

Informational Forum: Governor's Deficit Mitigation Plan

Presentation for the Joint Committee on Appropriations

by

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INTRODUCTION

- \$17,370.3 million FY2010 General Fund budget
- \$466.5 million deficit projection as of November 20, 2.7% of General Fund
 - \$245.1 million related to revenue below budgeted levels, 53% of problem, 1.4% of General Fund
 - \$212.5 million related to deficiencies, 46% of problem; 1.2% of General Fund
 - \$9 million in minor changes (surplus adjustment)

DEFICIT PROJECTION - REVENUE ITEMS

\$245.1 million related to revenue below budgeted levels

- \$168.4 million change from enacted budget to October 15th consensus revenue forecast
- \$76 million change from OPM's October 20th forecast to November 20th forecast, mainly due to sales tax revenue below projected levels

DEFICIT PROJECTION - REVENUE ITEMS

<u>Taxes</u>	FY 2010 <u>Budget*</u>	OPM <u>11/20/2009</u>	<u>Difference</u>	<u>% Change</u>
Personal Income Tax	\$ 6,630.7	\$ 6,610.7	\$ (20.0)	-0.3%
Sales & Use	3,166.7	3,010.3	(156.4)	-4.9%
Corporation	721.6	721.6	-	0.0%
Public Service	272.3	272.3	-	0.0%
Inheritance & Estate	208.7	202.2	(6.5)	-3.1%
Insurance Companies	202.7	200.2	(2.5)	-1.2%
Cigarettes	392.6	387.6	(5.0)	-1.3%
Real Estate Conveyance	94.5	94.5	-	0.0%
Oil Companies	98.9	124.4	25.5	25.8%
Alcoholic Beverages	48.0	48.0	-	0.0%
Admissions & Dues	37.1	37.1	-	0.0%
Miscellaneous	145.5	145.5	-	0.0%
Total Taxes	\$ 12,019.3	\$ 11,854.4	\$ (164.9)	-1.4%
Refund of Taxes	(1,080.5)	(1,105.5)	(25.0)	2.3%
R & D Credit Exchange	(9.4)	(9.4)	-	0.0%
Total Taxes Less Refunds	\$ 10,929.4	\$ 10,739.5	\$ (189.9)	-1.7%
Other Revenue				
Transfers-Special Revenue	\$ 293.4	\$ 293.4	\$ -	0.0%
Indian Gaming Payments	409.1	371.0	(38.1)	-9.3%
Licenses, Permits, Fees	279.9	279.9	-	0.0%
Sales of Commodities	33.2	33.2	-	0.0%
Rents, Fines, Escheats	112.3	112.3	-	0.0%
Investment Income	10.0	10.0	-	0.0%
Miscellaneous	193.0	176.6	(16.4)	-8.5%
Refund of Payments	(0.7)	(0.7)	-	0.0%
Total Other Revenue	\$ 1,330.2	\$ 1,275.7	\$ (54.5)	-4.1%
Other Sources				
Federal Grants	\$ 4,051.8	\$ 4,051.1	\$ (0.7)	0.0%
Transfer From Tobacco Settlement Fund	107.3	107.3	-	0.0%
Transfers-Other Funds	953.7	953.7	-	0.0%
Total Other Sources	\$ 5,112.8	\$ 5,112.1	\$ (0.7)	0.0%
Total General Fund Revenues	\$ 17,372.4	\$ 17,127.3	\$ (245.1)	-1.4%

* Adjusted to reflect technical changes to estimates in various accounts

DEFICIT PROJECTION - EXPENDITURE ITEMS

- \$212.5 million related to deficiencies
 - \$73.5 million in DSS
 - (\$68.2) million Medicaid
 - (\$ 9.5) million Other Expenses
 - (\$ 6.0) million Charter Oak Health Plan
 - (\$ 3.5) million Temporary Family Assistance
 - (\$ 5.0) million HUSKY B
 - (\$ 4.0) million CT Home Care Program
 - \$ 22.7 million offset via lapses in SAGA and Child Care subsidies
 - \$60.9 million in OSC Retiree Health – will be offset by lapses
 - \$21.7 million in DDS
 - (\$9.0) million Early Intervention (Birth to Three)
 - (\$5.9) million Community Residential Services – will be offset by lapse from PS
 - (\$2.5) million Voluntary Services
 - (\$2.3) million Other Expenses
 - (\$2.0) Workers' Compensation Claims
 - \$21.5 million in DOC
 - (\$17.0) million Other Expenses
 - (\$ 4.5) million Workers' Compensation Claims
 - \$13.8 million in DMHAS
 - (\$9.0) million Other Expenses
 - (\$4.0) million Discharge and Diversion – will be offset by lapse from PS
 - (\$0.8) million Professional Services
 - \$21.1 million in all other agencies (DPW, DPS, DPH, Judicial)

OPM GENERAL FUND DEFICIT PROJECTION

AS OF NOVEMBER 20, 2009

- OPM deficit projection (\$466.5) million
- The Comptroller has certified that gross tax revenues for the GF have fallen by more than 1%. By operation of law (Sec. 113, PA 09-3, JSS), the scheduled sales tax rate reduction from 6% to 5.5% is cancelled \$129.5 million
- OPM remaining deficit projection (\$337.0) million

SUMMARY OF THE GOVERNOR'S DEFICIT MITIGATION PLAN

(\$466.5)	Projected Deficit per OPM's November 20th Letter to the Comptroller
\$129.5	Sales tax revenue resulting from rate at 6% vs. 5.5%
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(\$337.0)	Revised deficit projection

Deficit Mitigation Plan includes:

\$200.1	Rescissions, Program Reductions and Anticipated Lapses
\$52.8	Fund Sweeps
\$84.0	Reduction in Municipal Aid
\$0.2	Revenue (DAS fleet sales)
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\$337.1	Total Mitigation Proposal

MUNICIPAL AID – *DO THE MATH*

- Why does municipal aid need to be part of the solution?
- Increase in General Fund Payments to Towns from FY2007 to FY2009 of \$329.9 million (11.5%)
 - FY2007 = \$2,527.8 million
 - FY2009 = \$2,857.7 million
- FY2010 enacted budget includes \$2,787 million for town aid.
 - Formula grants reduced \$70.7 million (includes \$24.5 million Pequot Grant reduction) from FY2009. The reduction is \$40.7 million considering that \$30 million for Town Aid Road is in the Capital Program
 - This still represents an increase of 10.3% over FY2007.
 - \$84 million reduction = 3% of FY2010 total.

WHAT IS THE ALTERNATIVE?

- Leaving municipalities untouched assumes no efficiencies or reasonable prioritization that can be adopted at the local level.
- What is the alternative?
 - Should the state borrow so municipalities can preserve their fund balances?
 - Should the state pursue another \$84 million in service reductions?

EXPENDITURES

ESTIMATED GRANTS TO MUNICIPALITIES

Total State Municipal aid (includes education-related grants)

- Budget \$2,787.0 million
(includes \$61.8M Mashantucket Pequot & Mohegan Fund)
- Proposed reduction \$84.0 million
- Proposed reduction as percentage of total funding 3.0%

Municipal Spending

- Total Spending, 2007–2008 \$12,748.1 million
(source: OPM, Connecticut Municipal Fiscal Indicators, November 2009)
- Proposed reduction \$84.0 million
- Proposed reduction as percentage of total spending 0.7%
- Total fund balances FYE08, all municipalities \$859.5 million
- Proposed reduction as percentage of fund balance 9.8%

SUMMARY OF LOCAL AID

ESTIMATED MAJOR FORMULA GRANTS TO MUNICIPALITIES

(In Millions)

APPROPRIATED GRANTS	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State Owned PILOT	\$ 76.0	\$ 76.5	\$ 76.8
College & Hospital PILOT	115.4	115.4	115.4
Pequot Grant	86.3	61.8	61.8
Town Aid Road Grant *	22.0	0.0	0.0
Miscellaneous General Grants	18.6	20.8	22.0
Machinery & Equipment	57.3	57.3	57.3
Subtotal – General Government	\$ <u>375.6</u>	\$ <u>331.8</u>	\$ <u>333.3</u>
Public School Transportation	\$ 48.0	\$ 48.0	\$ 48.0
Non-Public School Transportation	4.0	4.0	4.0
Adult Education	19.6	20.6	20.6
Education Cost Sharing	1,882.9	1,889.6	1,889.6
Magnet Schools	128.6	148.1	174.6
Special Education – Student Based	140.0	120.5	120.5
Miscellaneous Education Grants	146.4	147.0	147.3
Subtotal – Education	\$ <u>2,369.5</u>	\$ <u>2,377.8</u>	\$ <u>2,404.6</u>
Other Miscellaneous Grants	<u>112.6</u>	<u>77.4</u>	<u>70.5</u>
Total – Formula Grants	\$ 2,857.7	\$ 2,787.0	\$ 2,808.4

* The following Local Aid grants were included in the Capital Program

Town Aid Road Grant	0.0	30.0	30.0
LoCIP	30.0	30.0	30.0

EXPENDITURES

DEPARTMENT OF SOCIAL SERVICES

- DSS – Reduce Certain Medicaid Provider Rates by 5% (2% for Nursing Homes , ICF/MR's and Chronic Disease Hospitals) – \$14,430,000
- DSS – Reduce Non-Entitlement Grants by 25% – \$13,860,069
 - Children's Trust Fund, Day Care Projects, Healthy Start, Human Resource Development (including Hispanic programs), Services to the Elderly, Safety Net Services, Services for Persons with Disabilities, Nutrition Assistance, Housing /Homeless Services, Employment Opportunities, Child Day Care, Community Services, Human Services Infrastructure and Teen Pregnancy Prevention.
- DSS/DMHAS – Freeze Intake to SAGA – \$5,200,000
- DSS – Eliminate Non-Emergency Dental Services for Adults under Medicaid and SAGA – \$4,100,000
- DSS – Freeze Enrollment in the Charter Oak Health Plan – \$1,800,000
- DSS – Impose Co-Payments under Medicaid – \$1,000,000

EXPENDITURES

HEALTH AND HUMAN SERVICES

- Department of Public Health
 - Reduce Community Health Services supplemental grants by 25% – \$1,746,513
 - Reduce School-Based Health Clinics account by 25% – \$2,610,162
- Rescissions to accounts related to Private Providers (direct and non-direct human services)
 - DDS \$7,700,000
 - DMHAS \$7,511,000
 - DPH \$1,414,414
 - DCF \$9,300,000
 - DSS \$4,400,000

EXPENDITURES

EDUCATION

- Department of Education
 - Suspend LPN Program – save \$1.7 million; no new intake effective January 1, 2010
 - Save \$17.0 million including the following programs:
 - Special Magnet School formulas for two schools
 - Non-essential interdistrict programs
 - Limited after school programming
- Department of Higher Education: save \$3.1 million by Recalibrating Student Financial Aid
 - Retain obligations to current students
 - Acknowledge turnover in three major programs
 - Independent colleges – \$1.2 million
 - Public colleges – \$1.5 million
 - Capitol Scholarship – \$.4 million

EXPENDITURES

GENERAL GOVERNMENT

- Reduction in Carry Forward Funding and Rescissions (\$4,667,857)
 - OPM – Operation Fuel for 150–200% of Federal Poverty Level – \$2,250,000
 - OPM – E-Licensing – \$37,857
 - OPM/DECD – Home CT – \$2,380,000
- Reduce Various Office of Policy & Management Grants (\$1,566,780)
 - Neighborhood Youth Centers – \$1,213,741
 - Regional Planning Organizations – \$159,900
 - Leadership, Education, Athletics in Partnership – \$193,139
- Eliminate Funding for Legislative Commissions (\$356,000)
- De-appropriate Funds In Lieu of Rescissions (\$768,169)
 - Watchdog agencies – \$164,814
 - Auditors – \$603,355
- DEP – Reduce Funding for Reimbursements from the Underground Storage Tank Program (\$1,746,281)
- Postpone change in Age of Juvenile Jurisdiction until FY2011 (\$10,885,770)
 - Department of Children and Families – \$2,555,012
 - Judicial – \$8,330,758

FUND SWEEPS

Biomedical Research Trust Fund	\$6,000,000
Citizens Election Fund	\$12,000,000
Community Investment Act	\$4,789,000
DEP Account Balances	\$11,690,000
Public, Educational, Government Programming Account	\$2,300,000
Stem Cell Research Fund	\$10,000,000
Tobacco and Health Trust Fund	\$5,000,000
Emissions Enterprise Fund	\$1,000,000
Reserve \$900,000 of Court Fee Increases Under PA 09-152 for Domestic Violence and Juvenile Services	\$0
TOTAL, Fund Sweeps	\$52,779,000

CITIZENS ELECTION FUND

• FY2009 Ending Balance *	\$42,778,746
• FY2010 Sweep per PA09-3	(\$18,000,000)
• Estimated FY10 Revenues	\$18,000,000
• Proposed Sweep per FY10 GDMP	(\$12,000,000)
• Estimated FY11 Revenues	\$18,000,000
• FY2011 Sweep per PA09-3	(\$7,000,000)
• Amount Available for 2010 Election	\$41,778,746

* Per Core-CT

OUT-YEAR FORECASTS

FINANCIAL SUMMARY OF THE GENERAL FUND

(In Millions)

	Estimated	Revised Enacted ⁽¹⁾	Projected
	<u>FY2010</u>	<u>FY2011</u>	<u>FY2012</u>
<u>Office of Policy and Management</u>			
Revenues – Consensus Forecast	\$ 17,204.0	\$ 17,432.7	\$ 15,794.8
Expenditures	17,582.8	17,691.1	18,943.7
Surplus Adjustment	(11.0)	-	-
Surplus/(Deficit)	\$ (389.8)	\$ (258.4)	\$ (3,148.9)
OPM Revised Revenue November 20, 2009	\$ 17,127.3	\$ 17,315.7	\$ 15,643.4
Eliminate Sales Tax Rate Reduction	<u>129.5</u>	<u>268.0</u>	<u>276.3</u>
OPM Revised Balance November 20, 2009	\$ (337.0)	\$ (107.4)	\$ (3,024.0)
<u>Office of Fiscal Analysis</u>			
Revenues – Consensus Forecast	\$ 17,204.0	\$ 17,432.7	\$ 15,794.8
Expenditures	<u>17,581.4</u>	<u>17,849.4</u>	<u>19,206.8</u>
Surplus/(Deficit)	\$ (377.4)	\$ (416.7)	\$ (3,412.0)
OFA Revised Revenue November 13, 2009 ⁽²⁾	\$ 17,195.5	\$ 17,562.7	\$ 15,924.8
OFA Revised Balance November 13, 2009	\$ (385.9)	\$ (286.7)	\$ (3,282.0)

(1) FY 2011– Enacted Budget per PA 09–3 of the June Special Session as revised to reflect the rollout of the FY 2010 deficiencies

(2) OFA Revised Revenue November 13, 2009 includes the elimination of the Sales Tax rate reduction

WHAT ARE THE ALTERNATIVES?

- Spending reductions are necessary
- Quick and decisive action is required
- The Governor's proposal is a reasonable plan to address the deficit
- The fiscal year is not quite half over; further deterioration in revenues will require deeper reductions than proposed
- We are willing to work with the legislature in order to reach real solutions
- But alternative proposals must be real

WHAT ARE THE ALTERNATIVES?