



**Governor's Proposed Budget**  
**FY 2017-2018**  
February 8, 2017

Current estimates project a budget deficit of approximately \$1.7 billion in FY 2017 and \$1.9 billion in FY 2018. With that backdrop, Governor Malloy presented his biennial budget adjustments proposal during his state of the state address to the General Assembly today.

The legislature will hold a series of budget hearings over the next couple of weeks, followed by negotiations with the administration. A final compromise budget is expected to be passed before the legislative session adjourns June 7.

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 and a PowerPoint presentation on the Governor's website: <http://portal.ct.gov/en/Office-of-the-Governor/Governor-Malloy-2017-Legislative-Proposals>

**The Governor's proposed budget:**

- Recommend elimination of a \$200 property tax credit within the state income tax.
- Recommend allowing communities to levy property taxes on hospitals. In return, the state would increase payments to hospitals made in conjunction with a provider tax by about \$250 million. Because this is reimbursed under Medicaid, though, federal payments back to the state would reduce Connecticut's overall cost to just under \$88 million per year.
- The state also would save money by eliminating part of a grant program that reimburses cities and towns for a portion of the tax revenue they currently lose because of the hospitals' property tax-exempt status.
- Governor is proposing a prison closure in FY 2018 along with 4 units throughout other correctional facilities

Municipal Accountability - established a nine member Municipal Accountability Review Board (MARB), provides for a four-tiered system of review, eliminated existing municipal spending cap, 3% grand levy limit for Tier II, III, and IV.

Changes to Medicare Savings Program (MSP) – cuts of \$66.4m (2018) and \$81.6m(2019) by reverting to FY 2010 eligibility levels – 100-135% FPL. Eliminating funding for the small hospital pool, capping adult dental benefits, limiting in take to the state-funded home care program

- Collective Bargaining Concession – 700m or 4200 positions eliminated

- Municipal Contribution to TRS – 407.6m
- All other Spending Cuts – 256m
- Total - 1.36 million

**Revenue/Fees:**

- State portion of the pistol permit fee will increase from \$70 to \$300, initial 5 year pistol permit fee will increase from \$140 to \$370.
- Increase Cigarette Tax to \$4.35 per pack and Other Tobacco Changes 59.8m (2018) and 52.9m (2019)
- Eliminating the \$200 Property Tax Credit: 105m (2018) and 105m (2019)
- Gift and Estate Tax: phase in exemption to federal level over three years

**PreK-12**

**Changing Education Cost Sharing (ECS) formula**

- Reduced to \$1.6b by transferring about \$440m to a Special Education account.
- Formula: Re-calibrates ECS to increase funds to less wealthy towns (State guaranteed Wealth Level changed from 1.75 to 1.24 which increases the number of towns qualifying for zero aid from about 28 to about 56 and redistributes remaining funds by town wealth). Replaces 30% Free and Reduced Priced Lunch weighting factor with 20% weighted HUSKY A factor.

**SPED -- Creates new \$600m SPED account**

- Eliminates Excess Cost (catastrophic) grant and transfers funds (\$140m) to new SPED account.
- Transfers \$448m from ECS to SPED Account
- Adds \$10m new funding to SPED Account
- Reimburses towns on sliding scale (0-54%) based on town wealth.
- Redistribute local aid to shield poor cities
- Shift of 1/3 Teachers Retirement Benefits to municipalities – 407.6m in 2018 and 420.9m in 2019
- No changes to teacher retirement benefits or contributions
- Retired Teachers Health Retirement – proposing raising the state share from 18% to 25%. This represents a \$10m increase in funding for FY 2018 over the FY 2017 level and an addition \$3.7m increase in FY 2019.
- Reduce Funding for Choice Programs. Reductions are made with priority given to schools that are continuing to enroll new grade
- CommPACT Schools – eliminated

- Fund Magnet Schools at FY 2017 levels
- Increase Funding to Charters Schools from \$11,000
- Reduce Fiscal Services with Technical High School and Reallocate to System's Central Office – 2.7m cut
- Reducing by 10% the following: Primary mental health, Commissioner's Network, K-3 Reading Assessment Pilot, Bilingual Education, Priority School District

### **State Employees**

Governor is seeking \$700 million in annual labor concessions

### ***Higher Education***

Realign Office of Higher Education (OHE) as a separate division under the State Dept. of Education

### **Healthcare**

New – Office of Health Strategy (2019) to coordinate efforts to react to potential health care reform changes at the federal level. Two new positions for the Office of Health Care Access (OCHA) to implement the findings of the Certificate of Need (CON) task force.