitowski (R) and Zupkus (R).

The budget will now head to Governor Malloy, who must choose to sign, line item veto (money related) or veto the entire package he had little or no role in crafting.

TEACHERS/PRE-K-12 EDUCATION

- **Teacher Pensions**
 - Increases teachers' pension contributions from 6% to 7% of salary. Reduces the corresponding amount the state will pay into the Teacher Retirement System.
 - Establishes a Teachers' Retirement System Viability Commission to maintain the sustainability of the teachers' retirement system.
 - Requires the Teachers' Retirement Board to study the impact of potential changes in actuarial and report to the General Assembly.
 - Requires the Governor to appoint a mayor, first selectman or chief municipal elected official to the Teachers Retirement Board at the first vacancy (unclear if this will displace a teacher).
 - Cuts the state's share of teacher retiree healthcare costs by more than \$18M over two years.
 - Freezes state income tax exemption for retired teachers' pension income at 25%.
- **Education Cost Sharing (ECS) and Other Education Funding**
 - Cuts state share of education dollars by \$30 million (1.5%), but holds the 30 lowest-performing districts harmless. Does not penalize municipalities if they reduce their education budgets beyond the previous year's spending levels as long as those reductions don't exceed the reductions in state aid. Requires the Minimum Budget Requirement to be renewed every two years.
 - Increases the number of Alliance Districts from 30 to 33.
 - Modifies overall ECS formula to be used in the second year by:
 - Including 15% increase for English Language Learners.
 - Exploring a more accurate data point than free or reduced lunch to count high needs students.
 - Rebalances how town wealth is calculated.
 - Establishes a special education task force to study the feasibility of a "special education cost cooperative" to aggregate special education costs at the state level to reduce volatility.
 - Establishes the Connecticut Achievement and Resource Equity in Schools Commission to provide analysis and recommendations concerning state funding for education and resources need to ensure all public-school students can succeed.
- **Charter Schools**
 - Increases per pupil funding for charter schools from \$11,000 to \$11,250 in second year.
 - Funds \$10M in capital projects for charter schools over two years.
- **Technical High Schools**
 - Changes the name of the Connecticut Technical High School System to the Technical Education and Career System and requires the system to review its admission policies to ensure student diversity.
 - Cancels \$11M in bonding for Connecticut Technical High School System.
- **Other Programs**
 - Eliminates CommPACT Schools.
 - Reopens Care4Kids to new applicants.

- Authorizes \$518M in school construction bonding.

COLLECTIVE BARGAINING

- ***Municipal Binding Arbitration***
 - Allows selection of a single neutral arbitrator, rather than a panel of 3 arbitrators, by mutual agreement
 - Establishes an irrebuttable presumption that 15% of an existing municipal fund balance is not available to pay any item contained in an arbitration award.
 - If both sides agree, the arbitrator may split the difference between last best offers from both parties.
- ***Municipal Accountability Review Board (MARB)***
 - Includes \$48M for MARB, Hartford and other financially distressed municipalities:
 - \$20M earmarked for Hartford restructured debt service backed by state guaranty.
 - \$20M earmarked for Hartford expenses.
 - \$8M for MARB administration.
 - MARB Membership: OPM Secretary, State Treasurer, 5 appointments by Governor, including 2 Labor representatives, 4 appointments by Legislative Leaders
 - Prohibits municipalities that declare bankruptcy from accessing state-backed debt restructuring.

MUNICIPAL GOVERNMENT/MUNICIPAL AID

- Funds a Municipal Regional Development Authority at the Department of Economic and Community Development at \$610K in second year.
- Establishes a savings target of \$20M each year for Municipal Opportunities and Regional Efficiencies (MORE).
- Reconfigures and consolidates the delivery of municipal aid by establishing a Municipal Stabilization Grant.
- Allows boards of education in some small towns to forgo hiring a superintendent and “receive direction” from another board of education superintendent.
- Allows boards of education that share a superintendent to hold regular joint meetings.
- Allows boards of education to establish cooperative arrangements for administrative and central office duties.
- Allows regional boards of education to establish a finance committee.
- Requires municipalities to consult with boards of education about jointly purchasing insurance products.
- Requires boards of education to consult with their municipality about goods and service contracts that may be available at lower prices, including software.

SPENDING CAP/ VOLATILITY CAP/ BONDING CAP

- Exempts grants to distressed municipalities, expenditures of federal funds granted to the state or state agencies
- Adds teacher pension liability under cap in 2027.
- Exempts federal funding for programs in first year of receipt and expenditure, but includes it under the cap in subsequent years.
- Excess revenue goes into the Budget Reserve Fund and is used to pay down unfunded liabilities in the state employee and teacher pension funds.
- Establishes a \$2B limit on the amount of general obligation and credit revenue bonds the State Bond Commission may authorize in any calendar year, beginning January 1, 2017. Decreases the cap to \$1.9B beginning July 1, 2018. Requires caps to be adjusted for inflation annually thereafter.
- Prohibits the Governor from approving allotment requests that exceed the cap in any fiscal year.
- Authorizes the State Treasurer to issue “credit revenue” bonds in place of general obligation bonds.
- Requires bond savings to be deposited into the Budget Reserve Fund.